

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS, 1986

E/1986/SR.21-38

C. 1

PLENARY MEETINGS

VOLUME II

*Summary records of the plenary meetings held during
the second regular session of 1986*



UNITED NATIONS

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*Summary records of the plenary meetings held during
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UNITED NATIONS

New York, 1987

NOTE

The *Official Records of the Economic and Social Council, 1986*, consist of the summary records of *Plenary Meetings* (volumes I and II), incorporating corrections requested by delegations and any necessary editorial modifications, the *Supplements* (Nos. 1-15) and the *Lists of Delegations*.

The present volume contains the summary records of the plenary meetings held by the Council during the second regular session of 1986 (Geneva, 2-23 July 1986).

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Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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ABBREVIATIONS AND ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions	LDCs	least developed countries
ACC	Administrative Committee on Co-ordination	MIGA	Multilateral Insurance Guarantee Agency
ACP	African, Caribbean and Pacific (countries)	NATO	North Atlantic Treaty Organization
APDF	African Project Development Facility	OAU	Organization of African Unity
ASEAN	Association of South-East Asian Nations	ODA	official development assistance
CELADE	Latin American Demographic Centre	OECD	Organisation for Economic Co-operation and Development
CPC	Committee for Programme and Co-ordination	OEOA	United Nations Office for Emergency Operations in Africa
ECA	Economic Commission for Africa	OPEC	Organization of the Petroleum Exporting Countries
ESCWA	Economic and Social Commission for Western Asia	PLO	Palestine Liberation Organization
GATT	General Agreement on Tariffs and Trade	SDR(s)	special drawing rights
GDP	gross domestic product	Stabex	system of stabilization of export earnings, established by the EEC and the ACP countries
GNP	gross national product		
ICAO	International Civil Aviation Organization	Sysmin	Compensatory financing mechanism for deficits in export figures for mineral products, established by the third Lomé Convention
IDA	International Development Association	UNDP	United Nations Development Programme
ILPES	Latin American Institute for Economic and Social Planning	UNEP	United Nations Environment Programme
IMF	International Monetary Fund	UNICEF	United Nations Children's Fund
IMO	Inter-Governmental Maritime Organization	UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
IPF	indicative planning figure		
JIU	Joint Inspection Unit		

EXPLANATORY NOTES

A hyphen between years, e.g. 1982-1985, signifies the full period involved, including the beginning and end years.

An oblique stroke between years, e.g. 1982/83, indicates a financial year or a crop year.

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adopted by the Council at its 21st meeting, held on 2 July 1986

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2. Adoption of the agenda and other organizational matters.
3. General discussion of international economic and social policy, including regional and sectoral developments.
4. Report of the United Nations High Commissioner for Refugees
5. Permanent sovereignty over national resources in the occupied Palestinian and other Arab territories.
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7. Effective mobilization and integration of women in development.
8. Regional co-operation.
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10. Food problems.
11. Development and utilization of new and renewable sources of energy.
12. Development of the energy resources of developing countries.
13. Trade and development.
14. International co-operation in the field of human settlements.
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16. Countries stricken by desertification and drought.
17. Transport of dangerous goods.
18. Special economic, humanitarian and disaster relief assistance.
19. Operational activities for development.
20. International co-operation and co-ordination within the United Nations system.
21. Proposed revisions to the medium-term plan for the period 1984-1989.
22. Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations.
23. Elections.

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E/1986/C.3/L.18	International co-operation and co-ordination within the United Nations system—United States of America: draft resolution	20	
E/1986/C.3/L.19	Protection against products harmful to health and the environment—United States of America: draft resolution	20	Subsequently withdrawn and resubmitted by Argentina, Pakistan, Peru and Venezuela with the amendments shown in document E/1986/C.3/L.22
E/1986/C.3/L.20	Centenary of the Berne Convention for the protection of literary and artistic works—Argentina, Belgium, Egypt, France, Gabon, Germany, Federal Republic of, India, Italy, Morocco, Philippines, Poland, Senegal, Spain and United Kingdom of Great Britain and Northern Ireland: draft resolution	20	
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E/1986/L.28	Interrelated issues of money, finance, debt, resource flows, trade and development: note by the Secretariat	3	
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E/1986/L.35	Confidence-building in international economic relations—Poland: draft resolution	3	
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<i>Document number</i>	<i>Title or description</i>	<i>Agenda item</i>	<i>Observations and references</i>
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E/1986/L.39	Participation of the Organization of Ibero-American States for Education, Science and Culture in the work of the Economic and Social Council: draft decision proposed by the Bureau	2	
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E/1986/L.41	Policy review of operational activities for development: draft resolution submitted by the Chairman of the Third (Programme and Co-ordination) Committee	19	
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ECONOMIC AND SOCIAL COUNCIL

SECOND REGULAR SESSION, 1986

Summary records of the 21st to 38th (part III) plenary meetings, held at the Palais des Nations, Geneva, from 2 to 23 July 1986

21st meeting

Wednesday, 2 July 1986, at 4.25 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.21

ITEM 1 OF THE PROVISIONAL AGENDA

Opening of the session

1. The PRESIDENT declared open the second regular session of the Economic and Social Council for 1986.

Statement by the President of the Economic and Social Council

2. The PRESIDENT observed that apart from the Geneva Summit (19-21 November 1985), no significant movement had been made in the arms reduction negotiations in the last seven years. There had in fact been an escalation of tension in many regions: the South African régime had intensified its acts of aggression against its own people and against neighbouring countries and showed no readiness to dismantle *apartheid*; Namibia was still not yet free; conflicts continued unabated in Central America and the Middle East. Unemployment, real interest rates and budget and trade deficits remained high in many developed market economies, and the strength and durability of the economic recovery in some countries were in doubt. The modest hopes that had seemed to be emerging when the Council had met in 1985 had not been entirely fulfilled. The Administrative Committee on Co-ordination Task Force on Long-Term Development Objectives noted that the rate of growth had fallen back from 4.9 per cent in 1984 to 2.8 per cent in 1985 (E/1986/84, annex, para. 6); the prospects for 1986 were not bright. International recession, the collapse in commodity prices, adverse terms of trade, pro-

tectionism, problems of resource flows, high interest rates, currency fluctuations, and debt-servicing problems were still among the most urgent challenges faced by the world economy. The modest economic recovery in a few developed countries had not had sufficient impact on the economy of developing countries: it had simply bypassed many of them, and the "trickle-down effect" was exerting a diminishing impact on commodity-dependent economies owing to advances in science and technology, increasing reliance on synthetic materials and deep-sea mining, and demographic changes in the developed countries. Food production apart, the commodities kingdom was being replaced by a service-trade republic. Falling agricultural and mineral product export prices had led to considerable declines in revenue at a time when real interest payments on loans were rising. Meanwhile, the stream of resource flows to developing countries had almost dried up, and some developed countries had even become recipients of net resources from countries that stood in most need of capital inflows—a paradoxical and alarming consequence of the inherent structural imbalances in world trade, protectionism and the automatic prescription for indebtedness of austerity measures—which wrung short-term loan payments from debtor countries at the expense of their long-term economic growth. Moreover, such measures usually failed to get to the root of the debt crisis, and a country that agreed to generate revenues for debt payment through a policy of increased exports and decreased imports might well experience stagnation in its domestic economy, rising inflation and unemployment, and a fall in real wages and investment. Austerity policies, as at present conceived, were often in

conflict with growth-oriented policies. Further, when a nation attempted to boost its exports, it often encountered protectionist barriers which frustrated it in its efforts to earn the needed funds. An economically depressed developing world was a heavy drag on the world economy. African countries were particularly vulnerable to fluctuations in the world economy, and natural disasters and other calamities had further aggravated their economic difficulties.

3. Notwithstanding all those difficulties, there were a number of encouraging factors. The fortieth session of the General Assembly had not only enabled Member States and the organizations and agencies within the system to assess the impact of the United Nations on the contemporary world, but had been marked by a renewed commitment by all to the Organization's lofty ideals and their full realization. Moreover, at its organizational session for 1986, the Council had indicated its support for the International Year of Peace proclaimed by the General Assembly and reaffirmed its commitment to collaborate, within the areas of its competence, to achieve positive results in international co-operation. In addition, only very recently, the thirteenth special session of the General Assembly had considered in depth the critical economic situation in Africa and the main ills of the contemporary international economic environment as well as their highly negative influence on the development process of the African and other developing countries.

4. In its general discussion of international economic and social policy (provisional agenda item 3), the Council would be dealing with issues vital for the world economy. Those difficulties were well known and longstanding. Yet the Council must approach them with new vigour and a sense of history and co-operation; they were too serious for it to allow its deliberations to be swayed by shortsighted and egotistical policies. The choice of the interrelated issues of money, finance, resource flows, debt, trade, raw materials and development as a priority item was fully justified and appropriate. The Council had competence to deal substantively with those issues and to arrive at positive and concrete recommendations and proposals. It had the task of creating an atmosphere in which international economic problems could be approached constructively and cohesively, and of building an understanding on the mutuality of interests between developed and developing countries in restructuring international economic relations in order to avert the danger of a collapse of the world economic system. The Council's agenda was a heavy and challenging one, but he was convinced that, with the commitment and co-operation of all delegations, and the assistance of the Secretariat, the Council would be able to cope with it successfully.

*Statement by the Secretary-General
of the United Nations*

5. The SECRETARY-GENERAL noted that the Council had once again decided to give special attention

to the interaction in the world economy between money, finance, debt, resource flows, trade and raw materials and to their effect on development.

6. The world economy had recovered from the low point of the early 1980s, and inflation was largely under control, but overall growth was relatively modest, and there were still many imbalances. Those and other developments were analysed in the *World Economic Survey 1986* (E/1986/59) and in the report of the Committee for Development Planning (E/1986/26), which were part of the documentation for the session. Some of the major industrial countries had expressed a measure of satisfaction with the current state of economic affairs, as reflected at the Tokyo Economic Summit, held from 4 to 6 May 1986. After a decline in growth in 1985, economic activity in the industrial countries now appeared settled at a growth level of about 3 per cent, accompanied by low inflation. The economic climate in those countries had noticeably improved, partly as a result of the recent decline in interest rates and in the price of oil. The longer-term prospects would, however, depend on how the current imbalances were tackled, and on the impulses given to the growth of investment and trade. Those who warned against overconfidence would like more attention to be paid to the continuing high unemployment, acute payments imbalances and trade frictions.

7. In the socialist countries, steady but modest economic growth had provided the framework for ambitious plans for structural transformation and expansion of productivity, as was recently confirmed at the meeting of the Political Consultative Committee of the member States of the Warsaw Treaty (Budapest, 10-11 June 1986). China had made exceptional economic progress in 1985 as in 1984, also placing the emphasis on structural adjustment. With important exceptions, mainly in Asia, the growth rate in developing countries had been affected by the slowdown in the industrial countries, and in far too many of the former living standards were still in decline. Low commodity prices and protectionist barriers, combined with inadequate financial flows, were preventing many of those countries from growing faster, despite strong adjustment efforts and lower nominal interest rates. While oil importers had benefited from the fall in oil prices, the situation of oil-exporting countries was deteriorating alarmingly. Prospects for the developing countries as a whole were for growth rates at roughly half the level envisaged in the International Development Strategy for the Third United Nations Development Decade.¹ Many of those countries, especially in Africa and Latin America, were heavily encumbered by debt. Despite considerable international efforts and impressive domestic adjustment by the debtor countries, the problem continued to be very far from solution, and the social and political costs of adjustment were very heavy indeed. A recent UNICEF study graphically illustrated the impact of the situation on vulnerable population groups. The current net transfer of resources from the poorer to the richer coun-

¹ General Assembly resolution 35/56, of 5 December 1980, annex.

tries was an absurdity, for its negative effect on capital formation in the debtor countries and thus preventing growth-oriented adjustment. The financial uncertainties created by the debt situation and the downward adjustment it imposed on debtor countries were a burden upon global economic growth—a state of affairs politically and economically dangerous for the world as a whole. The new approaches adopted to counter those imbalances, such as the growth-oriented initiatives on debt put forward in the 40th Annual Meetings of the Board of Governors of IMF and the World Bank (Seoul, 8-11 October 1985), the United Nations Programme of Action for African Economic Recovery and Development 1986-1990,² and the decisions by the industrial market economies to improve the co-ordination of their policies, were impressive and welcome, but the future cause of the world economy depended on how those approaches were translated into action. He wished to emphasize once again the particular responsibility of the industrial countries in the implementation of such solutions. Their ability to furnish additional financial resources to developing countries and to absorb more imports from them had been considerably strengthened recently through their gains from the decline in commodity prices, including oil. The developed countries would gain in terms of exports and jobs as a result of an accelerated pace of development in the third world, and public opinion in those countries should be made more systematically aware of that interaction.

8. Vigorous action on debt and finance was called for. A large number of specific proposals had emerged aimed at ensuring that the debt burden was shared more equitably. Additional bank lending was necessary, but debtor countries had difficulty in accepting or meeting the conditions imposed. If the adjustment process of developed countries was not to come to a halt, creditor Governments and financial institutions must provide additional public funds, including long-term and concessional funds. Interest rates must be reduced. In many of the low-income countries, part of the debt needed to be written off or paid in local currencies. As the Committee for Development Planning had stressed, a bolder plan would be needed, on a truly global scale. The Committee had made recommendations on the type and amounts of additional funds required. The matter was essentially one of political leadership: it had to be borne in mind that the sums involved were small in relation to national wealth and income, or indeed the budgets of the creditor countries, but were often crippling for the debtor countries.

9. The deterioration in commodity prices had been a key factor in the difficulties faced by many developing countries, not only debtor countries. Major structural developments were impeding normal price recovery, and the mechanisms established to alleviate the situation had become less effective. He did not underestimate the difficulties, especially in implementing the Integrated Programme for Commodities, including the Common Fund, but the situation must not be accepted with

resignation. As an immediate measure, the compensatory financing facilities must be enlarged and made more accessible. He hoped that the seventh session of the United Nations Conference on Trade and Development, in 1987 would address that issue in depth.

10. The time had also come to consider the dangers of continuing uncertainty in the international energy situation, especially with regard to oil. Energy investments were long-term in nature, and excessive fluctuations in markets rendered price signals unreliable, resulting in periodic upheavals. The recent decline in the price of oil, while benefiting many, had created difficulties not confined to the oil-exporting or oil-producing countries. That situation could not be accepted passively. Taking into account the complexities and sensitivities involved, it was probably premature to envisage a full-fledged process of formal discussions, let alone negotiations. No one would lose, however, if technical discussion were launched, initially with a view to ensuring better monitoring and analysis of the situation. The United Nations, and more especially the Council, were well suited to initiate such a process since the energy issue had several dimensions.

11. The recent increase in trade friction was attributable to low overall economic growth and resulting protectionist measures. The impact of trade disputes among industrialized countries on developing countries was largely underestimated. A prime example was the dispute over agricultural surpluses: the attempts by developing countries to increase self-reliance in food and the capacity of many of them to implement debt-rescheduling programmes were being impaired by the massive unloading of subsidized products from the United States of America and Europe. The increase in protectionist actions against exports from developing countries was most regrettable, in view of the fact that the industrialized countries advocated export expansion as the most sensible way for the developing countries to grow out of debt and underdevelopment. A successful outcome of the crucial negotiations on textiles would create a favourable climate for the September meeting of GATT on a new round of trade negotiations. The GATT talks would take some time to produce concrete results, and that was the reason why the fight against protectionism should be continuous and trade-liberalization measures taken as soon as possible. Policies more directly aimed at promoting steadier growth in the developed countries were also needed. Several industrialized countries had successfully completed considerable structural adjustments since the mid-1970s and could now provide greater stimulation to the world economy: they should accord the objectives of growth and job creation the same status as the fight against inflation in their economic and co-ordination policies.

12. The United Nations had an important role to play by giving impetus to negotiations in more specialized forums. He hoped that the deliberations of the Council and the General Assembly would lead to the consideration of positive action to remove obstacles to accelerated growth and development, whether domestic or

² General Assembly resolution S-13/2, of 1 June 1986, annex.

international. In that connection, two important series of meetings were under preparation. An extraordinary conference of ECLAC was scheduled tentatively for December 1986 in Mexico City, at which, in the light of mounting difficulties, especially in respect of debt, the Latin American Governments had decided to explore, at a high level, alternative strategies to sustain future development after five years of complex economic problems. Stabilization policies, external debt, productive capacity and intraregional co-operation were among the topics identified for discussion. He hoped that the members of the Commission, industrialized and developing countries alike, would use the opportunity to undertake deeper analysis of that blend of domestic and international economic policies required by the situation in the region. At the broader global level, preparations had also begun for the seventh session of the United Nations Conference on Trade and Development which would focus on key issues in finance for development, commodities and international trade, as well as other issues such as the special problems of the least developed countries. He hoped that the opportunity would be used not only to take concrete decisions with an immediate impact, but also to lay the foundations for action on some long-neglected structural aspects of international economic co-operation.

13. The Council's deliberations would, he believed, benefit from the results achieved at the thirteenth special session of the General Assembly, concerned with Africa, in the preparations for which the Council had played a critical role. He wished to reiterate his gratification at the adoption of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, it was a major achievement for the African Governments themselves and also a success for the international community, including the United Nations. The special session clearly demonstrated that, when all parties showed the essential political will, the work of the United Nations could lead to specific positive results. The Programme clearly indicated that primary responsibility rested with African Governments, individually and collectively, to take the necessary action for their own economic growth and social progress. That was reflected, in particular, in the priority given to the reorganization and development of agriculture on the basis of durable structural change. The Programme also stressed, however, that Africa's economic development depended to a large extent on external support. Food and other essentials were urgently needed in a number of countries of the region. The first priority was to restore import capacity to levels that would enable Africa to resume growth. A number of relevant discussions were currently proceeding, such as the negotiations on the replenishment of IDA, on debt relief and on commodities. He urged Governments in the industrial world to view those discussions as a unique opportunity to put the Programme of Action into practical effect. Specific recommendations on official assistance had been agreed upon in the Programme; they related in particular to debt relief under resolution 165 (S-IX) of the Trade and Development Board of 11 March 1978, and the need to increase financing for pro-

grammes and balances of payments, to accelerate the disbursement of funds, to increase the concessionality of aid, and to increase local and recurrent project cost financing. The implementation of those recommendations should be actively pursued. The United Nations system was called upon to contribute to the implementation of the Programme of Action and to play a catalytic role in mobilizing the international community. He assured the Council of the commitment of all his colleagues in the United Nations system to contribute actively to the implementation of the Programme of Action, and he was currently studying practical arrangements to enable him to discharge the responsibilities which the Programme conferred on him.

14. During 1986, the Council would undertake its triennial policy review of operational activities for development, which currently exceeded \$2.5 billion per year, reflecting the will to give effect to the objectives of solidarity embodied in the Charter of the United Nations. The programmes, which were an indispensable complement to development finance, enjoyed universal support, as reflected in the growing contribution of developing countries themselves to funding activities. But there was no room for complacency; member States must constantly review the programmes' relevance and cost-effectiveness. During 1986 the Council must give particular attention to strengthening the Resident Co-ordinator's role and improving its own capacity to conduct overall policy reviews. The report before the Council highlighted the need to integrate programmes of co-operation among developing countries with operational activities and to secure adequate resources for UNDP and the other programmes.

15. He had underlined the challenges ahead and the role of the United Nations as a forum and instrument. But in order to fulfil its mandates, it was necessary to improve the efficiency of the Organization. Governments and Secretariat must review the future contents and course of work critically and objectively, heeding current financial constraints and the urgent need to redress the misapprehensions about the relevance and utility of the work of the United Nations. He sincerely hoped that the Intergovernmental Group of High-Level Experts established by the General Assembly would formulate recommendations useful from those standpoints. He appreciated the efforts of the Council and its subsidiary organs to rationalize its work. But more could and must be done. The work in the economic and social sectors must be re-examined, to ensure mutually reinforcing efforts and strengthen co-operation, in particular by better articulating agendas and calendars. Better complementarity between the tasks of the Trade and Development Board, the Second Committee of the General Assembly and the Council would also further that objective, for example, the four general debates, involving representatives of the same Governments, which took place each year in those forums, on economic and social issues should be reduced. The efforts to streamline the work of intergovernmental machinery must be matched in the Secretariat also; he was deter-

mined to continue his efforts to improve the Secretariat's quality and structure.

16. There was a general feeling that the Council should more actively exercise responsibilities for co-ordinating the work of the United Nations system; that could be achieved by involving the specialized agencies more in its work, taking into account each body's features and specific responsibilities.

17. He also wished to draw the Council's attention to the need for measures to strengthen the relations and co-ordination between the United Nations and the non-governmental organizations. NGOs now played an increasingly important role in formulating and implementing policies, including those at the national level. The experience in Africa and in sectors such as population programmes had highlighted the importance of such co-operation. To increase the Organization's responsiveness to the needs of the world's peoples would strengthen its relevance. Contacts with the mass media must likewise be enhanced in order to create a more enlightened public opinion about the purposes, objectives and performance of the United Nations.

18. The celebration of the fortieth anniversary of the United Nations had been a momentous occasion not only because of the presence of many leaders and statesmen, but also because of the perception of the tasks ahead and the affirmations of the importance of strengthening multilateral co-operation through the United Nations. One of the main challenges ahead was economic and social progress for all peoples, because it was inextricably linked to peace and security, disarmament and human rights. There were currently excellent opportunities, at a time when the world economy faced no dramatic upheavals and inflation was largely under control, to promote growth and development on a firmer footing.

19. The Council was ideally suited for providing courageous thinking, bold vision and political leadership to give the necessary impulse to strengthening co-operation within the United Nations system; it should resume the role foreseen by the Charter and thus contribute towards a better future for the world community.

ITEM 2 OF THE PROVISIONAL AGENDA

Adoption of the agenda and other organizational matters

20. The PRESIDENT, inviting the Council to consider the provisional agenda for the current session (E/1986/100), also drew attention to document E/1986/L.27 on the state of preparedness of documentation for the session.

21. With regard to documents E/1986/116 and E/1986/L.30, concerning the inclusion of a supplementary agenda item entitled "Question of the proclamation of the world decade for cultural development", the Bureau recommended that the question, if included in the

agenda, should be considered under item 20, "International co-operation and co-ordination within the United Nations system".

22. Mr. Ter HORST (Venezuela), said that in his delegation's view the footnote relating to item 3 in document E/1986/100 was not strictly correct as it stood; it should be reworded to indicate that, at the previous session, the President had expressed the view that "raw materials" comprised all raw materials, including energy.

23. Mr. MALIK (India), supported by Mr. FERRER (United States of America), said that the footnote correctly reflected the Council's understanding.

24. Mr. Ter HORST (Venezuela) said that there seemed to be a misunderstanding; during the previous session the President had replied satisfactorily to a question by his delegation on the matter, but in a sense different from that reflected in the footnote. The record of the meeting concerned should be consulted.

25. The PRESIDENT said he recalled having replied to the effect that the understanding had not formed part of the decision taken, and that the footnote clearly reflected the agreement reached.

26. Mr. Ter HORST (Venezuela) said that in view of the President's statement, his delegation could agree to the adoption of the agenda.

27. Mr. KOBAYASHI (Japan), referring to document E/1986/116, sought clarification on why the question of the proclamation of the world decade for cultural development should be included in the current session's agenda and wondered, in view of the scope of the topic, whether there would be time to deal with it.

28. Mr. ARMERDING (United Nations Educational, Scientific and Cultural Organization) outlined activities to date on the question, which were summarized in the introduction to the draft plan of action contained in the annex to document E/1986/L.30. As could be seen, the subject was not new to the Council, which had been seized of the topic as early as 1983. The subject concerned not UNESCO alone but the entire United Nations family; the Council, therefore, was the appropriate forum in which to consider it.

29. The PRESIDENT gave an assurance that there would be time to discuss the question, should it be added to the current session's agenda.

30. Sir John THOMSON (United Kingdom) said he shared the misgivings expressed by the Japanese delegation. Whilst it was quite proper for the Director-General of UNESCO to put forward the proposal, the Council could not be expected simply to endorse it. Discussion of such an issue was bound to be lengthy, and other items in an already heavy agenda were bound to suffer as a result.

31. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that it was his understanding that not all members of the Council were satisfied with the work done by UNESCO. However, UNESCO was a prestigious member of the United Nations system and

had adopted the resolution in question by a unanimous decision. Japan was a member of UNESCO and had joined in that decision. Any attempt to interfere with the Council's consideration of the topic, brought to its attention in accordance with rule 12 of the rules of procedure, was unjustified.

32. Mr. KUMLIN (Sweden) inquired whether the President intended that the Council should enter into a substantive discussion of the draft plan of action contained in document E/1986/L.30. If that was so, he would have some misgivings as to whether the Council's work programme would permit such treatment.

33. Mr. DIETZE (German Democratic Republic) said that consideration of the topic should not take up too much time, since the overwhelming majority of States represented in the Council had already agreed to the adoption of resolution 11.10 at the twenty-third session of the UNESCO General Conference. He therefore supported its inclusion in the Council's agenda, so that the question of the proclamation of the world decade for cultural development could be submitted to the General Assembly in accordance with the established procedure.

34. The PRESIDENT observed that the point made by the previous speaker was relevant to the question asked by the representative of Sweden. Whatever decision the Council might take, time would be found for the discussion.

35. Sir John THOMSON (United Kingdom), referring to the statement made by the representative of the German Democratic Republic, said that the Council's decision on the matter would certainly require substantial discussion. For example, his delegation would like to know how the expenditure involved was to be allotted. The Council should not be requested simply to rubber-stamp the lengthy text contained in document E/1986/L.30.

36. The PRESIDENT assured the previous speaker that the Council was not being asked to rubber-stamp the draft plan of action.

37. Mr. WORONIECKI (Poland) said that, since the President had stated that the necessary time would be found, the Council should certainly include the topic in its agenda.

38. Mr. MALIK (India) pointed out that the fact that the Council included an item in its agenda did not necessarily mean that it would approve it without a proper discussion. The issue would certainly be given serious consideration. It should not be a question of whether any given member liked or did not like a particular organization or a particular agenda item. In any case, in order to avoid a lengthy debate on what was becoming a political issue, it would be helpful if the President could hold some informal consultations and then place the matter before the Council again at a later stage.

39. Mr. DIETZE (German Democratic Republic) endorsed the remarks made by the representatives of Poland and India.

40. Mr. LABERGE (Canada) also supported the remarks made by the representative of India. Since the Council's agenda was already lengthy, he would like to know in which Committee and at what point the UNESCO proposal would be discussed.

41. The PRESIDENT replied that, if the Committee decided to include the proposal in its agenda, it would be considered under agenda item 20.

42. Mr. ALZAMORA (Peru) said that the procedure suggested by the President was correct. Almost all the States represented in the Council had already approved resolution 11.10 at the twenty-third session of the UNESCO General Conference. His delegation therefore had no objection to the inclusion of the topic in the Council's agenda, at whatever point the President considered appropriate.

43. Mr. KOBAYASHI (Japan) supported the Indian representative's suggestion that the President should enter into consultations with those delegations that had raised questions regarding the inclusion of the topic in the Council's agenda and that he should report back to the Council at a later stage. His delegation had no problems of substance, but wondered whether the Council's current session, with its heavy work-load, was the most appropriate time to consider the issue. If the substance of the matter was discussed, some delegations might not be sufficiently prepared and a great deal of time might therefore be taken up by the discussion.

44. Mr. LEMERLE (France) said that, like Japan and India, his country was in no way hostile to UNESCO. However he shared the concern expressed regarding the practical aspects of the matter and therefore supported the suggestion that the President should hold informal consultations.

45. Mr. ARMERDING (United Nations Educational, Scientific and Cultural Organization) explained that the request had been submitted to the Secretary-General rather late because the Executive Board of UNESCO had completed its consideration of the matter only on 29 May 1986. The plan of action was the fruition of two years of intensive consultations among Member States and organizations within the United Nations system. Its substance should therefore not be unknown to the Council. If consideration of the question was postponed, the General Assembly's proclamation of the world decade for cultural development might be delayed by as much as three years. In any case, UNESCO had complied with the established procedure for dealing with such matters.

46. Mr. SEVAN (Secretary of the Council) explained that the matter had been submitted to the Council because it was the main channel of communication between the specialized agencies and the United Nations.

47. The PRESIDENT observed that the Council needed more time to reflect on the question of the proclamation of the world decade for cultural development. He therefore suggested that it should postpone its decision on the matter until the following meeting. In

the mean time the representative of India could arrange informal consultations and report back to him.

48. Apart from that matter, if there was no objection he would take it that the Council wished to adopt the provisional agenda (E/1986/100).

It was so decided (decision 1986/152, para. 1).

49. The PRESIDENT pointed out, with regard to item 4, entitled "Report of the United Nations High Commissioner for Refugees", that in accordance with Economic and Social Council resolution 1623 (LI) of 30 July 1971, the report (E/1986/55) should be transmitted to the General Assembly without debate, unless the Council decided otherwise, at the specific request of one or more of its members or of the High Commissioner, at the time of the adoption of its agenda. Since no such request had been made, he took it that the Council wished to transmit the report of the United Nations High Commissioner for Refugees to the General Assembly.

It was so decided (decision 1986/152, para. 1).

50. The PRESIDENT recalled that the Council, at its first regular session, had already provisionally approved by its decision 1986/151, its organization of work for the present session, as well as that of its two sessional committees, as set forth in the annex to document E/1986/100. He hoped that every effort would be made to enable the Council to conclude its work on 23 July. In order to utilize fully the conference services allocated to the Council, the Bureau proposed that all morning meetings should begin at 10 a.m. The Bureau would keep the progress of work of the Council under constant review throughout the session in order to make adjustments, if necessary, in the workload of the two committees, with a view to enabling them to conclude their respective programmes of work by 17 July.

51. In connection with item 3 of the agenda, entitled "General discussion of international economic and

social policy, including regional and sectoral developments", following the practice established a few years previously there would be a question-and-answer period towards the end of a meeting at which executive heads of organs, organizations or programmes of the United Nations system had addressed the Council. Delegations would be informed one day in advance of the speakers in the plenary for the following day in order to allow them sufficient time to prepare any questions they might wish to raise.

52. Mr. SEVAN (Secretary of the Council) said that, if it was found necessary for the Council to continue its session beyond 23 July, it would not be due to any failure on the part of the Secretariat, which would ensure that all documents were submitted on time.

53. The PRESIDENT said that, if there was no objection, he would take it that the Council approved the organization of work as contained in the annex to document E/1986/100, excluding item 4 concerning the report of the United Nations High Commissioner for Refugees, which the Council had decided to transmit to the General Assembly without debate.

It was so decided.

54. The PRESIDENT invited delegations, in drawing up proposals on the various agenda items, to take due account of General Assembly decision 40/436, of 17 December 1985, concerning the biennial programme of work for the Second Committee for 1986-1987. He reminded members of the established guidelines concerning statements in explanation of vote and statements in exercise of the right of reply. If there was no objection, he would take it that the Council wished the same guidelines to apply at the current session.

It was so decided.

The meeting rose at 6 p.m.

22nd meeting

Thursday, 3 July 1986, at 10.20 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.22

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments

1. Mr. DRAPER (Administrator of the United Nations Development Programme) said that, at a time when the developing countries were experiencing an extremely serious economic crisis, UNDP's role was more important than ever before. Convinced that absolute priority must be accorded to the development of human resources as the driving force in economic and social

progress, UNDP was engaged in improving education and training, employment, health services, nutrition and the demographic situation in the developing countries in order to enhance the dynamism of their institutions, the skills of their labour force and the resourcefulness of their rural communities.

2. That was a vast undertaking which required close inter-sectoral co-operation among many partners. The work done by UNDP would gain greatly in efficiency if the agencies which collaborated with it made full use of the services offered by its resident representatives, who

also acted as resident co-ordinators, and formed a team with them, as amply demonstrated by the experience gained in Haiti and in Africa.

3. In his report (E/1986/108), the Director-General for Development and International Economic Co-operation made a plea for greater coherence in the operational activities of the United Nations development system. It was therefore essential that the resident co-ordinators, who played a decisive role in that respect, should be given the powers and all the support which they needed in order to do their work, so as to avoid the dissipation of effort, to increase the multiplier effect and to reduce the burden on the Governments of the beneficiary countries. Of the 20 or so recommendations which the Director-General had made for improving United Nations development activities, some were addressed to the governments of both developed and developing countries. They had UNDP's support, and a number of them fully coincided with UNDP's own views and interests. In his report (*ibid.*, paras. 53 and 54), the Director-General commented on the JIU's report on the field representation of the system and raised the question of the selection of resident co-ordinators. UNDP would like to make a more thorough study of the consequences of the proposal made, since it was always the UNDP resident representative who was appointed resident co-ordinator.

4. UNDP needed the support and co-operation of all concerned in order to strengthen its network of country offices, which were the real backbone of its activities, to build up its personnel and to improve programme implementation rates. The Economic and Social Council's attention was drawn to decision 86/17 of the Governing Council, of 27 June 1986 (see E/1986/29, annex), in which the latter recommended the implementation of a co-ordinated and coherent strategy which enhanced the role and responsibility of the resident co-ordinators and which drew in full on the human and technical capacities of the developing countries.

5. The question of the participation of women in development was very much to the fore. UNDP had implemented a new strategy for promoting the integration of women in its activities. Programme staff would be trained to work with Governments in encouraging the consideration of women's interests and the contribution which they could make to UNDP-assisted projects.

6. Advantage must also be taken of the important role which the private sector played in the economic life of many countries. UNDP had already taken a first step in that direction by assisting Governments to establish mechanisms based on the private sector; in particular, it had participated in some very promising projects in Africa and the Caribbean, which should make it easier for countries to obtain funding for the establishment of small and medium enterprises. Where Governments so wished, the private sector should be considered as a new development partner in technical co-operation activities.

7. The co-operation of United Nations agencies in joint people-centred programmes was particularly useful in assisting the Governments of African countries to implement their own development plans and to turn their resources to better account. The United Nations Programme of Action for African Economic Recovery and Development 1986-1990,¹ adopted by the General Assembly at its thirteenth special session on the critical economic situation in Africa, had laid the foundations for a new form of co-operation between the African countries and the international community. UNDP, which was expected to play an important role in its implementation at the national level, would have to ensure, in the first place, that IPF programmes reflected the latest priority objectives adopted by Governments. He would be visiting Africa shortly in order to consult a number of governments and to meet resident representatives.

8. In assisting low-income countries, particularly in Africa, UNDP had to make a tandem approach, one at the economic centre and the other at the grass-roots level. Donors had understood the situation well: thus the Netherlands authorities had made an additional contribution of 12.5 million florins to provide technical assistance in administration and public finance to African countries, while the Canadian Government had offered \$20 million to finance community projects in Africa, which would also help to build better ties between UNDP and the non-governmental organizations. In addition, in view of the splendid achievements of United Nations Volunteers at the village level, the UNDP Governing Council had voted additional funds to finance their activities.

9. For 35 years, UNDP had been the major funding agency for technical co-operation activities in the United Nations system. However, it needed a steady increase in resources to maintain at the very least the growth rate of 8 per cent envisaged by the Governing Council over the Fourth Programming Cycle. The contributions it had received in 1985 had, of course, represented an increase in current terms, but the trend in real terms since 1970 was a source of concern. Although UNDP's resources had risen from \$226 million in 1970 to \$760 million in 1986, an increase of more than 300 per cent in current terms, in real terms, as measured by applying the Development Assistance Committee's GNP deflator, virtually no progress had been made over the past 16 years. That was very serious.

10. But that was not all. In 1970, the population of the developing countries had stood at 2.6 billion. By the end of 1986, it would have reached 4 billion, an increase of 65 per cent. On a *per capita* basis, the real value of contributions to UNDP would thus have fallen by approximately 30 per cent. Consequently, a great effort would have to be made to rectify the financial situation and to mobilize new resources; in order to do that, UNDP relied on the support and co-operation of all donors.

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

11. Mr. ALVARES MACIEL (Brazil) recalled that at the second ordinary session of the Council, held in July 1985,² he had stated that the dominant economic Powers were opposed to any real reform of the world economic system, arguing that the order established in the 1940s remained the only valid one. Actually, in at least one sector—international trade—the system had been shaken by its own founders. Furthermore, IMF's policy towards indebted developing countries and the preference given to bilateral negotiations and to unilateral decisions over multilateral action were seriously endangering the system. The intention seemed to be to replace the "new international economic order" proposed by the Group of 77 several years previously by an extremely pernicious "new economic order".

12. He had therefore hoped that the competent international organizations would study the multilateral initiatives concerned primarily with trade and monetary and financial questions, with special reference to the very realistic summing-up by Mr. Kobayashi in the Council's report to the General Assembly.³ Unfortunately, the General Assembly had more or less evaded the issue in both 1985 and 1986.

13. The Tokyo Economic Declaration of 6 May 1986 (A/41/353), the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, the preliminary work in GATT for the Ministerial conference that was due to take place in September at Punta del Este, the Declaration of the Ministerial Session of the Non-Aligned Countries held at New Delhi (A/41/341), and the Ministerial Meeting in the Global System of Trade Preferences⁴ held at Brasilia in May 1986, provided some interesting indications which, with the measures taken by certain Governments, revealed a contrasting picture of the international economic situation.

14. International interest rates had fallen, but still not far enough; a lasting solution to the external debt problem would not be found unless that trend continued and investment, growth and development were resumed in both developing and developed countries. There could be no solution to the debt crisis without close cooperation and a frank dialogue among Governments, international financial institutions and private banks. Unfortunately, so far the dialogue between creditor and debtor countries had produced mostly one-sided formulations by the creditors. The countries of Latin America had been unjustly accused of forming a debtors' cartel because they met from time to time to exchange views and to explain their common needs to the world. If any cartel existed, it was certainly a creditors' cartel whose principal counsel was IMF. He hoped that IMF would revert to its real role, which was to assist

countries in need by exercising effective surveillance over the economic policies of the major industrialized countries. His Government would continue to cooperate with IMF and wished to benefit from its assistance, but it was the Brazilian Government that determined the country's policy, which was currently directed towards growth and economic development; the "cruzado plan", which was its cornerstone, had made it possible virtually to eliminate inflation. Nevertheless, the budget deficit must be further reduced.

15. For countries like Brazil, which were Contracting Parties to GATT,⁵ developments in the international trading system were a source of concern. Everybody was aware that the provisions of the General Agreement were out of date and that GATT had lost prestige. Bilateral agreements and, above all, unilateral decisions had damaged it considerably. An updating and strengthening of its rules, and even a reform, were necessary, but there was no agreement on ways of attaining that objective. A new round of multilateral trade negotiations was scheduled for September at Punta del Este. Brazil had many objections to such a meeting: its objectives were not clear and some proposals which were due to be discussed at it were not within the competence of GATT, which was primarily concerned with goods, and then with trade. If it was to be concerned with other activities, the General Agreement must be amended, in accordance with the provisions of article XXX, or else a forum having competence in the matter must be used or a special forum having legal competence in the matter must be created. There were at least two United Nations forums that were legally and technically qualified to deal with the production of, and trade in, services and foreign investment—namely, UNCTAD and the United Nations Commission on Transnational Corporations. A new round of negotiations within GATT based on such issues could not rectify the inadequacies of the existing multilateral trading system. On the contrary, what was most urgently required was a rectification of the situation brought about by the Multifibre Arrangement, a liberalization of trade in tropical products, the elimination of quantitative restrictions on raw materials, semi-manufactures and manufactures, a reduction of tariff escalation, and observance of the GATT rules concerning subsidies and agricultural products.

16. His Government placed great hopes on the agreement recently concluded at Brasilia by more than 50 developing countries of the Group of 77, which, it trusted, would promote their foreign trade.

17. The *World Economic Survey 1986* (E/1986/59) stressed that the fall in commodity prices, particularly oil, would continue to have very important consequences. For a country like Brazil, which was both a large exporter and a large importer of raw materials, stability in the commodity sector was essential and determined its trade policy.

² *Official Records of the Economic and Social Council, 1985, Plenary Meetings, vol. II, Summary records of the meetings held during the second regular session of 1985 (E/1985/SR.28 to 52), 29th meeting, para. 27.*

³ A/40/3.

⁴ GSTP/MM/BRASILIA/1.

⁵ GATT, *Basic instruments and selected documents, volume IV* (Sales No.: GATT/1969-1).

18. According to the *Survey*, oil prices might fluctuate substantially in the months to come. That would create serious policy-making problems for both importing and exporting countries. Consequently, effective multilateral co-operation was needed, since national policies alone could not correct the imbalances in the world economy.

19. Sir John THOMSON (United Kingdom), speaking on behalf of the EEC and its member States, noted that, most fortunately the Council worked by consensus since results could be achieved only through co-operation. Its discussions should reflect both the complex considerations that were beyond the control of any individual Government and the viewpoint of each country. The growing interdependence among nations was such that issues relating to the development and improvement of the world economy should be considered from an overall perspective in which the competence of each body was respected.

20. At the resumed session of the Second Committee of the General Assembly in May 1986, there had been considerable differences of interpretation. There was nothing surprising about that, since the world community was diverse and it was the duty of Governments to defend their national interests. It was, however, encouraging to note that out of the searing experience of the recent recession, a certain degree of consensus had emerged. Circumstances were favourable for an attempt to tackle positively the major problems which had troubled the first half of the 1980s.

21. Firstly, it was generally acknowledged that sustained and stable growth, in both developing and developed countries, was essential. In that connection it was encouraging to note the success recorded with anti-inflation and growth-oriented adjustment policies, which had concided with the decline in oil prices.

22. Secondly, the countries participating in the Tokyo Economic Summit had acknowledged that surveillance of the economic policy of the developed countries was desirable. They had also acknowledged that the pursuit of sound and mutually acceptable economic policies would help to achieve durable and stable exchange rates.

23. Thirdly, the same countries had recognized the need for continued analysis and discussion of emerging trends in the world economy which could have profound effects on world trade and on development policies.

24. Another aspect of the current situation was the explosive growth of the financial and information sectors in the industrialized countries, which had had a profound impact on capital movements. The agricultural scene had been characterized by the fact that production had increased far more rapidly than demand. Thus some of the most populous nations—such as China, India and Indonesia—were now self-sufficient. Furthermore, as a result of technical progress and agricultural support policies, food surpluses had been created. In some cases

those surpluses had contributed to depressed prices which had adverse consequences for local production.

25. There were therefore some grounds for optimism when the present state of the world economy was considered. The recovery which had begun hesitantly in 1983 was continuing, and there were grounds for hoping that output would continue to rise at a rate in excess of 3 per cent during the next two years. Over the past year interest rates had declined substantially, there had been no resumption of inflation, as might have been expected at the current stage in the economic cycle, and the spectacular fall in oil prices had not yet produced its full effects on the economies of the oil-importing countries. Continued growth could therefore be expected, with a low rate of inflation.

26. Nevertheless, the industrialized countries were still confronted with a number of difficulties. In Europe, in particular, unemployment was still very high and its social and political consequences could not be underestimated. He recognized that the advantages of trade liberalization outweighed the disadvantages, and remained firmly opposed to protectionism.

27. Many developing countries had made substantial progress since the recession of 1982; if the figures were disaggregated to exclude the special situation of the oil-exporting countries, in 1985 the developing countries had recorded a growth of 4.8 per cent, which should be maintained, helped in part by the lower cost of energy. Nevertheless, the adjustment process had been painful in many developing countries and, in particular, for the oil-producing countries. They had had to make a substantial reduction in their imports, at a high social and political cost; in many countries *per capita* GNP had risen very little and in some regions it had even declined. Moreover, the indebtedness of a number of developing countries still stood at critical levels, particularly in Africa and Latin America. Accordingly, the EEC had welcomed the proposals made at the 40th Annual Meetings of the Board of Governors of the IMF and the World Bank (Seoul, 8-11 October 1985) for the purpose of settling that problem. The approach recommended provided for the adoption, by the indebted countries, of sound macro-economic measures and structural policies, increased lending by the commercial banks, a continued central role for IMF, and an enhanced role for the multilateral development banks. The indebted countries would thus be able to develop their domestic savings, to promote productive investment, including foreign investment that did not generate debts, and to encourage the repatriation of capital. IMF had estimated that, in September 1985, private deposits in foreign banks had amounted to \$60 billion for 10 Latin American countries; that was only part of the sums invested abroad, which could account for as much as 50 per cent of the indebtedness of 18 major borrowing countries.

28. In order for the plan to work, the industrialized countries themselves must promote non-inflationary growth, access to markets, the liberalization of trade,

and lower interest rates. In such a climate, it would be possible for bank lending, including substantially increased lending by the World Bank, to be resumed. So far the progress made had not entirely matched expectations, but the EEC countries were ready to play their full role in the process, as they had already shown on numerous occasions by agreeing to reschedule or to cancel the public debt of some countries. In that connection it should also be noted that the member States of the EEC had participated in the establishment of the Multilateral Investment Guarantee Agency (MIGA), whose forthcoming operations would stimulate private investment in the developing countries.

29. As far as development assistance was concerned, it was noteworthy that the EEC and its member States supplied one third of world official assistance, bilaterally, multilaterally or through EEC institutions. The EEC reaffirmed its willingness to maintain and, where appropriate, to expand the flow of official resources to developing countries, in particular to the poorest countries. Member States had worked to improve the quality of their bilateral aid programmes. The importance of the high degree of concessionality was underlined: almost all new official assistance to the least developed countries took the form of grants and therefore did not increase their debt. The Council's attention was drawn to the third ACP-EEC Convention of Lomé and to the unique assistance that it offered to participating countries, not least through the Stabex and Sysmin operations. The Community also attached importance to the eighth replenishment of IDA at a level of \$12 billion, as well as the decision to increase the general capital of the International Finance Corporation and to increase substantially the capital of the World Bank.

30. It had not been possible to sustain the growth in trade recorded in 1984 at such a rapid pace but it was now well established, partly as a result of the fall in oil prices. The latter had, of course, harmed the exporting countries, but it should permit the others—in other words, the majority—to improve their trade balances. Protectionism was frequently designated as one of the major obstacles to growth. As the leading importer of the developing countries' products, the EEC was conscious of the need to reinforce the open trading system. Its stand on that point was very firm. Its member States had reduced their customs duties one year ahead of the schedule set at the Tokyo negotiations. Consequently, 80 per cent of the exports of the developing countries were admitted into the EEC free of duty. The EEC hoped that the new round of multilateral trade negotiations in GATT would attract as many participants as possible and that, in view of developments in trade practices, it would deal with new issues.

31. Another major problem was the vulnerability of the export earnings of many developing countries that were dependent on a narrow range of commodities. While the EEC considered that, in some cases, various commodity or market agreements could be useful, the entry of new producers, improvements in production techniques, government policies and changes in demand

had created a situation in which a reassessment of present thinking about the operation of agreements was needed in the appropriate international bodies, including the United Nations Conference on Trade and Development at its seventh session.

32. In the monetary field, the EEC countries believed that recent meetings constituted important steps forward. Over the past nine months there had been a considerable realignment of currencies, and the countries whose currencies were substantially used in international trade had undertaken to take corrective measures whenever significant deviations from the intended course occurred.

33. The Economic and Social Council and the General Assembly were taking a keen interest in tackling the economic difficulties of the African countries. The United Nations had been successful in co-ordinating emergency aid in response to the famine. At the moment the Organization was considering the continent's longer-term development problems, which had been discussed in 1985 in the Council, whose resolution 1985/80 had paved the way for the thirteenth special session of the General Assembly. The international community would make every effort to provide Africa with the support which it needed. For their part, the African countries had acknowledged their prime responsibility for their economic recovery and had committed themselves to the necessary economic and structural reforms.

34. For all its flaws, ODA had been one of the great innovations of the second half of the twentieth century. In an increasingly interdependent global economy that was deeply fragmented politically, it had raised the norms of international conduct. Although the developing countries were understandably concerned about certain decisions taken by the industrialized countries, on their side the donor countries would like the developing countries to adopt appropriate policies in areas such as agricultural development, population, the environment, private investment, and education and training, as well as in institution-building. In order to play the full role assigned to it by the Charter of the United Nations, the Economic and Social Council needed to take into account all those considerations and make progress on the subjects entrusted to it, which it should view in an overall perspective, from a world standpoint, aware that its effectiveness depended on the co-operation of all its members.

35. Mr. SAOUMA (Director-General, United Nations Food and Agriculture Organization) said that the main features of the world food situation were plentiful supplies, especially of cereals, little growth in consumption for lack of effective demand, a recession in trade, and depressed prices on world markets. At the end of the current agricultural season, world stocks of cereals would reach the record figure of 390 million tons, equivalent to 23 per cent of world consumption. That was more than enough as a buffer stock, but it was unequally distributed, since 45 per cent of the stocks were concentrated in the United States of America. Con-

siderable surpluses were also causing a glut on other markets such as those of meat and milk products. Those costly surpluses, the results of policies to support production and storage, were leading to increasingly keen competition for the conquest or preservation of markets. Although measures were currently being envisaged to curb expenditure on support to agriculture and gradually redress the market balance, it might be wiser to reallocate resources in such a way as to contain surpluses in Western countries and to promote production in the third world. Unused capacities for the production of agricultural inputs in developed countries could serve to modernize agriculture in developing countries.

36. Although the 1985 harvests had been good at the world level, it must nevertheless be noted that the total food production of the developing countries had barely exceeded the rate of population growth. According to FAO forecasts, *per capita* consumption should fall in 1985/1986 in almost half of the low-income deficit countries. World trade in cereals would slacken appreciably in 1985/1986, and imports by developing countries would drop by approximately 11 per cent.

37. According to a recent World Bank study, 730 million persons would not have enough food to lead a normal life, and 340 million would be severely undernourished. FAO's *Fifth World Food Survey*, had confirmed that the absolute number of undernourished persons would continue to increase. Poor countries had been obliged to establish economic adjustment policies to reduce government deficits. Drastic cuts had been made in imports, wages had been reduced, and underemployment had risen, thereby increasing inequalities in the distribution of income. Consumer subsidies for staple commodities had been reduced or even abolished, so that the standard of living had fallen and malnutrition had grown worse among the poorest and most vulnerable sectors of the population. Thus the number of persons living below the poverty line in Latin America had increased by at least 20 million over the past five years.

38. Adjustment policies were perhaps necessary in order to lay the foundations for a non-inflationary resumption of growth. They were, however, tenable politically and socially only in the perspective of sustained economic expansion. As a bare minimum, specific programmes should be designed to protect the most vulnerable groups from the more damaging repercussions of adjustment policies. That was not just FAO's point of view; it was also that of other institutions such as the World Bank, which, in a report issued in March 1986, entitled "Poverty and hunger: Issues and options for food security in developing countries", had concluded that if food security was to be achieved, it would be necessary, in the long term, to ensure economic growth and mitigate poverty and, in the short term, to redistribute purchasing power and resources.

39. As far as Africa was concerned, the intentions expressed with regard to reform and assistance at the recent thirteenth special session of the General Assembly

needed to be translated into deeds as soon as possible. Firstly, although the continent had enjoyed bumper harvests in 1985 and the prospects for 1986 were good, six countries would still need emergency food aid and many others would still need external aid to meet their structural cereal deficit. It would also be necessary to avert, as soon as possible, the threat hanging over some regions that harvests might be destroyed by plagues of grasshoppers and locusts. FAO, in co-operation with the threatened countries, had prepared programmes to prevent those disasters. He trusted the international community would be in a position to provide all the assistance needed.

40. There was also the additional problem of the sudden appearance of surpluses in some countries whose fragile economies were extremely sensitive to the smallest deviations in production, which could lead either to a shortage, making importation unavoidable, or to a surplus, depressing prices on local markets and creating insoluble problems of storage and disposal. That was why he had repeatedly invited donors to finance triangular operations, barter agreements, and the purchase and internal distribution of local surpluses in deficit areas. Operations of that type were under way, but not on a large enough scale, so that the problem remained.

41. Looking beyond the current emergency phase, the African countries must also ensure the recovery and long-term development of their economies. In that connection, the Programme of Action for African Recovery and Development adopted by the General Assembly at its thirteenth special session should serve as a frame of reference for both the African countries and the international community. The Programme contained a very substantial agricultural component prepared by a special OAU/ECA/FAO task force, which tallied very closely with the in-depth study of constraints on agricultural development which he would submit to the fourteenth FAO Regional Conference for Africa in September 1986. Africa constituted one of the major priorities of FAO, which devoted nearly half of its resources to it. It could therefore count on the full and wholehearted co-operation of FAO in the implementation of the programme, so vital for Africa's economic and social breakthrough.

42. In order to put an end to hunger and malnutrition, an immense effort must be made to increase food production and to ensure that the poorest had more to eat. That invariably entailed a number of politically delicate but indispensable structural reforms. Agriculture must be accorded a higher priority in the allocation of government funds and in private investment. Land management should not stop at the towns. Rural populations could not endlessly bear the cost of the advantages conferred on urban consumers. It was essential to ensure a better balance between town and country and to improve the quality of rural life by endeavouring to promote employment and to ensure a decent standard of living. Producer prices should be such as to provide an incentive, and access to inputs and services made easier.

Rural institutions should be developed, with the direct and active participation of those concerned. Lastly, the major balances should be restored between production, population and environment. Such a programme required an unswerving political will and a long-term effort, as well as resources far beyond any amounts that the developing countries could raise themselves. Without an appreciable increase in international aid and an improvement in trading conditions and in the prices of staple commodities, its implementation was problematic.

43. Unfortunately, external aid was being meted out more and more parsimoniously. In a recent communiqué, the Intergovernmental Group of Twenty-Four on International Monetary Affairs had pointed out with concern that ODA would increase by barely 2 per cent in real terms during the rest of the decade—in other words, at a rate far below the growth rate in industrialized countries and even the population growth rate of the third world. External assistance to agriculture had remained practically unchanged in nominal terms since 1980, and soft loans had even dropped sharply.

44. Furthermore, the problem of third world indebtedness was still unsolved. Some creditor countries had set an example by agreeing to reschedule or write off some debts, but more operations of that kind would undoubtedly be necessary, as the Secretary-General had stated (21st meeting). Debt-servicing absorbed an excessive part of declining export earnings. Private loans were falling, external aid served only to bridge the gaps, and as long as that situation lasted the indebted countries would not be able to escape the gradual strangulation of their economies.

45. The third world also needed a more equitable trading environment, since trade, through the exchange of goods and services, created upstream and downstream flows of activities and in so doing, wealth. In 1985 the trade of the developing countries had fallen in both value and volume. The outlook was hardly any brighter for 1986 and beyond. According to recent FAO forecasts, in 1990 world prices would be hardly to the advantage of the exporters of many agricultural commodities. Unfortunately, all the efforts made to stabilize commodity prices had failed, and commodity agreements had not produced the desired results. What was more, doubts were creeping in as to their validity. In those conditions, he wished to propose once again that the second account of the Common Fund for Commodities, which already had more than \$250 million available, should be authorized to start operating on a provisional basis. Many projects were ready, some of them prepared by FAO, and it would be a pity not to take advantage of them.

46. Lastly, one could only deplore the fresh outbreak of protectionist reactions. The panoply of measures taken was vast and often on the borderlines, if not in outright breach, of the GATT rules. In such circumstances some established concepts might be challenged, such as the principle of preferential treatment for developing countries, the relevance of which it might do

no harm to reaffirm. However that might be, the agreement in principle reached by GATT on the launching of a new round of negotiations could only be welcomed, in the hope that the interests of the developing countries would, on that occasion, be duly taken into consideration. In the meantime, the possibilities of promoting economic co-operation and trade among developing countries must not be neglected; in that connection it should be pointed out that FAO had undertaken an in-depth study of trade in agricultural commodities among those countries. The study would endeavour to identify ways and means of expanding South-South trade.

47. According to the new concept of world food security adopted by FAO and ratified by the General Assembly in paragraph 8 of resolution 38/158 of 19 December 1983, all people, everywhere and at all times, should be in a position to produce or procure the basic food they used. Such was not, unfortunately, the case, despite the undeniable progress made in the agricultural sector by some of the most populated regions in the world. However, the Earth was capable of feeding its inhabitants, and the scourge of hunger could be eliminated by a rearrangement of priorities, sound policies, and a more propitious external environment.

48. Mr. GOLOB (Yugoslavia), speaking on behalf of the member countries of the Group of 77, said that they were ready to co-operate with the President of the Council towards the success of the current session. Over the previous two years, the Group of 77 had spared no effort to enable the Council to play its true role in international economic co-operation as envisaged in the Charter of the United Nations; the sessions of that essential forum of the United Nations should offer a unique opportunity to take stock of the world economic situation and help to check any negative trends that might appear in it.

49. The current session was being held in a context of continuing erosion of multilateralism and increasingly overt attempts to deprive the United Nations of some of its essential functions. The Group of 77 would like to see that situation remedied and tangible results produced.

50. The Council, in discussing the current agenda item at its second regular session of 1985, had agreed to hold an exchange of views on the major world economic issues, to be concluded by a statement from the President; it had then agreed to dispense with the practice of adopting conclusions and resolutions, and the Group of 77 had agreed to the new procedure. Unfortunately, the General Assembly had taken none of the decisions that might have been expected of it on those issues.

51. The statements made by heads of State and Government during the celebration of the fortieth anniversary of the founding of the United Nations, encouraging though they had been, had not led to any concerted plan of action. The Group of 77, having failed to obtain a meaningful response during the autumn of 1985, had achieved the reconvening of the Second Committee in the spring of 1986, with a twofold task: firstly,

to undertake an in-depth consideration of ways to promote international co-operation in the interrelated areas of money, finance, debt, resource flows, trade and development and second, to complete its deliberations on the question of development and international economic co-operation.

52. Unfortunately, the Second Committee's work had been utterly fruitless; the Committee could only recommend that the Council, at its current session, should have before it for discussion and negotiation a revised working paper on the interrelated issues mentioned (E/1986/L.28), on which it would report to the General Assembly at its forty-first session.

53. Moreover, the proposals submitted by the Group of 77's Group of 24 to the annual meetings of the Interim Committee and Development Committee of IMF and the World Bank had shared the same fate as the draft resolutions submitted to the General Assembly.

54. Such a record of failures and shortfalls could only be deplored. It did seem that action in the Council or the General Assembly was grinding gradually and inexorably to a halt. Certain Powers whose participation was essential for continued dialogue appeared to consider neither body competent to deliberate questions of finance, money, debt or trade. The Group of 77 neither could nor would accept such a view, for reasons far from selfish: the Group's members had at heart the interests of the international community as a whole; there must be changes, and the sooner the better.

55. At the Group of 77's previous ministerial meeting, held in New York in October 1985, the Foreign Ministers had emphasized the United Nations' vital role as a forum for negotiation on the economic and social problems confronting the entire world. They had regretted the practice adopted by a small group of developed countries acting outside the United Nations system in taking decisions that were of concern to the entire world. At the Ministerial Meeting of the Co-ordinating Bureau of the Movement of Non-Aligned Countries, held at New Delhi in April 1986, the Ministers had reaffirmed that position.

56. The developing countries believed that just and lasting solutions to economic problems could be achieved only through negotiation, on the basis of equality, mutual interest and interdependence. The most powerful countries, on the other hand, were meeting increasingly in select groups, a practice which bred mistrust and suspicion. Such a state of affairs could only arouse the resentment and resistance of all those whose interests were suppressed or ignored; it was bound to lead to tensions, disputes and conflicts, which threatened the internal stability of many States and already highly fragile international stability.

57. The Group of 77 had always upheld the idea of North-South dialogue, and would continue to do so, as the only way to resolve the hotly debated issues of world economic relations. Although its patience had been sorely tried, its will to engage in negotiations was un-

shakeable—if only because its proposals were fair and its quest for negotiated solutions was justified.

58. For a number of years certain developed countries had been making very optimistic statements about world development prospects. But the real economic situation had never justified such optimism. The developed countries had not experienced the sustained recovery announced, and the situation in most developing countries had continued to deteriorate. Throughout that period the United Nations had taken no action, although some had dwelt increasingly on the need for changes in the developing countries' economies. It was undeniable, however, that the developing countries had done their best to undertake adjustment measures, the brunt of which had fallen disproportionately and unjustly on them. The *World Economic Survey 1986* (E/1986/59) rightly pointed out that the sizeable imbalances in the world economy, including the widening gap in living standards between rich and poor countries, could not be tackled by national measures alone; they required effective international co-operation within a multilateral framework and concerted policy actions over a wide range of interrelated issues.

59. It could be seen from the World Bank's *World Development Report 1984*, that the GDP growth rate in developing countries, which had been 6.3 per cent between 1960 and 1973, had declined to 1 per cent in 1983, the industrialized market-economy countries, for their part, had recorded a similar trend, their GSP growth rate having declined from 4.9 per cent between 1960 and 1973 to 0.5 per cent in 1982. In 1985 neither the economic situation nor multilateral co-operation had improved. Economic performance in many countries had been disappointing and, as the year had advanced, projections for output and trade had been revised downwards; for 1985 as a whole, output had risen by a little over 3 per cent, which meant a sharp deceleration compared to 1984, while international trade had grown by only 3 per cent, as against 9 per cent in 1984. Large internal and external imbalances in key industrial countries, exchange rate fluctuations among the major currencies and high unemployment rates in Europe continued to be the main features of the developed countries' economies. The situation in the developing countries had continued to deteriorate during 1985, the overall economic environment having hampered or even halted their adjustment efforts.

60. In addition, there were other negative trends. World commodity markets were in total confusion. During the 1980s, commodity prices had fallen every year, except 1983, and the outlook in that sector was very bleak. The deterioration in terms of trade during the 1980s had been devastating for a number of small developing countries, whose only source of foreign exchange was exports of commodities. It was hard to understand and accept the claim that progress had been made in respect of the debt problem; according to the *World Economic Survey 1986*, interest rates remained high in real terms, thus making the debt problem considerably more acute for scores of developing countries.

Debt service ratios were rising in all developing countries; in the majority, they had attained unprecedented levels during 1985. Interest payments alone represented over \$70 billion. The debtor countries had had to restrict their imports in 1985, with adverse effects on world trade and on the economies of all industrialized countries, particularly the United States, 36 per cent of whose total goods exports went to the developing countries. The net flow of private capital to the developing countries had virtually dried up.

61. Implementation of the United Nations Programme for African Recovery and Development 1986-1990 would be the test of the world community's political will, particularly that of the developed countries, to give effect to joint commitments. It should be noted how far the African countries' economies had had to sink before the world community had agreed to address the critical situation in that continent and take the necessary measures.

62. He expected the Council, at its current session, to focus due attention on the item which had been assigned priority in its agenda. The interdependence of major economic problems and the interaction among them seemed to be better understood. The consultations which had been held should be an inducement to break out of the current stalemate in negotiations. Coherent, complementary measures were required that would be feasible only by the most extensive multilateral co-operation within the United Nations system as a whole.

63. If the lessons of the past were drawn on, the current session should open up broader vistas for an improvement in the economic environment of the developing countries and should promote global economic recovery by revitalizing their economies.

The meeting rose at 12.45 p.m.

23rd meeting

Thursday, 3 July 1986, at 3.10 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.23

AGENDA ITEM 2

Adoption of the agenda and other organizational matters (*continued*)*

1. The PRESIDENT said that, if there was no objection, he would take it that the Council approved the recommendation, in paragraph 2 of the report of the Committee on Non-Governmental Organizations (E/1986/117), concerning requests by non-governmental organizations to be heard in the Council or its committees under the various agenda items.

It was so decided.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral development (*continued*)

2. Mr. LUCAS (Guyana) said that the agenda item under discussion had taken on added significance in view of the Council's decision that made it possible to give priority consideration to the interrelated issues of money, finance, debt, resource flows, raw materials, trade and development. It was right and proper for the Council to address those issues; pursuant to Article 55

of the Charter of the United Nations, it was responsible for promoting, *inter alia*, conditions for economic and social progress and seeking solutions for international economic, social, health and related problems.

3. The better prospects sensed by some policy makers were largely concentrated in the Western industrialized countries, based on the substantial drop in inflation and on positive movements in other economic indicators, as well as the sharp decline in the price of oil. Even in Africa, the signs were marginally hopeful; agricultural production had increased, the external trade deficit had fallen. The absence of negative figures for growth in output in other regions had also helped to encourage the feeling of euphoria.

4. But doubts lingered about the strength and certainty of the recovery. Some feared that the large swings in the terms of trade might lull Governments into complacency and allow costs pressures to build up again. The recent dramatic downward revision of output by a major economic Power highlighted the uncertainty.

5. Prospects for the developing countries were even bleaker. They could not, as a whole, expect growth of more than 3 per cent in 1986 and 4.7 per cent at best for the rest of the decade. Most had little hope of major improvements in output, even if the industrialized nations sustained current growth rates; an improvement in their living standards, therefore, could hardly be expected. They were beset by the precariousness of commodity prices, the rise of protectionism and similar techniques,

* Resumed from the 21st meeting.

high interest rates, the indefinite duration and social costs of adjustment and the continually high debt burden. Three of those areas were of special concern to his delegation. The first was the depressed state of commodity prices, whose extremely low levels had had disastrous consequences for developing countries at a time when several international commodity agreements had collapsed and it had proved impossible to renegotiate successfully some of those that had expired. The effect on countries which relied on exports of one or a few primary commodities had been crippling. As a result, confidence in traditional forms of international commodity policy had been lost, and an innovative approach to international co-operation in that field was being called for. But the reckless abandonment of all forms of commodity arrangements must be avoided; ways must be sought to improve existing useful mechanisms while pursuing new ways to expand the economies of developing countries which incorporated their resource base. An innovative approach would clearly help to overcome the current impasse and to promote opportunities for developing-country exporters, in particular, to share in growth-oriented adjustment. Any further delay would jeopardize many small developing countries' recovery prospects.

6. Second, the combined trade deficit for the industrialized countries had narrowed considerably. The African region had reduced its external imbalance slightly. The trade deficit in other developing regions, whilst still a cause for concern, was not of crippling proportions. But the limited progress made should not be allowed to mask some disturbing trends. The widening trade deficit of the United States of America was causing anxiety. Many developed-country markets remained, despite avowed commitments to free trade, inaccessible to many products from developing countries. Preparations for a new round of trade negotiations had reached an advanced stage; developing countries were being encouraged to participate and seemed to have a good chance of having their views properly considered in the negotiations. The success of the new round could therefore depend on the extent to which the developing countries had an opportunity to compete in increasing their share of world trade. The conclusions of the proposed new round should aim at greater predictability and fairness in the international system; the chances for that were daily decreasing as some developed countries continued with impunity to erect tariff and non-tariff barriers. Such actions had implications not only for market access but for an eventual solution to the third issue, the debt problem.

7. An end to that problem was nowhere in sight; assertions that it was even under control were made with much diffidence. What passed for control was the imposition on debtor nations of firm adjustment measures. Creditors and their mediating institutions maintained that the right doses of IMF-designed and supervised adjustment measures, together with appropriate World Bank support, would eventually solve the problem, even though several rounds of adjustment

and the prolonged crisis had worsened many debtor nations' social and economic conditions, which had also been complicated by poverty, high unemployment and a weak payments position.

8. It was heartening that creditor nations and institutions had begun to view growth with adjustment to the debt problem as a serious objective. That was clearly a step forward, but progress would depend on what was done to assist large and small debtors as they sought to correct economic imbalances. The ideas advanced included realistic interest rates, stable monetary and fiscal policies, trade liberalization and greater resource flows.

9. Logical and attractive though the case-by-case approach might be to some, it was becoming clearer that the solving of the debt problem required a shared responsibility, given the problem's politically sensitive nature. It was encouraging that the need for co-responsibility was being acknowledged by IMF and the World Bank, and was becoming part of their policy consideration. The Committee for Development Planning had further emphasized the virtue of collective action.

10. Despite the awareness of the need for co-responsibility, not in all cases did the dialogue suggest a convergence of views on joint action; the dialogue, therefore, must be stepped up. The Second Committee's recommendation for the inclusion of debt and development as a clearly identifiable item on the agenda at the General Assembly's forty-first session could foster co-operation. The Council's discussion on the current item, in the framework of the interrelated issues, should steer in that direction, bearing in mind the continuing uncertainty about world economic growth. Expectations about the Council's ability to give guidance on future action were naturally high, especially since its efforts relating to the African crisis had eventually led to the convening of the thirteenth special session of the General Assembly, devoted to Africa.

11. The Council had demonstrated its usefulness in helping to prepare for dialogue at a higher level and in mobilizing views and positions to enhance future discussion on priority subjects. The interrelated issues receiving priority at the current session had already been specially considered during the Council's second regular session of 1985. The discussions then and throughout the ensuing period, including the fortieth session of the General Assembly, had given greater substance to the views and positions which could guide the Council's actions. As a benefactor and beneficiary of that process, the Council was well placed to propel the negotiations closer towards a consensus by narrowing the existing differences among the members of the international community.

12. Mr. HELENIUS (Finland), speaking on behalf of the Nordic countries, said that despite the brighter prospects for the world economy brought about by economic growth in many regions and improvements, such as a better investment climate, reduced nominal interest rates and improved major currency alignment, problems such as unemployment and trade imbalance

among major industrialized countries persisted, together with volatile exchange rates, high real interest rates and protectionism. Although some developing countries had shared in the recovery, much of Africa and Latin America had experienced stagnation and even regression, due to factors such as persistent balance-of-payments and debt problems, low commodity prices and slow infrastructure development.

13. There now appeared to be broad agreement that the interrelated problems must be tackled coherently. The United Nations Programme of Action for African Economic Recovery and Development 1986-1990,¹ to which the Nordic countries pledged support, was an important achievement whose basic objectives had been endorsed by the world community as a whole, which should support the efforts of the African countries with additional resources and better market access.

14. The industrialized nations must continue to promote non-inflationary growth; although not the sole engine of world economic growth, they represented the bulk of global output and imports. Speedier growth in key industrialized countries, supported by an appropriate economic policy mix, would foster structural adjustment and further balancing of public finances. Although a supportive world economic climate was an important prerequisite for development, the developing countries' own domestic policies would ultimately determine their growth. The Nordic countries encouraged them to pay more attention to agriculture and food production, diversify domestic production, stimulate domestic savings and private sector investment, improve public sector efficiency and give more priority to human resources development.

15. In seeking to support growth and structural adjustment in those countries, the world community must urgently address the issues relating to the restoration of adequate development finance. Industrialized countries, multilateral institutions and commercial banks all had a part to play in co-operative and mutually reinforcing action. Governments of industrialized countries should increase their ODA, particularly to the poorest countries; all donor countries should strive to reach the agreed targets of 0.7 and 0.15 per cent of their GNP. Multilateral financial institutions should be one of the main sources of additional ODA. The Nordic countries endorsed the envisaged increase in World Bank lending in support of growth-oriented adjustment policies; it should be accompanied by a firm commitment to increase the Bank's capital substantially by mid-1987; updating the Bank's gearing ratio rules could achieve supplementary financial strengthening, and the eighth replenishment of IDA should be settled as soon as possible at a level of at least \$12 billion. The steps to enable the IMF Structural Adjustment Facility (SAF) to be operational from 1 July were welcome. It was also important to give other development institutions, including regional development banks, means to increase their financial support to developing countries.

16. Commercial bank lending to developing countries had clearly been excessive during the 1970s, and those banks should be allowed gradually to decrease their exposure in those markets; yet their contribution in providing finance to debtor countries remained vital.

17. Large-scale capital flight was significantly amplifying balance-of-payments problems in several major debtor countries. The Governments of those countries should strive to stem it, and improve the climate for non-debt-creating foreign investment, through appropriate economic policies.

18. The Nordic countries continued to believe that debt problems could be effectively addressed only in the framework of broad, long-term, growth oriented strategies, in a case-by-case approach. The Baker initiative had steered the intergovernmental dialogue on the broader aspects of the debt issue in the right direction, but the practical steps it had envisaged had hitherto been applied only to a limited extent. In particular, wider debt relief action in favour of the poorest countries should be considered.

19. The Nordic countries continued to believe that the functioning of the international monetary system required major improvements. They had supported a procedure whereby large exchange rate movements would trigger off international consultations on policy adjustments, and had advocated a more systematic discussion of the reports of the Group of 10 and the Group of 24, while at the same time refraining from prejudging or excluding any appropriate options. For example, there was no need to take hasty conclusions about convening an international conference on money and finance for development.

20. Traditional fluctuations in commodity markets had been aggravated by structural factors related to demand and supply. The mixed fortunes of traditional stabilization mechanisms should not lead one to conclude that international co-operation was no longer needed; other forms of commodity-by-commodity co-operation, particularly oriented towards development measures as well as more effective export-earnings stabilization schemes, should be considered.

21. The current energy market situation was unlikely to continue indefinitely, and could be tighter during the 1990s. Better predictability and long-term stability in the oil market would be in the interests of producers and consumers alike. It was above all important to avoid complacency about the current low oil prices and to prepare for the future, *inter alia* by continuing to invest in traditional and new—preferably renewable and sustainable—energy sources and in energy efficiency measures.

22. One of the contributory factors to the sluggish growth of world trade in the 1980s had been the weakening link between increased income and trade growth. Other forces, too, such as growing restrictions stemming from stringent economic policies, and currency and financial instability, had helped to restrict the ef-

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

fects of trade as a transmitter of world growth impulses. The fight against protectionism, overt and covert, must be relentlessly pursued, with the backing of strong and respected multilateral trade rules. The Nordic countries strongly supported the forthcoming GATT round of multilateral trade negotiations which was necessary in order to promote trade liberalization, strengthen the GATT system and adapt it to emerging trade issues. Commitment to a comprehensive standstill should be an integral part of the decision to launch the new round and would serve to signify Governments' resolve to resist protectionist pressure and further erosion of GATT's rules and principles. The new round could generate dynamic growth and structural adjustment and give better effect to the principle of special and differential treatment of developing countries. The remaining preparatory problems could and should be resolved by the Preparatory Committee, but a willingness to compromise on all sides was clearly required.

23. The Nordic countries regretted that the preparation of the agenda for the seventh session of the United Nations Conference on Trade and Development, scheduled to take place in 1987, had not reached a more advanced stage at the previous session of the Trade and Development Board.

24. Discussions in various United Nations forums had led to a better understanding about the linkages of various interrelated issues and the interdependence among nations. A very strong case for multilateral co-operation had been established; the Council, at its current session, should further clarify the most important issues and identify possible steps towards removing obstacles to growth and development. At some point, the Council should consider how to record the emerging convergencies and divergencies in its deliberations, bearing in mind that many observations and views merited further consideration in other international forums. In that context, the Nordic countries had found most enlightening the Secretary-General's statement (21st meeting), that there was a general feeling that the Council should more actively exercise its responsibilities for co-ordination in the work of the United Nations system.

25. Mr. BOTAFOGO (World Bank) said that although the economic upturn of 1984, in which the industrialized economies, fuelled by the United States, had grown by 4.6 per cent, could hardly have been expected to continue, the 1985 outcome had fallen short of expectations, growth in the industrialized countries having fallen to 2.8 per cent. The developing countries' growth rate of 4.4 per cent, compared to 5.4 per cent in 1984, was largely attributable to the exceptional performances of Brazil and China. Much of the decline in global economic growth had reflected the slowdown in the United States, not offset by growth in other major industrialized nations. But sustained non-inflationary growth in those nations was of crucial importance to the developing countries, whose growth required a supportive external climate; any further slowdown, therefore, would deal a serious blow to the viability of the struc-

tural adjustment process to which a growing number of countries were committed. The situation was even more alarming when viewed in terms of current global economic structural changes and the apparent weakening of traditional economic links between developed and developing countries.

26. The weakening was nowhere more pronounced than in international commodities, the price index for which had continued to fall between 1982 and 1985 despite a real GDP growth of almost 10 per cent in industrialized nations. The depreciation of the United States dollar had not led to a recovery in commodity prices. The implications for developing countries, particularly for the highly indebted and those heavily dependent on commodity exports, were worrying.

27. The current negotiations on a proposed new round of trade negotiations, aimed at restoring multilateralism, were of major importance. Increased access to the industrialized nations' markets remained critical to the adjustment process, particularly for heavily indebted countries, given the continued rise in protectionism which threatened to aggravate the problems of debt servicing and growth. The developing countries stood to gain from adjustment to their own trading policies; but they should also be integrally involved in any institutional reforms aimed at improving GATT's effectiveness. Those countries would be the main beneficiaries of a strengthened GATT and a reformed trading system. Recent actions by the Group of Five to co-ordinate their macro-economic policies not only reflected a changed approach to the problems of an interdependent world economy but underlined the major industrial countries' responsibility for the working of the global economy. Results so far had been encouraging; an orderly downward adjustment in the dollar exchange rates in relation to other major currencies had been secured, and concerted action by the United States, the Federal Republic of Germany and Japan had triggered reductions in nominal interest rates. But real interest rates remained excessive for developing countries, especially when measured against the purchasing power of their exports.

28. The economic outlook for developing countries remained uncertain; and longer-term considerations about the performance of the global economy had been complicated by the oil price collapse; although the oil-importing countries stood to gain from reduced energy costs, the already precarious situation of the exporting countries, faced with heavy debt servicing, would be aggravated.

29. If the major industrialized countries adopted corrective measures to reduce Government deficits leading to higher rates of production investment, further reduced long-term nominal interest rates, reduced labour market rigidities and combated protectionism, favourable conditions could be created for strong and sustained growth, provided that macro-economic policies were closely co-ordinated. The outcome would depend mainly on the commitment of the major in-

dustrialized nations. In such conditions, growth in industrialized countries could average some 4.2 per cent per year; and developing countries, if they sustained their policy reforms could achieve an export growth recovery of some 7 per cent per year, coupled with lower interest rates and a lighter international debt burden. Commercial bank lending and direct investment could revive, and those countries' annual GDP growth would average 5.8 per cent. But conditions would differ widely among the country groups; much of the *per capita* income growth in Asia would reflect the performances of China and India. Major exporters of manufactures, such as Brazil and the Republic of Korea, would also achieve annual *per capita* growth rates of over 4 per cent. However, a number of sub-Saharan African countries and heavily indebted oil-exporting nations would still find it hard to adjust and grow; for example, annual *per capita* GDP growth in sub-Saharan Africa would be only 0.4 per cent.

30. But if the major industrialized countries were insufficiently committed to sustain policy reforms, the outlook for the developing world's growth would worsen, with even wider variations in performance. The breakdown in adjustment would be basically due to the developed nations' failure to reduce budget deficits. Real interest rates would rise again, trade would slacken under growing protectionism and the industrialized countries' overall annual GDP growth would average only 2.5 per cent between 1985 and 1995. All groups of developing countries would be hard hit. Some middle-income exporters of manufactures might sustain growth, albeit at lower rates; but some oil exporters would be hit by falling oil prices and reduced capital inflows due to limited creditworthiness. Low-income Africa would be disastrously affected, since demand for primary commodities would be further depressed. Clearly, the world must not allow such a scenario to occur.

31. The adjustment process must therefore be sustained in order to restore a satisfactory level of economic growth. But the initial reforms undertaken by a growing number of developing countries were being threatened by uncertainties regarding trade and capital flows. Hopes for trade expansion to fuel growth in the developing countries clearly depended on higher OECD growth; but policy measures by developing countries themselves would also be needed to reduce disincentives to their export growth. Even so, the latter could still be hampered by excessive protection, which had been most marked, during the 1980s, in manufacturing and agriculture—sectors of special interest to developing countries.

32. Traditional sources of capital, so critical to the adjustment process, were no longer expanding; nor could or should commercial lending resume at 1970s levels. The World Bank aimed at fostering adequate commercial bank lending, increased official flows, export credits and direct private investment; only through concerted efforts to increase resources, coupled with sustained policy reforms and improved efficiency in

developing countries, could growth-oriented adjustment be achieved.

33. The Bank had continued to enhance its capacity to meet the growing and differing needs of borrower member countries through expanded financial support and increasingly through policy advice and technical assistance; it had been actively involved, particularly through the Development Committee, in international consultations and major action designed to help the developing countries to restore and maintain their economic growth. Its role in the international initiative on sub-Saharan Africa reflected its flexible approach to that region's special needs. World response had been helped by the African countries' growing consensus on diagnosis and action; endorsement of the Joint Program of Action and the Special Facility for sub-Saharan Africa by the Development Committee was a signal not only to the world community but to Governments that more must be done; results thus far had been encouraging. The Special Facility provided an additional \$1.6 billion in concessional assistance over three years to support policy reform efforts in eligible countries. Some 18 countries implementing satisfactory policy reforms, were currently eligible and more were expected to join; commitments amounted to some \$640 million, covering 19 operations in 14 countries. The Bank had improved its Consultative Group process, which was not only a formal instrument of aid co-ordination but included support by the Bank's field staff for co-ordination at local level; and it had increased its collaboration with UNDP round tables. Underlying all such activity was the African Governments' growing commitment to policy reform, culminating in the thirteenth special session of the General Assembly on the critical economic situation in Africa. Likewise, the consensus achieved at the 40th Annual Meetings of the Board of Governors of the IMF and the World Bank (Seoul, 8-11 October 1985), on highly indebted countries, followed up by the meeting of the Development Committee in April 1986, reflected the Bank's further involvement in a major action programme to deal with those countries' special problems. The Baker initiative taken at Seoul was significant for its emphasis on adjustment with growth as the most promising approach; specifically, it called for major policy reforms, supported by increased private and official external capital flows, and close collaboration among developed and developing countries, commercial banks and international financial and development institutions. The Bank was working closely with Governments and relevant institutions, playing a major support role through expanded policy-based lending coupled with assistance in formulating and monitoring growth-oriented programmes.

34. To a large extent, the Bank's overall effectiveness depended on the adequacy of its capital resources. For its poorest members, the replenishment of IDA resources at an appropriate level would be crucial. In January 1986, consideration of the eighth replenishment had begun, and efforts were being made to achieve a target of about \$12 billion. It was expected that at the

next meeting of IDA deputies, scheduled for July, agreement would be reached on the volume of resources. IDA remained a key instrument of concessional support for adjustment and poverty alleviation efforts in its poorest member countries, and for expanding the social and physical infrastructures on which long-term growth depended. It was particularly crucial to sub-Saharan Africa, but other poor countries continued to depend on its assistance.

35. Expanded lending for World Bank borrowers would depend on a general capital increase. In April 1986 the Development Committee had reaffirmed its support for a substantial expansion of such assistance and had endorsed a revised lending level of up to \$21.5 billion in 1990. The planned increase in resources reflected in part the Bank's expanded role in assisting heavily indebted countries to implement growth-oriented programmes. More generally, the endorsement of higher lending levels stemmed from the understanding reached at Seoul that the Bank should have the capacity to increase its quality lending to all borrowing members, and not be constrained by lack of capital or borrowing authority in meeting future demand. Accordingly, the Executive Board was considering the preliminary issues relating to agreement on a general capital increase.

36. The Bank had also taken some major initiatives to increase the contribution of the private sector to the development process. The recent agreement to establish the Multilateral Insurance Guarantee Agency (MIGA) marked an important step in that direction. The main objectives of MIGA would be to insure investments against non-commercial risks, furnish information, undertake research and provide policy advice to its members on foreign investment issues. MIGA could also enhance the climate for other foreign resource transfers. To date 26 developing and 5 industrialized countries had signed the relevant Convention, representing over 41 per cent of the authorized capital of \$1.1 billion.

37. MIGA now had a formal convention, and a preparatory committee was to meet in September to agree on its business practices. It was hoped that other interested governments would sign the Convention and that the ratification process would be expedited so that MIGA could become operational in 1987. MIGA would provide timely support to a growing number of developing countries that were taking a hard look at their policies towards foreign investment with a view to expanding the development role of the private sector.

38. The establishment of MIGA also coincided with a major capital expansion programme of the International Finance Corporation (IFC), the affiliate of the Bank supporting private sector development. Over the fiscal years 1985 to 1989, IFC expected to undertake over 400 new investments and to commit \$4 billion of its own funds in business ventures with total capital costs exceeding \$30 billion.

39. The Bank's private sector initiatives would give special attention to Africa. The Bank was a partner with UNDP in launching APDF, which was being co-sponsored by the African Development Bank and executed by IFC. APDF would help African entrepreneurs to develop new business ventures, and it would establish regional offices for that purpose in both East and West Africa. Consideration was also being given to the establishment of an African Management Service Facility.

40. The Bank was continuing to expand its economic and sector work in order to underpin its operational activities and policy-based lending, and to support its dialogue with governments on a broad range of policy issues. Particularly in the present development environment of constrained resources and rapid external change, developing countries could ill afford the luxury of ineffective or inappropriate policies. Mounting pressures on governments to re-order investment priorities or to restructure institutions or re-evaluate the relative roles of the public and private sectors in development required major analytical work in support of sound decision-making. Such economic analysis and study of policy issues by the Bank was increasingly appreciated by borrowing member governments and by other donor and development institutions.

41. The world was witnessing a development phase in which developing countries were undertaking major reforms and adopting new policies in difficult circumstances in order to recapture and sustain their economic growth. Those efforts must be encouraged and strengthened. The World Bank was committed to playing its part, together with other concerned institutions.

42. Mr. ALZAMORA (Peru) said that there was an increasingly critical dichotomy in the world economy, political repercussions of which were increasingly dangerous. Power and wealth were becoming concentrated in the hands of a small number of countries, at a time when more than 100 nations were experiencing their most severe economic crisis since the Economic and Social Council had been created. In many places growth had stopped or was negative, income levels had receded to where they had been two decades previously, and the meagre savings generated with such tremendous effort could not be applied to national development because they had to be transferred abroad.

43. Faced with such a situation, none of the international economic institutions had lived up to its responsibilities. The financial institutions, while allowing the powerful to commit all kinds of arbitrary acts, had become implacable executioners of the weak. The commercial institutions had permitted the liquidation of the multilateral trading system and its replacement by a régime of negotiated and regulated protectionism. A powerful nucleus of developed countries was imposing its iron law on the economic life of the world. Co-operation had been abandoned, and the plans for a new international economic order had been repudiated. The

few concessions made to the developing countries had been withdrawn. The developed countries required the developing countries to open up their markets, to grant reciprocal concessions and to undergo asymmetrical adjustment. The developing countries were viewed merely as markets and suppliers of depreciated products, while their competitive advantages were being gradually annulled.

44. In those circumstances, the countries of the third world were seeing their development potential steadily whittled away. In the past, their natural resources had been exploited by others, who had benefited and become rich. Now, when those natural resources belonged mainly to the developing countries themselves, their value was being whittled away by the technological revolution. Raw materials which still had some value were being displaced from their traditional markets by subsidized competition from the developed countries, and manufactures that were still competitive were also being ousted by force. The multinational system of international relations was giving way to bilateral arrangements conducive to the exercise of economic—if not political or military—power free from the inconvenient interference of international institutions.

45. The situation was causing a crisis in the United Nations development system. New institutional arrangements were being imposed by the unilateral policies and new functions which IMF had assumed since 1982, to such an extent that sovereign States were being deprived of the right to decide freely their own economic policies. The resulting unequal correlation of force entailed a negation of the principles proclaimed by the United Nations and threatened to reverse the progress so laboriously achieved in North-South negotiations and in international co-operation over the past 30 years.

46. His delegation was therefore unable to share the curiously optimistic conclusions arrived at by the Secretariat in the annex to its note entitled "Interrelated issues of money, finance, debt, resource flows, trade and development" (E/1986/L.28). North-South relations had never been worse than at the present time, and multilateralism had never experienced a more serious and dangerous crisis.

47. The crisis in negotiation and co-operation necessarily had repercussions for the Council, whose responsibility for providing a clear and honest diagnosis of the problems encountered in international economic relations, as well as formulas for their solution, was greatly increased. The violence taking place in the third world was, in the last analysis, due to the desperate living conditions imposed by an international economic order based on the exploitation of the labour and resources of the developing countries. That order was therefore a permanent danger to international peace and security which the United Nations could not ignore.

48. Debt was no longer just a problem of how to finance payments. It also affected the capacity of States to meet their investment and consumption requirements

and to apply the most appropriate policy for their economic development. The refusal to negotiate an honest solution had increased the seriousness of the problem by establishing a link between indebtedness and the sovereignty of States over their resources and economic activities. Peru could not accept the idea that interdependence meant the compulsory adjustment of developing economies to the requirements and interests of developed economies, or a cutback in national sovereignty over economic activities, or the institutionalization of dependence. The creditor States could not impose policies that deprived the debtor States of their right to development or to safeguard the standard of living of their peoples. It was therefore illusory to think that a real solution could be found to the debt problem and that world trade could be reactivated unless the aspirations, interests and rights of the developing world were taken into account.

49. For a long time the problem had been disregarded or fabricated solutions had been put forward for it. Now, for the first time, realistic approaches were emerging, such as the one recently proposed by Senator Bradley of the United States, which linked the trade and debt problems together. All that was needed was to make his proposal more explicit by arriving at the consequential correlation between export earnings and the debt-servicing capacity already implicit in it. It had to be done. The debt had been arranged on the basis of three assumptions which no longer held good—namely, the dynamics of world trade, the stability of interest rates, and the flow of external resources. Since the conditions in which the debt had been contracted had changed, the conditions in which it was repaid also had to be modified.

50. The failure to meet the commitment to allocate 1 per cent of GDP to official aid had helped to make the developing countries dependent on the conditions imposed by private banks. The failure to keep markets open to the products of the developing countries and to secure stable and remunerative prices for their raw materials had also been responsible for their immense current debt. While the average level of the developed world's official aid was less than 0.5 per cent of GNP, in recent years the developing countries had transferred 4 or 5 per cent of their product to the developed countries. The fall in the price of oil and other raw materials had provided the developed countries with an additional overall profit equivalent to several Marshall Plans. The prosperity thus derived was not used to institute justice in economic relations, to promote development, to defuse the debt problem, or even to put an end to *apartheid*. In the developed countries the prospect of the slightest economic loss served as an excuse to dampen the best intentions and was holding up the indispensable process of sanctions. In their struggle to re-establish legality and rationality in international economic life, to create conditions of mutual advantage, and to institutionalize forms of co-ordination that took into account the interests of all and forms of co-operation that could overcome the crisis, the developing countries en-

countered only evasiveness or rejection, with nothing positive being offered in return. For example, the new economic order, global negotiations, the proposed monetary and financial conference, and negotiation of the debt had all been turned down.

51. The major developed countries, being absolutely indifferent to the ruinous effects which their external economic policies had on the developing countries, insisted that the latter's external commitments must be met. Nevertheless, no nation could consciously set out on the road to economic, social or political suicide, and no government could drag a nation along the road to disaster. A "case-by-case" policy did not provide an answer. The recent history of negotiating processes confirmed that the only viable solution was structural and that it must entail a global agreement to make substantive changes in the existing rules. Indifference or unwillingness to accept that fact had merely made the problem more acute.

52. Consequently, an increasing number of Governments in the third world were announcing that they would pay only a certain percentage of their export earnings to service the debt, or only as much as would permit a given percentage of annual growth, and that they would not accept the interference of IMF, since their primary debt was to their own people. Faced with such realities, organs as important as the Economic and Social Council should not be in the rear, but in the van of events. They should not restrict themselves to bewailing them *a posteriori*, but should try to prevent them, denounce them and correct them. None of the phenomena concerned occurred unexpectedly. They were the inevitable and foreseeable result of a combination of external factors, such as the unilateral decision to increase interest rates, to overvalue the dollar, to impose protectionist measures and to cut back financing, which had strangled the debtors' real capacity to cope with the problem. Capital outflows from the developing countries had also had a negative effect. Accordingly, the Ministerial Meeting of the Co-ordinating Bureau of Non-aligned Countries held at New Delhi in April 1986 had agreed to request that the debt problem should be a specific item on the agenda of the General Assembly at its forty-first session, and the Group of 77, in a letter from its President to the Secretary-General dated 20 June, had formally requested the inclusion of "The external debt crisis and development" as a separate item on the General Assembly's agenda.

53. It was now up to the Economic and Social Council to recover its overall vision, to call for political realism and, to re-establish priorities, giving its work once again the importance and scope proclaimed in its mandate. The developing countries were currently faced with an unprecedented situation in which the technological revolution had broken the historical cycle of depression and recovery in the prices of raw materials, in which the importance of labour as a comparative advantage was being destroyed, and in which priority was being accorded to trade in invisibles rather than to traditional trade. Thus the Council also had a responsibility to in-

dicade the role which the developing countries should play in the new international division of labour so that their economies could be viable in a truly interdependent world. It was also the Council's responsibility to analyse the effects which the major changes currently occurring in the world economy were having on the developing countries, so that the major and painful adjustments which they had to make under pressure from their creditors were not just stop-gap measures benefiting outsiders but were geared to present and future development requirements and to a fair and advantageous participation in the new world economy. His delegation would certainly do its best to assist in that process.

54. Mr. DERISBOURG (European Economic Community) said that since the Council's second session for 1985, the EEC had increased its membership from 10 to 12 States with the accession of Spain and Portugal. Thus 320 million citizens were now associated in an unprecedented effort to achieve European integration. The EEC's share of world trade was now more than 22 per cent, or more than 40 per cent if intra-Community trade was included.

55. The world economy was showing encouraging signs of convalescence, and in 1985 the EEC had witnessed a recovery in economic activity associated with a slowing down of inflation. It was hoped that the growth rate of 2.2 per cent in 1985 would reach 2.8 per cent in 1986. The trend had already had favourable effects on unemployment, which should fall from 11.2 per cent in 1985 to some 10.9 per cent in 1986. The fall in oil prices, together with the depreciation of the dollar, probably meant, for the EEC, a gain equivalent to 1 per cent of GDP. The expansion in world trade, which had slowed down in 1985, should improve again in 1986. In 1985 EEC exports had increased by 6.2 per cent in real terms. They should increase by 3 per cent in 1986. Imports, which had risen by 4.9 per cent in 1985, should increase by some 6 per cent in 1986.

56. Those figures illustrated the EEC's contribution to the growth of world trade, to which it attached great importance. However, the EEC would have to make a special effort to maintain the level of its exports, since the depreciation of the dollar had caused it to lose markets and some of its traditional markets had experienced a reduction in their capacity to absorb imports.

57. Several positive developments had occurred in the EEC's external relations. In November 1985, representatives of the EEC and of five countries of the Central American Common Market and of Panama had signed an agreement designed to strengthen Central American economic integration and to promote the economic and social development of the region. A political dialogue between the EEC and those countries had also been established. In October 1985, a commercial and economic co-operation agreement between the EEC and China, enlarging the co-operation already instituted by the trade agreement of 1978 had entered into force.

A new co-operation agreement with Pakistan had also been concluded in 1985. In Africa, pursuant to the APC-EEC Convention of Lomé, the Community had signed a regional agreement with the Southern African Development and Co-ordination Conference, to provide assistance to several economic sectors of that region. In the Middle East, the EEC was examining, with the States members of the Gulf Co-operation Council, prospects for a possible economic and commercial co-operation agreement. Recently there had also been some interesting developments in the relations between Eastern and Western Europe, concerning in particular, the possible conclusion of bilateral agreements between the EEC and individual countries in Eastern Europe and contacts for the purpose of establishing official relations between the EEC and the CMEA.

58. In view of the close interdependence among economies, lasting solutions to the ills of the world economy, particularly the economies of the developing countries, could hardly be envisaged without an unequivocal return to sustained, lasting and non-inflationary growth in both North and South. That finding had emerged from the Economic Summit held at Tokyo from 4 to 6 May 1986, which had highlighted the relationship between the stability and prosperity of the developed countries and the stability and prosperity of the developing world.

59. Thus, growth was indispensable to enable the developing countries to pursue their adjustment policies. Many countries had demonstrated the validity of policies designed to re-establish internal balances, and to secure the optimum mobilization and allocation of resources, through increased savings and exports and a more rational choice of investments. At the same time, in order to achieve more sustained and healthier growth, industrialized countries would continue their efforts to balance their budgets and to reduce structural rigidities. In that connection, some encouraging findings had emerged from both the Tokyo Economic Summit and from the Bretton Woods institutions. Interest rates had already moved substantially in a downwards direction, and the conclusions of the Tokyo Economic Summit concerning the surveillance, consultations and role of IMF should lead to more stable rates of exchange. Certain problems afflicting the world economy, particularly indebtedness, had clearly shown the need to strengthen international economic co-operation and policy co-ordination. Each had his share of responsibility.

60. The idea of shared responsibility was the main plank in the United Nations Programme of Action for African Economic Recovery and Development 1986-1990: Africa was to undertake reform and development programmes, while the international community was to assist Africa in that effort. The Economic and Social Council should therefore take up the complex subject of interdependent fields, which the Second Committee had not been able to finalize at its resumed session in May.

61. Problems of indebtedness were of the greatest concern to the EEC. Since growth was insufficient in most indebted countries, reactivation was absolutely necessary. It was vital that initiatives and activities already under way should be continued.

62. Trade was obviously of great importance for the EEC since, in effect, it was becoming an enormous diversified market for the developing countries, from whom, in 1985, it had imported goods worth more than \$105 billion. The improvement in the economic situation should make it possible to reduce protectionist pressures in all countries. The EEC fully associated itself with the willingness expressed at the Ministerial Meeting of OECD in April 1986 to refrain from further restrictive measures and to continue to reduce existing restrictions. Since January 1986, the EEC had been applying the latest Tokyo Round tariff reductions and had eliminated a substantial number of quantitative restrictions ahead of the next negotiating cycle. In 1986, it had also further improved its scheme of generalized preferences. The number of agricultural products admitted free of duty had been increased; industrial preferential quotas had been re-valued, mostly upwards, and the arrangements for the least competitive countries had been made more flexible, while certain benefits had been reduced for the more advanced countries. The accession of Spain and Portugal had also had the effect of increasing the access of the developing countries to preferential arrangements.

63. The least advanced countries enjoyed a very favourable system of preferences in the EEC, particularly with regard to their agricultural products. In all, their industrial, textile and agricultural exports (with the exception of tobacco), as well as jute and cocoa, were free from customs duty in the EEC, and without any limitation placed on volume.

64. Nevertheless, the international community must now give greater attention to the medium- and long-term development of the multilateral trade system and give it a new breath of life. The EEC welcomed the decisions taken so far by GATT concerning the preparation of a new round of trade negotiations, which were essential not only for the further liberalization of international trade, but also for the modernization of GATT in the light of real future needs. It was therefore important to give serious consideration to the introduction of new items, but not at the expense of traditional ones. What was really important was the establishment of a balanced range, acceptable to both developed and developing countries.

65. The new trade negotiations were obviously important for the developing countries, since through them they could obtain greater access to the markets of developed countries and thus increase the resources needed for their development. The EEC would continue to adhere to the principle of a more favourable treatment for developing countries, but that did not mean that the latter should be released from their responsibilities under the multilateral system. It was logical

that the more obligations a contracting party to GATT assumed, the more concessions it could negotiate, particularly developing countries which had made substantial progress. Naturally, the EEC expected less substantial contributions from the least advanced countries.

66. Agriculture and textiles were sectors frequently mentioned by developing countries. There was indeed a persisting imbalance between supply and demand in respect of agricultural produce on world markets. The common agricultural policy of the EEC was certainly not responsible for the deterioration in the food situation in the third world, and there was no reason to reconsider the basic principles underlying the EEC's import and export system. The EEC had, however, consistently endeavoured to bring certain surpluses, such as sugar and milk under control, but it believed that greater market stability must be sought by all parties. National agricultural policies close to market realities combined with a progressive elimination of surpluses and the prospect of higher world prices should make it possible to enlarge the outlets for agricultural exports from developing countries with available surpluses. In the textile sector, the scale of the restructuring effort by the EEC, from 3.7 million jobs in 1970 to 1.8 million in 1984, was often underestimated. Time was still required to consolidate that process, but the EEC was resolved to liberalize its import regulations, with the final objective of a return to the GATT rules. It also intended to grant particularly favourable terms to its developing trading partners that most needed them.

67. In trade, primary commodities were a major source of earnings for many developing countries. Trends in prices and terms of trade had not, admittedly, been generally favourable to exporting countries, including more recently the oil-producing countries. A number of international commodity agreements had been adversely affected, and there might be lessons to be learned for the future. Experience had shown that systems aiming primarily at stabilizing prices without taking account of long-term market trends were in the final analysis inoperable, and that special efforts were necessary further to diversify production, to market and process commodities and, consequently, to liberalize access of exports to the markets of importing countries. On the other hand there was room for an extension of measures to stabilize earnings. The Stabex system established by the ACP-EEC Convention of Lomé had worked well for many years. It sought to maintain financial flows in the relevant export sectors or, alternatively, to steer resources towards other appropriate sectors in order to encourage diversification—a feature that seemed particularly promising. The EEC was at present preparing to introduce similar machinery for compensating losses of export earnings on the part of the least advanced countries that were not signatories of the Convention of Lomé. It hoped that other developed countries would take similar initiatives to assist the least advanced countries, whose economies were over-dependent on exports of one or two commodities.

68. In conclusion, he hoped that the Council's deliberations would lead to further progress in international economic co-operation and pave the way for a better balanced and more stable world.

69. Mr. KNUTSSON (Deputy Executive Director of Operations, United Nations Children's Fund) said that for all engaged in development co-operation the situation had changed alarmingly over the past 10 years. The acute human, social and economic crises in a great number of countries, not least in Africa, had resulted in a harsh assessment of international and national development efforts. Attention had largely moved from issues of development and equity towards the adaptation of the poorer to the richer, and there had been a parallel decrease in transfers for development purposes and an increase in net flows from the poor to the rich. Much of what was currently taking place seemed to confirm some basic assumptions in centre-periphery models, and, after the temporary economic advances made by some countries in Asia, the Middle East and Latin America during the 1970s, the gap between industrialized and developing countries had again been widening.

70. For seven consecutive years, the developing countries, as a group, had experienced negative or negligible growth of *per capita* income, a levelling out of development aid, and export stagnation, with a resulting massive retrenchment in public expenditures on health, education and other vital services. Particularly deplorable were the reports from many countries that women and children were bearing a disproportionate burden of the recession and adjustment to it, not only from loss of incomes and employment but also severe cut backs in support services for mothers and children. The situation presented a serious challenge and called for analysis and action to give fresh impetus to the struggle for more equitable and just global development, with a necessary bias in favour of the most vulnerable. UNICEF was accordingly looking to its partners in the United Nations system, such as UNDP, the World Bank and IMF, for active leadership in that struggle.

71. The period since the second world war had been the first in human history in which it had been possible to think seriously of bringing the basic essentials of health and nutrition to all humanity, including small children and mothers, who had throughout history suffered most severely from the ravages of poverty and underdevelopment. Would the 1980s be the decade in which that opportunity was lost, at least for the present century, or would there be new levels of creativity and an advance towards the goal of primary health care for all by the year 2000? He believed that there was a growing consensus that broad mobilization was required not only to halt human suffering but to resume the attack on the structural failures that resulted in poverty and underdevelopment. The United Nations system would have to provide a major part of the necessary leadership and vision. The initial successes achieved needed to be consolidated and given universal application.

72. When the Council undertook its comprehensive policy review of operational activities for development, it would have before it a report by the Director-General for Development and International Economic Co-operation (E/1986/108, annex), in which three major points were regarded by UNICEF as providing direction and vision. The report stressed the fact that the poor were often forced to carry an undue share of the burden of underdevelopment. The United Nations system had, in the combined resources, of IMF, the World Bank, WHO, ILO, UNESCO, FAO, UNDP, UNFPA, UNICEF and others, a unique capacity to take action on behalf of the poor and to help national Governments to address more effectively their human needs, even at a time of relatively scarce resources in many countries. Poverty should be given far higher priority, after the benign neglect resulting from preoccupation with adjustment for economic survival and for a return to economic growth, and made a rallying point for renewed efforts in interagency collaboration. The economic upheavals of the past decade had found the international community both intellectually and organizationally unprepared: development planners had tended to separate financial and adjustment concerns from human concerns, and national Governments and international institutions had had a similarly fragmented structure. He urged the Council to recommend ways in which the operational agencies could support a new approach to adjustment processes that would avoid not only unnecessary human suffering but also economically irrational mishandling of human resources. As far as the needs of women and their role in development were concerned, UNICEF's view was that not only should women be incorporated into the development process but that the process should be turned into one of development for women. Such an approach was not merely a matter of equity but also a prerequisite for progress; national efforts to obtain a greater contribution from women without also ensuring a more equitable return for them were doomed to failure.

73. A crucial element in the world community's response over the coming years would be the effort to reverse the current slowdown of progress, and in some cases an actual decline, in improving the health and well-being of children and mothers in the majority of developing countries. It was particularly fortunate that a new development had occurred which held out the prospect of major breakthroughs, namely, the new capacity to communicate with the poor majority in developing countries by the use of radio and television, which had coincided with the realization that a fuller utilization of major technological advances could bring about a revolution in the survival and development of children at a cost so low that all countries could afford them, with a modicum of international co-operation. In the past three years it had saved the lives of more than 1 million small children each year, and it could result in a saving of 5 million lives a year by 1990, an improvement in the health of more than 100 million people, and

in a decrease in population growth and a dramatic enhancement of the well-being of women.

74. UNICEF's main contribution to the solution of children's complex developmental problems lay in its practical programmes that drew upon resources available at the family, local, community and national levels. "Social mobilization" approaches to promote wider utilization in community settings of basic services and primary health care practices not only saved lives but contributed significantly to the achievement of a sounder economic and social future for the "community". They necessitated a fundamental shift from project-type intervention to support for nation-wide child-development processes, which also implied a shift in development priorities aimed at mobilizing a nation's full resources and making an entire population aware of the possibility of effecting immediate improvements in the lives and prospects of its children. Not only were the poor effectively reached by a programme resulting from such a shift in national priorities, they also became active participants in the process, and their involvement was a permanent asset and enabled other development programmes to take root and flourish in a relatively brief period. People actively involved in a total national endeavour became much more receptive to ideas and programmes relating to such issues as family spacing, literacy and environmental sanitation, which held out the promise of further improvements in their family lives.

75. As long ago as 1981, UNICEF had convened a special session of its Executive Board in order to issue a warning that conditions in Africa were deteriorating and if not checked, would lead to an acute emergency. In 1984 the Executive Director had launched an emergency appeal for Africa, and since that time UNICEF had mobilized support for Africa of \$110 million and had increased its own staff in Africa by more than 130 core posts. It was proud to be an active participant in OEOA, which it considered to be a shining example of what could be accomplished through genuine and pragmatic interagency collaboration. The current challenge was not only to maintain the momentum in meeting emergency needs but to use such action as a springboard for addressing the underlying causes of the crisis. A major step in that direction had been taken at the thirteenth special session of the General Assembly, perhaps the most significant accomplishment of which had been the creation of a new spirit of co-operation for and with Africa. Among the many tasks outlined by the special session, he wished to underline the urgency of meeting basic human needs as a means of improving the quality of life and promoting long-term development. For example, there was a tremendous potential in that context to achieve the goal of immunizing all Africa's children by 1990 against six major diseases. UNICEF also welcomed the unprecedented recognition in the concluding document of the special session of the magnitude of the key role played by women in productive work and development. UNICEF would co-operate fully with the Secretary-General and

the Director-General in carrying out the tasks laid upon them by the special session.

76. In his view, the participation of between 20 and 30 million people throughout the world in the recent Sport Aid events was a firm rebuttal of the myth of "development fatigue". In demonstrating their conviction that the sufferings of their fellow human beings was unacceptable, those millions had proclaimed their commitment and their solidarity. It was for the international community to harness the energy thus offered to it and, in doing so, to discover new opportunities for relating the United Nations to the united peoples of the Earth.

77. To that end credibility and leadership were essential, and they could only be generated by improved programmatic, organizational and financial mobilization on the part of the agencies. There must be a demonstrated commitment that every cent provided by government or private donors was a cent entrusted to an organization of international civil servants dedicated above all to service. In line with that objective, UNICEF had committed itself in 1981 to increase the efficiency of its operations so as to place maximum emphasis on programme delivery at field level, and it had succeeded in consolidating its Headquarters Supply operation so successfully that, in spite of a cut of almost one quarter in staffing levels, output had been doubled and delivery times considerably shortened. Core personnel in New York, Geneva and Copenhagen had also been reduced and there had been a major reallocation of staff between field offices, resulting in significant staff increases in Africa. Budget proposals for the 1988-1989 biennium envisaged a further reduction in the total number of posts, and in the current biennium, consultant services had been reduced by 40 per cent and travel by 25 per cent.

78. At a time of world crisis and of a crisis for multilateralism, the United Nations system should draw its strength from its roots. The opening words of the Charter of the United Nations reads "We, the peoples of the United Nations", and it was to the people that the system must now return. By inviting not only the peoples of the developing world but also their more privileged fellow citizens in the industrialized world to participate in practical and effective development for future generations it would prove possible once again to bring concern for the "wretched of the earth" into the everyday lives of people everywhere, and thus create the only sound basis for durable development co-operation.

79. Mr. YOLAH (Under-Secretary-General for International, Economic and Social Affairs) said that, in spite of the evidence of some improvements in the world economy, there was no room for complacency. Falling oil prices were not a panacea for self-sustained growth, and effective growth-oriented policies would have to be pursued by all countries for the foreseeable future.

80. He welcomed the agreement on policy co-ordination among the major industrialized countries, although its objective must be to support stable growth for all economies. While decisions taken by a few major

countries could substantially influence the global environment, it was advisable to widen the circle of consultation for policy co-ordination purposes.

81. The turnabout on international adjustment policy was a most welcome development, which must, however, be speedily implemented through enlarged financial flows to the developing countries. All parties had joint responsibilities for bringing about a durable solution to the debt problem, and all international organizations should give priority to growth in their operational programmes, thus reflecting fully the long-term economic, social, political and human dimensions.

82. The Yugoslav representative had drawn attention at the preceding meeting to the lack of progress on the priority item of the interrelated issues of money, finance, debt, resource flows, raw materials, trade and development. Although discussions had made a slow start, it was desirable that goals should be set high from the outset as an indication of the pace and direction in which movement was required. There were indications that all Governments were now participating actively, and that impetus must be maintained during the Council's current session. His department had submitted a good deal of information to the Council on the issues concerned, and it was ready, even with its limited resources, to assist it in its further deliberations.

83. Mr. TABIBI (World Muslim Congress) asked whether the Council intended to follow its usual route of discussing social and economic problems and submitting the same proposals and similar reports to the General Assembly at a time when the social and economic conditions of third-world countries were continuing to deteriorate. Famine and unemployment had multiplied, particularly in Africa and, in spite of the optimistic pronouncements after the Tokyo Economic Summit, the debt crisis had worsened; even the industrialized countries were unable to correct their financial and trade imbalances. The problems faced by the socialist world were even greater than those confronting the capitalist world. Muslims, however, believed that the reason for the aggravation in social and economic problems was due to the worship of the god of materialism and machinery and the reliance placed on competition in arms instead of respect for the human and moral force expressed in international co-operation and brotherhood. Solutions to the world's social and economic problems must be found through understanding and a sense of moral obligation, not competition and domination. The 1980s had witnessed in the developing world a massive accumulation of external debt, economic insecurity, unemployment, and famine caused not only by climatic conditions but by waste, internal and external exploitation, trade imbalances and protectionist policies on the part of the developed countries. Without goodwill and a restructuring of the economic policies of the industrial countries, social and economic problems would not be solved. Indeed, the undertakings given by the World Bank and IMF at Seoul to alleviate the debt burden had not so far been implemented, and the mid-term review and appraisal of

the implementation of the International Development Strategy for the Third United Nations Development Decade² pointed to a widening gap between developed and developing countries, and the urgent necessity of restructuring the trade and economic system.

84. Whatever merits existed in socialism or capitalism were to be found in the real Islam—not Islam as currently practised. Twelve centuries before the birth of modern economics, Islam had emphasized the individual's freedom of choice and praised gainful work, while making it a duty for the rich to give some of their wealth to the poor and regarding care for the orphan and weak as praiseworthy virtues. The teachings of the early Islamic leaders had transcended the concepts of Marx and Engels, Adam Smith and Keynes, but those basic principles were, unfortunately, followed neither by the industrial countries nor indeed by present-day Muslims themselves. The Islamic economic system was unique in stressing moderation and the avoidance of excess, neglect, extravagance, and parsimony. It embodied the useful features of socialism and capitalism while discarding their corrupt and unworkable features. It opposed the accumulation of wealth and prohibited its monopolization by a small group whether under capitalism or communism, and through its laws it protected State funds and the individual.

85. Present-day Muslim leaders and economic strategists were mistaken in believing that Muslim society should adopt the modern way of life. The method followed by Japan was much wiser: Islamic culture and Islamic interests should be retained and guarded.

86. The arms race was bringing the world social and economic system to the brink of collapse. In 1945 there had been three nuclear weapons, but the explosive yield of the nuclear weapons stockpiled at the present day by the United States of America, the Soviet Union, the United Kingdom, France and China was equivalent to 1

million Hiroshima bombs; 1,000 of them could destroy the Earth as a habitable planet. There were 25 million men under arms, and 1 billion lived under military-controlled Governments. The \$885 *per capita* of military expenditure in the United States should be compared with \$75 shortly before the second world war. The implications in terms of diminishing social expenditures were obvious, and the figures applicable to the Soviet Union were even starker. Between 1960 and 1981, the world as a whole had spent some \$500 billion, out of a total GNP of around \$9,700 billion, on military objectives, of which \$320 billion had been spent by the two super-Powers, \$100 billion by other industrialized countries and around \$80 billion by developing countries, mostly of the OPEC group, including the Muslim countries. While the military expenditures of developing countries had risen by more than \$400 billion, foreign economic aid had risen by no more than \$25 billion, with the result that in 1982 the military expenditures of the super-Powers were 17 times larger than their provision of aid to countries that sorely needed it. The developing world had been equally profligate: among the 25 countries that had been obliged to reschedule their debts since 1981, 6 had spent more than \$1 billion each on arms imports in the 5 preceding years. Between them the 25 had accumulated a bill of \$11 billion for arms in that period. Among the 20 countries with the largest external debts, arms imports between 1976 and 1980 had been equivalent to a 20 per cent increase in their debt.

87. To his Muslim colleagues he would say that, in order to solve social and economic problems, there must be a return to traditional ethical, moral and social values, based on justice, brotherhood, faith and peace, human solidarity, wealth-sharing and above all a submission to the power of the Almighty. Unless actions based on these principles were taken, the debates of the Council every year could only be a repetition of pointless lamentations.

² General Assembly resolution 35/56, of 5 December 1980, annex.

The meeting rose at 6.10 p.m.

24th meeting

Friday, 4 July 1986, at 10.10 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.24

AGENDA ITEM 2

Adoption of the agenda and other organizational matters (*continued*)

1. The PRESIDENT recalled that at the 21st meeting the Council had deferred a decision on inclusion of a supplementary agenda item concerning the proclamation of the world decade for cultural development

(E/1986/116) pending the outcome of the informal consultations held by Mr. Malik.

2. In view of the outcome of the consultations, if there was no objection, he would take it that the Council decided to consider, under item 20 of its agenda, the question of the proclamation of the world decade for cultural development, on the understanding that it would take no substantive decision but simply transmit

the draft plan of action for the decade (E/1986/L.30, annex) to the General Assembly at its forty-first session. It was further understood that delegations might make statements on that item in the Third (Programme and Co-ordination) Committee, during consideration of item 20, or in plenary session when the Third Committee's report on item 20 was being considered.

It was so decided (decision 1986/152, para. 2).

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

3. Mr. SIAZON (Director-General, United Nations Industrial Development Organization) began by pointing out that the additional workload associated with UNIDO's conversion to a specialized agency had not prevented the steady expansion of its programmes; thus the value of technical assistance projects implemented by UNIDO had risen from \$87.2 million in 1984 to \$94.5 million in 1985, and was expected to exceed \$100 million in 1986. Similarly in investment promotion UNIDO-promoted projects had been valued at some \$630 million in 1985.

4. As the Council was aware, the negotiations on the constitution of UNIDO had been complex and delicate, and the resulting structure was unique in the United Nations system. The composition of the Programme and Budget Committee and the Industrial Development Board took account of the industrialized countries' concerns while safeguarding the developing countries' interests. The new structure had proved fully satisfactory in its initial phase.

5. The member States had addressed a range of financial and administrative questions related to UNIDO's conversion in a constructive, co-operative spirit which reflected their confidence in its future.

6. A number of financial uncertainties still existed and had been considered recently by the Programme and Budget Committee. UNIDO's Working Capital Fund currently stood at \$6 million, an inadequate figure, and the General Conference had requested the Committee and the Industrial Development Board to consider increasing the amount by \$3 million. Those two bodies were to take a decision on the matter in October 1986. Another area of uncertainty related to the Senior Industrial Development Field Adviser programme. He welcomed the support recently given by the UNDP Governing Council, which reflected the effective working relations between UNIDO and UNDP in the field. Nevertheless, in view of the extent to which the Adviser influenced the quality and quantity of UNIDO's technical assistance programme, a more stable form of financing would be necessary in future, if UNIDO was to fulfil its responsibilities to the developing countries. At the same time a reorganization of the secretariat had been undertaken, aimed at greater efficiency, so that

UNIDO would be better able to respond to countries' needs and improve project quality.

7. UNIDO was equipped to make a constructive, lasting contribution to the developing countries' economic growth; he drew attention to the nature of its contribution and the priority focus of its work programme. The manifold problems facing industrialization in the developing countries included under-use of small-scale productive capacity, inadequate attention to human resources development, weak links between industry and other sectors, under-utilization of industrial capacity and, frequently, the lack of policies geared to the development of appropriate industrial technologies—not to mention the debt crisis and the trend towards protectionism.

8. It was, of course, for the developing countries themselves to overcome most of those obstacles; but UNIDO had a crucial role to play in channelling technological expertise, managerial skills and financial resources from the industrialized to the developing countries as well as among developing countries. The potential in the latter field was vast; the widely differing industrial development levels in third world countries meant that an exchange of expertise and funds would undoubtedly prove beneficial to them. To that end, UNIDO's future work programme would emphasize enterprise-to-enterprise co-operation. The public sector and private enterprise would be invited to provide experts to UNIDO, to carry out short-term missions as technical advisers, on a non-reimbursable loan basis, with UNIDO bearing only travel and subsistence costs. The developing countries would thus benefit from state-of-the-art advice on a broad range of subjects, from plant modernization to marketing and finance. The enterprises, for their part, could acquire first-hand knowledge of new markets and countries.

9. UNIDO would also encourage enterprises to make direct foreign investments and conclude joint venture agreements in developing countries. Investment was generally preferable to loans, since the investor had a greater stake in the success of projects; moreover, the experience of the previous five years had shown the danger of financing long-term industrial projects by means of short-term commercial loans.

10. UNIDO would also seek to strengthen its co-operation with financial institutions, development banks and other funding sources; it was already working constructively with the Asian Development Bank and intended to extend its activities to other regional development finance institutions. Another priority area was that of human resources development. An integrated, forward-looking training policy was essential, for dynamic, self-sustaining industrial development; UNIDO would assist developing countries to identify their needs in that field, draw up appropriate policies and organize programmes in specialized areas, using means such as fellowships and study tours.

11. It was clear that the best use of the developing countries' scarce resources often lay in rehabilitating

and rationalizing existing industrial capacity rather than creating new capacity. UNIDO therefore planned to allocate more resources to modernization activities, while giving due attention to repair and maintenance.

12. Co-operation with other United Nations agencies would be essential in order to discharge those tasks. Agreements had already been concluded with UNEP to ensure that preventive or remedial measures for pollution control would be taken in the context of the industrial activities promoted by UNIDO. Such collaboration would be strengthened in coming years.

13. Assistance to Africa was one of UNIDO's priorities. The General Assembly, at its thirteenth special session on the subject, had echoed the Lagos Plan of Action in reaffirming that industrialization was one of the principal factors for a lasting solution to the African countries' problems. The United Nations Programme of Action for African Recovery and Development 1986-1990¹ rightly stressed the need to develop agro-related industries, renovate existing industrial plant, utilize renewable sources of energy and strengthen productive capacity; in all those areas, UNIDO was ready to lend its support to the African States.

14. From the extensive discussions which he had held, since taking office, with representatives of Governments, the manufacturing sector and financial institutions in developed and developing countries alike, he was even more firmly convinced of industry's vital role in the developing countries' social and economic growth. For its part, UNIDO stood ready to undertake new forms of assistance to enable those countries to achieve their industrial objectives.

15. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that the urgent economic problems before the Council were directly linked to the current political situation, which continued to be complex and tense because of the refusal of the United States of America and NATO to curb the arms race, primarily the nuclear arms race, to prevent its spread to outer space and to halt nuclear tests.

16. As Mr. Gorbachev had recently underlined, mankind was at a crossroads, at which it had to choose not only between war and peace; it had entered an age in which the right to life and the right to development were inseparable. Militarism, in growing stronger, was drawing many developing countries into its orbit, bringing about new socio-economic problems, further aggravating the developing countries' situation and hindering the solution of humanitarian problems which required substantial resources.

17. Imperialism pursued an increasingly aggressive economic policy, and many countries were being caught up in its technological and financial web. Its objectives were clear: to reverse the process of economic decolonization, to make developing countries follow

Western patterns and to involve them in its orbit—in other words, to impose capitalism on third world countries.

18. As a result of the imperialist policy of plunder, the economic situation of the developing countries was worsening, year after year. In 1985, the *per capita* GDP in most of them had stagnated or even declined, as had growth rates in their industrial and agricultural production and foreign trade, whilst the social and economic situation of the working people had sharply deteriorated.

19. The net outflow of capital from developing countries to developed capitalist nations, a flagrant manifestation of neocolonialism, was one of the main factors contributing to the widening gap between the capitalist and developing countries. Some years previously, the Soviet Union had proposed that the United Nations should study the problem seriously. According to the Western nations, it had been a temporary phenomenon, not worth considering; but the situation had not only persisted but worsened. The Western countries had changed their tactics, describing the phenomenon merely as "capital flight" due to the "un-sound" domestic policies of the developing countries. Such an explanation was not convincing; the *World Economic Survey 1986* (E/1986/59), showed the so-called "capital flight" to be part of a much wider drain caused by high interest rates, repatriation of profits by transnational corporations and the imposition of tight policies by Western countries and so on. The *Survey* estimated that the third world's net outflow had exceeded \$30 billion in 1985, and the Committee for Development Planning had put the figure at over \$100 billion for the past three years.

20. The problem was also a source of concern to the United Nations Centre on Transnational Corporations, IMF and the World Bank. The General Assembly and the Council had referred to it in a number of resolutions and also in the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. But the studies did not cover all forms of resource outflows, in particular the losses sustained by the developing countries as a result of the deterioration in the terms of trade, protectionism, the collapse of commodity prices, and transfer pricing by transnational corporations. According to *The Economist* of 30 November 1985, in 1984-1985 alone those countries had lost \$65 billion due to the fall in commodity prices. It was imperative, therefore, for the United Nations to initiate a comprehensive study of the problem with a view to working out suitable recommendations.

21. The crisis of the developing countries' external indebtedness had become explosive; in 1985, debt-servicing alone had exceeded \$70 billion. Any prospect of development was thus ruled out. Such a situation could have serious implications for international relations. Imperialist circles were well aware of the danger but were concerned only with preserving the current system, which enabled them to grow rich by over-

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

exploiting the peoples of the developing countries. Rejecting all proposals made by the Non-Aligned Movement and the Group of 77, the leading Western States sought to take advantage of the debtor countries' disastrous situation in order to interfere in their internal affairs—as was manifest in the decisions taken at the Economic Summit held at Tokyo from 4 to 6 May 1986 and in the Baker initiative. The Soviet Union, for its part, favoured the adoption of a just, global solution to the problem of external indebtedness, and an active role for the United Nations in that process. Equitable principles should be worked out that would not undermine the developing countries' socio-economic development or turn indebtedness into an instrument of political coercion. The Council should firmly counter any attempts to make assistance conditional on privatizing the developing countries' economies and cutting back on their social programmes; such attempts were inadmissible.

22. In another sector, the imperialists were seeking to prevent normal participation by socialist countries and countries of socialist orientation in the international division of labour. With increasing frequency, boycotts, embargoes and other illegal discriminatory measures were being applied against such countries and against all those who refused to submit to their diktat. Those acts of economic terrorism, whilst bound to fail, placed strains on international trade and scientific, technological and financial relations. They could grow into military terrorism, as in the recent aggression against the Libyan Arab Jamahiriya, the undeclared war against Nicaragua and the raids on African countries; there was an urgent need to end such acts. It was also necessary to defend the United Nations itself against blackmail by the imperialists, who were seeking to create an artificial crisis within it.

23. The Soviet Union rejected such methods; it held that there was no possible alternative to co-operation among all States. It was convinced that antagonism between capitalism and socialism could, in the current situation, only take the form of peaceful competition. The entire international community had to face the fact that whatever the social, political and ideological contradictions, it must master the art of cautious, restrained and civilized conduct.

24. The Soviet Union and the socialist countries were doing their utmost to preserve peace and prevent nuclear war, as could be seen from the proposal, made at the twenty-seventh Congress of the Communist Party of the Soviet Union, to create a comprehensive system of international security, embracing military, political, economic and humanitarian spheres, as well as the programme, proposed by Mr. Gorbachev in his statement of 15 January 1986, for the comprehensive and overall elimination of nuclear weapons by the year 2000. In May 1986, the Soviet Union had proclaimed, for the third time, a moratorium on nuclear tests. In June 1986 the States members of the Warsaw Treaty Organization had put forward a plan for the reduction of military forces and conventional arms in Europe from the Atlan-

tic to the Urals. Such peaceful initiatives were aimed not only at strengthening international peace and security but also at freeing further resources for improving living standards and solving the most acute economic problems. They were geared to the principle of "Disarmament for development".

25. The Soviet Union welcomed the United Nations decision to proclaim 1986 as the International Year of Peace. The Economic and Social Council should take measures to increase the role of its subsidiary bodies and of all United Nations organs concerned with economic and social questions in the efforts to achieve the aims of that Year. The Council should also have a more prominent role in co-ordinating activities conducted by the specialized agencies with a view to the prevention of the arms race and the promotion of disarmament, pursuant to General Assembly resolutions 38/188J, of 20 December 1983, and 39/151E, of 17 December 1984.

26. Specific measures were required to normalize international economic relations and solve the developing countries' most urgent problems. The twenty-seventh Congress had proposed a comprehensive system of international economic security to protect the interests of all States. The General Assembly had adopted resolution 40/173, of 17 December 1985, entitled "International Economic Security", which requested the Secretary-General to submit to it, at its forty-second session, a report on a concept of international economic security, including ways and means of its attainment. A first step had already been taken but must be followed up through the joint efforts of all States and other international forums.

27. International economic security was closely associated with the establishment of just and equitable international economic relations. The developing and socialist countries had already expended much effort in that sphere, and the United Nations had adopted basic texts such as the Charter of Economic Rights and Duties of States,² the Declaration and Programme of Action on the Establishment of a New International Economic Order³ and a number of other General Assembly resolutions; unfortunately, those texts had yet to be implemented in certain countries.

28. As stated in its Memorandum of 27 January 1986 on the question of international economic security (A/41/118), the Soviet Union deemed it necessary that practical measures should be taken to remove all artificial barriers to international economic relations and to organize a world conference on problems of economic security for a comprehensive review of those obstacles. It was ready to study any other proposal to that end. The Council's consideration of the Secretary-General's report on confidence building in international economic relations (E/1986/73) should foster economic co-operation in that field.

² General Assembly resolution 3281 (XXIX), of 12 December 1974.

³ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI), of 1 May 1974.

29. The implementation of proposals made by the non-aligned countries and the Group of 77 would be very important for normalizing international economic relations and restructuring them on a just and democratic basis. First of all, global negotiations should be begun within the United Nations on the most pressing economic problems and an international conference on money and finance should be convened. Consideration by the Council, at the current session, of problems of money and finance and the questions of resource flows, debt, trade, raw materials and development would contribute to that end.

30. The Soviet Union opposed the attempts of some Western countries to prevent the United Nations from considering monetary and financial problems. Such manoeuvres were incompatible with the spirit and letter of the Charter of the United Nations and were aimed at undermining the authority of the Economic and Social Council and the General Assembly. The United Nations had a duty to contribute in all possible ways to normalizing and stabilizing international monetary and financial relations on a democratic basis, to ensure that IMF and the World Bank shared in those efforts instead of impeding them, and to foster international economic co-operation in general.

31. The Soviet Union, together with other socialist countries, participated actively in UNCTAD's activities to promote co-operation in international trade. It was interested in acquiring observer status in GATT; it was astonished at the obstacles placed in the way of its rapprochement with GATT, in violation of that Organization's principles, and was ready to participate in the forthcoming round of multilateral trade negotiations, which would thus become truly universal in scope.

32. With regard to the question of the mode of development, experience had shown that, with the guiding hand of the State, economic and social planning could contribute substantially to growth and economic independence even in countries having a mixed economy. The United Nations should continue, therefore, its work on strengthening the role of the public sector in development.

33. The acceleration of the Soviet Union's socio-economic development, international co-operation and a contribution to world peace were the chief aims outlined at the twenty-seventh Congress. The national income and economic potential of the USSR was expected to double by the year 2000, and the volume of its industrial output should increase still more over the next 15 years.

34. While continuing to participate in the international division of labour, the Soviet Union would expand its co-operation with all countries and its economic, scientific and technical co-operation with its main partners with a view to greater socialist economic integration. It would also forge closer its trade and economic ties with developing countries. In 1985, the Soviet Union's assistance to those countries had amounted to 11.5 billion roubles, or 1.5 per cent of its

GNP. Net economic aid to the least developed countries had amounted to 5.9 billion roubles for 1981-1985, corresponding to 0.2 per cent of its GNP.

35. The Soviet Union would likewise step up its trade, economic, scientific and technical co-operation with the developed capitalist countries. The outcome of the Vienna conference on new prospects for co-operation between East and West, and of the meeting in Moscow of representatives of the Soviet Chamber of Trade and Commerce and the International Chamber of Commerce, showed that considerable potential existed in that field. The establishment of official relations between CMEA and the EEC would also open up new possibilities and the Soviet Union had made constructive proposals in that regard. East-West co-operation could also contribute greatly to international peace and security.

36. Economic and social progress as of now involved co-operation among all States and peoples. Confronted with the most pressing economic problems, the Council and other United Nations bodies had shown themselves to be capable of taking practical and effective decisions. On the whole, the Soviet Union had a high esteem for the United Nations role in that sphere and was in favour of strengthening it.

37. Mr. de LAROSIERE (Managing Director of the International Monetary Fund) first outlined the critical situation in the developing countries and went on to say that there had been some signs of a resolve on the part of the international community to remedy it. At the 40th Annual Meetings of the Board of Governors of IMF and the World Bank (Seoul, 8-11 October 1985), United States Treasury Secretary Baker had put forward his constructive initiative for assisting indebted countries, based on the concept of co-responsibility. In March 1986, IMF had established an SDR 2.7 billion Structural Adjustment Facility to provide financial assistance on concessional terms to low-income countries facing protracted balance-of-payments problems. IMF and the World Bank were already assisting some of those countries to design medium-term growth-oriented programmes that would give them access to the Facility. Progress had also been made in the discipline and co-ordination of macro-economic policies in the major industrial countries: on 22 September 1985, the Group of Five, meeting in New York, had adopted a joint declaration providing for better co-ordination of exchange-rates policies; in March and April 1986, there had been co-ordinated reductions of interest rates, and, at the Economic Summit held in Tokyo from 4 to 6 May 1986, the seven largest industrial countries had committed themselves to closer co-ordination of their economic policies. Finally, the Programme of Action for African Recovery and Development 1986-1990, should set Africa on the path of durable growth—a process in which IMF was ready to play its part.

38. Much, however, remained to be done. The rekindling of growth in the developing countries required a hospitable international trade and financial environment, which the industrial countries could go a

long way towards creating. They took nearly two thirds of third world exports, and any weakening in their economic activity—and consequently, in demand—had disastrous consequences on developing countries by depriving them of the foreign-exchange earnings they so crucially needed to strengthen their economies and service their external debts; it was therefore essential to ensure a growing export market. However, that was not enough: in recent years there had been a general recrudescence of protectionism in the industrial countries, which had had a devastating impact on developing countries, and it was thus imperative for all countries to take an active part in the new GATT round of multilateral trade negotiations.

39. In the financial sphere, there had been, over the preceding two years, a welcome decline of 4.5 points in the average level of interest rates, which meant savings for the indebted developing countries of nearly \$16 billion a year. Nevertheless, interest rates remained too high, and efforts must be continued to bring them down. Net new lending by commercial banks to developing countries was, unfortunately, slowing down, and lenders should recognize that a too rapid disengagement impeded the implementation of the economic and structural reforms necessary to accelerate growth—measures which took time to produce results. ODA flows had been more stable, but continued to fall short of needs, especially in many low-income countries with heavy debts, in which living standards had been declining over the past few years.

40. The industrial countries could spur financial flows to the developing countries by ensuring that official export-credit agencies resumed or increased cover for countries whose debts had been rescheduled, and which were making serious policy adjustments. They should continue to show flexibility in the Paris Club and in the banking sphere, supporting both a general capital increase for the World Bank and a replenishment for IDA, and subscribe to the World Bank's newly agreed MIGA.

41. While the influence of industrial-country policies was substantial, it was not, however, the dominant factor: it was, above all, for the developing countries to take the appropriate macro-economic and structural policies which would enable them to exercise control over their own economic destiny. It should be clearly stated that there was no inherent conflict between adjustment on the one hand, and growth and protection of human needs on the other. That did not mean, however, that the latter automatically resulted from the former. Everything depended on the way in which adjustment was carried out. Obviously, adjustment that took the form of increases in exports, savings, investments and economic efficiency would provide stronger support for growth than adjustment relying on cuts in investment and imports. Similarly, attention to the health, nutritional and educational requirements of the most vulnerable groups would do more to raise living standards than policies that ignored them.

42. There was, accordingly, a clear need for wise choices that would promote, by an appropriate set of measures, the forms of adjustment most conducive to growth and to meeting human needs. Exports and savings could not be expected to flourish unless real exchange and interest rates were kept in line with market realities. To spur private investment, it was necessary to ensure that the private sector had adequate access to credit, that government deficits did not absorb an unduly high share of private savings, and that real wage movements bore a close relationship to productivity. In order to enhance economic efficiency, the liberalization of foreign trade regulations and a receptive attitude towards foreign direct investment could pay off handsomely. Last but not least, it had to be recognized that overall financial stability was a prerequisite for the effectiveness of all the other measures and represented the only workable solution to the problem of how to repatriate capital.

43. IMF, unlike the World Bank, was not a development-finance institution. Its task was to support policies that were compatible not only with medium-term viability in the balance of payments but also with durable growth; low inflation, and an open international trading system.

44. Turning to some of the main channels by which IMF lent support to appropriate policies he said that, to begin with, it helped to mobilize financial support for growth-oriented adjustment programmes.

45. Since mid-1982, it had provided \$32 billion in balance-of-payments financing to 72 developing countries. Since the beginning of 1983, more than \$28 billion in new concerted bank lending had been disbursed to the indebted developing countries, while rescheduling of medium-term and long-term bank debts had exceeded \$160 billion in value.

46. The Fund also assisted developing countries in the design of their economic programmes. It took account of the particular features of the individual case, it provided assistance in close collaboration with the World Bank, and, upon the request of a member, the assistance could extend to evaluating the impact on income distribution of alternative policy packages. There was no single policy prescription suited to all developing countries, and an effective programme had to reflect the special problems, economic structure, and political sensitivities of the country involved. IMF was working closely with a number of countries in defining their adjustment policies and helping them to mobilize additional financing. The objective of the intensified collaboration between IMF and the World Bank was to ensure that adjustment and growth were mutually reinforcing. The valuable field experience already gained showed that such collaboration could produce better economic programmes and better policy advice. Over the past two years, IMF had expanded its contacts with a number of specialized agencies with a view to ensuring maximum protection for the most vulnerable groups during the adjustment process. However, the final deci-

sions about adjustment strategies and spending priorities must rest with the member country itself.

47. Finally, IMF was continuing its efforts to improve the effectiveness of its surveillance. At the request of the April 1986 meeting of the Interim Committee, and in accordance with agreements reached at the Tokyo Economic Summit, the Executive Board would shortly be discussing ways and means of integrating objective indicators relating to policy actions and economic performance into the process of multilateral surveillance. The developing countries, no less than the industrial ones, had a vital interest in the outcome of that work.

48. The disappointing record of the first half of the 1980s should not lead to discouragement. If the second half of the decade was to be a watershed on the road to durable growth and to improved living conditions, the developing countries should undertake policy reforms without delay, private and official creditors should support such efforts with increased lending and greater understanding, and the industrial countries should take forthwith positive steps to strengthen the global environment and, in particular, to roll back protectionism.

Mr. P. M. S. Malik (India), Vice-President, took the Chair.

49. Mr. LAUTENSCHLAGER (Federal Republic of Germany) welcomed the objective way in which the substantive issues had been approached since the session had begun; it was, therefore, regrettable that the Soviet representative should have seen fit to raise contentious issues.

50. The Council offered the opportunity to discuss problems in their overall context, whereas the specialized agencies and other bodies in the United Nations system dealt with specific problems—a division of responsibilities that should be maintained.

51. He fully subscribed to the proposal by the Secretary-General to re-examine the work of the United Nations in the economic and social sectors, to ensure mutually reinforcing efforts by the different bodies, and to strengthen co-operation, in particular by better articulating their agendas and calendars of work. His suggestion to streamline the annual general debates in four separate forums deserved careful consideration.

52. By giving priority to the inter-related issues of money, finance, debt, resource flows, raw materials, trade and development, the Council had an opportunity to contribute to building up an international consensus on issues of vital importance to the whole world economy.

53. The adoption by consensus, at the thirteenth special session of the General Assembly, of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 was as much a success for Africa as it was for the United Nations, and the Federal Republic would play its part in the efforts of the international community to further the development of Africa.

54. The economy of the Federal Republic was in its fourth year of uninterrupted expansion, price stability had been virtually restored, and interest rates were among the lowest in the industrialized world. Continued efforts were, however, needed over the coming years to complete the task of consolidation and to create the scope for additional tax cuts. There had also been an increase in imports, especially of manufactured goods and agricultural products, from developing countries. There remained the problem of unemployment, which the Government was tackling vigorously.

55. Thanks to the strong measures taken by many countries, the effects of economic recovery were beginning to become apparent throughout the world. Countries had also shown a willingness to achieve greater consistency of their national policies and to co-operate more closely in adapting to a changing world economy.

56. The debt burden weighed heavily on a number of developing countries, and it was encouraging to note their adjustment efforts oriented towards growth and economic development. However, the debt problem was not only an economic and financial issue; it was also a political question since it had repercussions on the social peace and internal stability of debtor countries. The industrialized countries should open their markets to the developing countries and support their progressive integration into the world economy and their participation in world trade. It was also to be hoped that the developing countries would actively participate in the new round of multilateral trade negotiations in GATT. The adoption of protectionist measures would be a serious mistake.

57. With regard to the developing countries of Africa and Latin America, in 1985 as in 1984, his country's trade balance had shown a considerable deficit, exceeding DM 10 billion for Africa and DM 7 billion for Latin America, respectively.

58. His Government welcomed the growing importance of the World Bank's role and the high quality of its performance. Additional resources should be made available to it and to IDA.

59. Further measures should be taken to promote development. First, to enable the World Bank to increase its lending, there was a need not only for a capital increase, but for a broadening of its refinancing possibilities and his country, as in the past, was ready to contribute to such efforts, and hoped that other countries would do likewise. Second, as to mobilizing other financial resources, increased use should be made of co-financing with commercial banks. The World Bank might well play a more active catalytic role in that field. Third, the financial requirements of adjustment programmes also made it necessary for commercial banks to provide additional credits. In individual cases, where debtor countries were themselves making successful efforts to improve their position, his Government would be prepared to negotiate multi-year rescheduling agreements. Fourth, it also recognized the importance of State-guaranteed export credits. Finally, he drew at-

attention to the fact that his country had remitted, within the context of its financial co-operation, debts and interest payments incurred by the poorest countries, as requested in Trade and Development Board resolution 165 (S-IX)—assistance which alone had exceeded DM 4 billion.

60. With regard to assistance for the least-developed countries, the Federal Republic of Germany's development assistance was targeted mainly towards self-sufficiency in food, the promotion of education and technical training, the preservation and protection of natural resources, and the development of energy resources.

61. Its development-aid budget amounted to DM 6.8 billion in 1986, which was higher than the average growth in the overall federal budget. Roughly 30 per cent of the development aid budget was allocated to multilateral activities, including the activities of the European communities and the United Nations and its specialized agencies. Africa continued to be the largest recipient region, and more than half of the available resources would be concentrated on developing countries with a *per capita* annual income of less than \$400.

62. His country had ratified the Agreement Establishing the Common Fund for Commodities, but it did not expect commodity agreements to provide automatic answers to the world's commodity problems. If the situation was to be stabilized over a period of time, it would be necessary to encourage further processing of commodities in the producer countries and thus improve their market prospects. It was, however, also necessary for the industrial countries to open up their markets more widely and avoid policies that distorted competition.

63. Mrs. DEVER (Belgium) said that the United Nations was experiencing the most serious financial crisis in its history. In certain circles its role and efficacy were being called into question, and the work it did was being decried. Fresh thought needed to be given to the measures which its principal organs ought to take in order to recover their authority through a more effective fulfilment of the mandates conferred upon them by the Charter of the United Nations.

64. That line of thought had recently been reinforced by the Joint Inspection Unit's report on the reform of the United Nations,⁴ by the work done by the Group of 18 and, more especially, by the discussions that had taken place at the thirteenth special session of the General Assembly on the critical economic situation in Africa. The Economic and Social Council, for its part, was continuing the exercise in introspection.

65. As far back as 1977 the General Assembly had adopted its resolution 32/197 on the restructuring of the economic and social sectors of the United Nations system. Since then it had become clear that the sectoral approach had led to an extraordinary dissipation of ac-

tivities which had not been offset by any meaningful co-ordination at either the intellectual or institutional level.

66. In his opening address (21st meeting), the Secretary-General of the United Nations had reiterated the importance which should be attached to coherence and efficiency in operational activities on a system-wide basis.

67. In 1977 the General Assembly had advocated, by consensus, important reforms in the field of operational activities. In particular, United Nations programmes and funds financed with the assistance of extra-budgetary resources were to be progressively integrated. It had been decided that, at the country level, greater coherence was required and that the contributions made by the United Nations system to the different sectors should be fully integrated, in accordance with the objectives and priorities of the Governments concerned. The General Assembly had also recommended the appointment of resident co-ordinators who, on behalf of the United Nations system, would assume overall responsibility for operational activities for development at the country level and would co-ordinate them. Finally, it had been proposed that a single supervisory body would be established to be responsible, at the intergovernmental level, for the management and control of operational activities.

68. It was noteworthy that, 10 years later, very little progress had been made. Apart from UNDP, agencies had an excessively sectoral conception of their operational activities. There was no single supervisory body. Some 30 bodies whose activities, in many cases, needed to be co-ordinated with those of some 20 bilateral sources of aid continued to offer the developing countries divergent and sometimes contradictory advice.

69. In the report on the triennial policy review of the United Nations system's operational activities for development (E/1986/108), the Director-General for Development and International Economic Co-operation drew attention to a few facts which deserved the Council's attention. Unlike national administrations, the United Nations did not have a decision-making centre to ensure the coherence of the system and concerted action for the attainment of common objectives; central intergovernmental organs such as the Council had not been in a position to secure real co-ordination with regard to sectoral and global issues. The JIU, in its report mentioned above (para. 64), recommended a transformation of development support structures. Since development was an integrated process, the international structures created to support it, especially those of the United Nations, ought also to be integrated. In 1986 the Council was due to engage in a substantive debate on operational activities; it ought to take advantage of the occasion to make a contribution to the rethinking widely taking place in the United Nations as to the efficacy and relevance of its activities in that field. Two topics deserved special attention: at the country level, the coherence and complementarity of the aid effort needed to be improved, and at the governmental, intergovernmental and secretariat levels, measures

⁴ A/40/988 and Corr.1 and Add.1.

needed to be taken to ensure that the system functioned in a coherent fashion and that concerted action was taken for the attainment of common objectives.

70. At the first level, it would be necessary to strengthen the authority of the resident co-ordinators, who should enjoy the support of the agencies and, under the authority of the beneficiary Government, arrive at appropriate understandings with all suppliers of assistance, whether that assistance was multilateral or bilateral, official or private. In that connection, it should be recalled that in 1985 the United Nations had channelled only from 6 to 10 per cent of the \$35 billion devoted to ODA. At the second level, specific measures would have to be identified to ensure that General Assembly resolution 37/197, of 18 December 1982, was implemented.

Mr. Manuel Dos Santos (Mozambique) resumed the Chair.

71. Mr. JAZAIRY (President, International Fund for Agricultural Development) said that IFAD had funded 177 projects in 87 countries costing \$2 billion, the catalytic effect of which had made it possible for a further \$6 billion to be mobilized for rural development. Despite initial differing perceptions concerning the rationale of the Fund, all participants had agreed that there was a need for a distinct international financial institution with a mandate to deal with issues of food production and rural poverty alleviation in developing countries.

72. Twelve developing countries, some of which benefited from IFAD's assistance, had agreed to make substantial contributions to the Fund's resources. Nevertheless, since the countries concerned were also oil-exporters, their capacity to contribute had been affected by the fall in oil prices and the question now arose as to whether other developing countries, especially those with a broad economic base, would agree to become contributors to the Fund and not only beneficiaries. That would be necessary if the key role played by the third world in IFAD, which was not to be found in any other international financial institution, was to be preserved. If financial circumstances were difficult, that was all the more reason for keeping the Fund in operation. Consequently, he sincerely hoped that at its summit meeting scheduled for August at Harare, the Movement of Non-Aligned Countries would give that crucial issue the attention it deserved.

73. Despite the uncertainties associated with its resources, the Fund's existence was obviously justified by the innovatory way in which it tackled the problems of poverty, and hunger. A few years previously, the emphasis had been primarily on macro-economic variables: attention had been focused on the national dimensions of the problem—increasing domestic production, preserving the purchasing power of food-importing developing countries and increasing food aid. By concerning itself with the link between hunger and rural poverty, IFAD had added a micro-economic and qualitative dimension to the traditional approach. It

took into account not only effective demand, but also the needs of the most vulnerable groups in the developing countries—in other words, the rural poor. As a result, it had indentified its target groups; they included smallholders, landless labourers, artisanal fishermen, nomadic herdsman and agro-pastoralists, as well as poor rural women. The Fund was making considerable efforts to identify those groups in each area and to understand their socio-economic and cultural environment and their self-help potential in the formulation and implementation of its projects and programmes. On average, 40 per cent of IFAD-financed projects incorporated specific components for women. In that respect the Fund was playing a leading role among international financial institutions. Through joint operations with the latter, it had been instrumental in obtaining broader recognition of its approaches to poverty alleviation while benefiting from the extensive experience of its co-operating institutions.

74. Experience had shown that development assistance had a better chance of attaining its objectives in a cost-effective manner if it involved the participation of the direct beneficiaries and institution-building at the grass-roots level. That was done in more than 80 per cent of IFAD-financed projects, whose purpose was to promote the creativity and enterprise of the rural population and to channel them through private voluntary organizations. The emphasis placed on people and their direct participation was a culminating point in the Fund's strategy, which gave priority to small-scale projects which were easy to implement and which did not require substantial renewable expenditure. Participation made it possible to reduce expenditure, since the beneficiaries contributed to the cost of maintenance and took the initiative in designing and implementing similar projects. Thus in a few years the Fund had reduced the amount of its loans from \$12 million to \$7 million. IFAD also used the services of financially independent local institutions. It had shown that the view that lending to the rural poor was too risky was incorrect. It had been found that, in a favourable environment, the poor paid their debts, as had been proved in the case of projects in Pakistan, Bangladesh, Nepal and Malawi, where the repayment rate exceeded 95 per cent—more than the equivalent figure for conventional bank loans.

75. In view of the resulting need to highlight human resource development at all levels, IFAD had designed training programmes, particularly in Africa.

76. In the field of agricultural research, the Fund had also adopted an innovatory approach by attempting to solve the problems of certain target groups. Thus it had given priority to the production of traditional staple food crops and to the development of small farms in arid and semi-arid areas.

77. There was a close relationship between poverty and the deterioration of the environment, whether the latter was caused by soil erosion, deforestation or desertification. For very poor populations, survival naturally took precedence over environmental protection when there was a conflict between the two. IFAD

tried to reconcile those two aspects by integrating environmental components into survival strategies. There again the participation of the beneficiaries in the various stages of project implementation had been found to be the best way of ensuring success.

78. The Fund had also been one of the first international institutions to emphasize monitoring and evaluation, an initiative which was currently being followed by other development agencies. It had thus been able to improve the content and implementation of future projects. On its initiative, inter-agency work on the preparation of operational guidelines for monitoring and evaluation had been undertaken, for use in programmes supported by United Nations agencies and organizations, including the World Bank.

79. IFAD's importance lay not so much in the provision of resource transfers, of which it had little to offer, as in its advocacy role. Although it dealt mainly with micro-economic problems, it did not lose sight of macro-economic issues, since the success of the projects which it financed was largely dependent on the economic environment, and its interventions had an impact at the general level because its projects were subsequently replicated. It was encouraging to note that donors were attaching increasing importance to the criteria established by the Fund. That success was reflected in the growing number of projects launched by IFAD which were at present jointly financed by other multilateral and bilateral donors. Finally, under IFAD's influence and with its support, international agricultural research centres were now devoting a much larger share of their resources to the development of subsistence crops.

80. As a member of the United Nations family, IFAD was aware of the need for system-wide co-ordination. Thus, while the Fund decided upon its own projects and ensured their implementation in the field, it utilized the capacity of other international financing institutions for project appraisal and supervision; it was the only international financial institution to do so.

81. All IFAD's activities were a reflection of its determination to provide medium- and long-term solutions to hunger and famine problems. The Fund's experience had shown that it was much more cost-effective to help farmers to produce their own food than to supply them indefinitely with emergency aid. Although the latter was

indispensable in times of crisis, it was no substitute for a long-term strategy. Accordingly, IFAD had provided complementary support for other efforts aimed at alleviating the immediate problems of hunger and famine; in crisis situations it had adopted a flexible approach and had given priority to the restoration of productive capacities, as in the cases of Ethiopia, Uganda, Mozambique and Nicaragua. In Ethiopia, the Fund had helped 2 million persons to produce their own food. IFAD's Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification also showed that the Fund was capable of responding quickly to an emergency. The situation in Africa had prompted the Fund to devise a mechanism whereby additional resources could be channelled to its target groups in the region to supplement emergency operations by rehabilitation efforts. The Special Programme had been approved unanimously by IFAD's member countries at the ninth session of the Governing Council in January 1986. The OAU had also supported the Special Programme, which had been launched on 28 May 1986. Belgium, Denmark, Finland, France, Ireland, Italy, Japan, the Niger, Norway, the Netherlands, Sweden and, for the first time, the EEC, had supplied, or had undertaken to supply, over one half of the \$300 million target which the Fund had set for the Programme. A special tribute should be paid to Belgium, which had made a particular effort to promote the Programme. It was to be hoped that Belgium's example would be followed by other countries. The Niger had been the first developing country to contribute to the Programme, although it was one of the poorest countries in the world and one of the most seriously affected by drought. He hoped that industrialized countries which had not yet announced contributions would do so shortly. In the absence of appropriate external financial assistance, the affected countries might experience serious internal disorders. A favourable response to IFAD's Special Programme would also constitute an initial gesture of support for the very encouraging policies which were beginning to be implemented in Africa. Such a gesture would be particularly appropriate following the adoption of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 by the General Assembly.

The meeting rose at 12.45 p.m.

25th meeting

Friday, 4 July 1986, at 3.20 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.25

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. HAQ (Pakistan) said that, in the current debate on international economic issues, one school of thought held that the immediate financial crisis was over and that the world could return to business as usual without further institutional and policy changes. It suggested that the major debt problems had been surmounted without any financial collapse; that the world was coming out of its deep recession; that inflation was under control in the developed countries; that OPEC had been seriously weakened and that the possibility of a major disruption of the world economy from that quarter was greatly muted; that protectionism, while on the rise, had not severely damaged international trade; and that the Bretton Woods institutions might have dealt with the adjustment problem in a somewhat harsh way, but that at least they had managed to avoid any major international financial and economic disruption.

2. Another school of thought argued that the immediate crisis was not over, but only postponed, and that the world now had an opportunity to establish institutions and to make those policy changes which would prevent the recurrence of such a financial crisis in a much worse form in the near future. It maintained that the cost of adjustment for the developing countries had been massive and that unemployment rates of 25 to 30 per cent, cuts in real wages of as much as one third, and declining per capita incomes in Africa and many other developing countries were not very reassuring indices of a successful adjustment process. It also pointed out that the debt problem had not been solved but only postponed, with present obligations delayed at the cost of higher payments in the future; that debtors, especially in Latin America, were experiencing a net transfer of resources to the rest of the world; that the long-term problems still awaited solutions; and that the world still had not found either a viable or a safe mechanism for creating and distributing international liquidity.

3. In his opinion, the current session of the Council was not an appropriate occasion at which to reiterate all those familiar arguments, but rather to formulate some practical solutions designed to provide both immediate relief and long-term stability. The world economic recovery was still very fragile. The developing countries were paying a heavy price for their adjustment, and many countries, particularly in Africa, were experiencing a prolonged fall in their already low income levels.

He therefore wished to make five specific proposals for consideration by the Council.

4. First, there was an urgent need to correct the current attitude to the mechanisms and policies for engineering adjustment in developing and developed countries, as well as at the global level. What was required was growth and upward adjustment at higher, not lower, levels of output, employment and supply expansion. Such adjustment could benefit all nations, since there would be more global output and employment to share. In that connection he had been pleased to learn that IMF now considered that there was no inherent conflict between adjustment and basic human needs.

5. Once the need for a major adjustment in perspectives was accepted, many operational policy implications followed. If output and employment levels were to be protected, adjustment periods must be suitably lengthened and Bank/Fund resources adequately increased. Moreover, the conditionality of lending must emphasize supply expansion even more than demand management, for without that change in emphasis, the permanent imbalance in the developing economies could not be removed. It would also be logical to assign a far more prominent role to the World Bank in the adjustment process when it was agreed that any viable adjustment in developing countries must come through the development route. As a consequence, any new SDR allocation should be partially linked with development lending.

6. The problem was how adjustment through growth could be accomplished. It would therefore be advisable to finance policy work on that issue similar to the work organized on redistribution with growth during the 1970s. For example, an independent global institute on adjustment policies, staffed by the leading experts of the world and funded by multilateral and private sources could analyse the adjustment experience in each developing and developed country and at the global level over the past decade and suggest alternative sets of policies through which adjustment could have been engineered without sacrificing growth and output and without causing unnecessary hardships to vast populations.

7. Second, the time had come to consider another SDR allocation by IMF. The recent and welcome addition of the Special Assistance Facility was no substitute for a SDR issue. The most recent SDR issues had been in 1972 and 1978. The rationale for them was that they provided an alternative and controlled means of reserve creation without having to depend on the

United States deficits to perform that role in an *ad hoc* fashion, they enabled all countries to build up reserves over time without the need to arrange payments imbalances, and, most important, they gave an opportunity to the less developed indebted nations to build up their reserves without the need to run excessive current account surpluses and to transfer real resources to the rich nations. In the last analysis, most solutions to the debt problem, including the Baker initiative, would further increase the future debt liabilities of the indebted nations: only the SDR solution did not do so.

8. The case for a SDR issue now was basically that inflationary trends had been weakened and that deflationary policies in many developed countries required an international offset; that international liquidity had not grown recently in line with international trade, and reserve-import ratios in most countries had fallen to dangerous levels; that capital-importing developing countries required some additional reserves without having to pay an unacceptable economic and social domestic cost for acquiring them—an important consideration at a time when international liquidity from the private banking system was shrinking. Furthermore, the gradual creation of SDRs was at present the only means of diversifying control over the creation of international liquidity, since SDRs were supposed to provide an international alternative to exclusive national control. They had, however, been shrinking rather than expanding as a percentage of total non-gold reserves for a long time. A genuinely international economy could not be created if even greater levers of monetary control were surrendered to just one nation.

9. He strongly urged a further SDR issue of at least \$10 billion during 1986-1987. Since many rich nations did not need more free foreign exchange reserves while the needs of the developing countries were far in excess of their quotas in the IMF, they might be persuaded to place their surplus SDRs in a trust fund to be used to subsidize interest payments for the poor countries, as well as to restructure debt profiles for some of the most heavily indebted countries.

10. Third, the proposal by the Committee for Development Planning that the target for the flow of development finance should be doubled, deserved support. The main conclusion of the Committee's extremely thought-provoking and practical report (E/1986/26) was that until the flow of development finance was restored, prospects for adequate growth and social progress in many of the world's poorest nations would remain negligible, whatever efforts their Governments made to put their house in order.

11. The Committee had proposed a target of an additional \$25 billion per year for development finance flows, about half of it from multilateral financial institutions and the other half from commercial banks. Those figures were not only desirable, but realistic. In particular, the World Bank's new leadership would have to end the Bank's curious backward slide and take some new initiatives. They should include sufficient World Bank capital replenishment to double its net annual

disbursements by 1990; a significant increase in the replenishment of IDA, which should now be primarily reserved for re-invigorating the development process in Africa; the establishment of a "third window" for the emerging nations of South Asia and China; and a far greater role for the World Bank in the adjustment process of the developing countries through the provision of flexible, sector loans and supply-side conditionality. He fully supported the concept of "involuntary" lending by commercial banks, suggested by the Committee for Development Planning. It would induce the banks to plough back into new lending about \$10 billion annually out of the total interest payments which they received from the developing countries. Without such measures there was no hope of reversing the negative net transfer of \$41 billion from poor to rich nations experienced in 1985.

12. Fourth, in any viable solution to the \$900 billion debt problem of the developing countries, it must be recognized that debt in itself was not a problem, but rather the manifestation of a problem. The reason why the debt appeared so heavy today was that those who carried it had been weakened by the treatment they had received. It was vital that sustained growth should be maintained in the debtor nations. Debt reschedulings must lower future costs, not raise them; they must change debt profiles from short-term to long-term; they must allow a healthy expansion of productive capacities rather than enforce a painful squeeze of already low consumption levels; and they must provide for a continued increase in the lending of commercial banks. That required a new international debt refinancing facility. In 1984, he had proposed that such a facility should be an IMF subsidiary. He had now come to the conclusion that it might be necessary to be even more enterprising, and to have the World Bank and IMF work together, raising their expanded resources through a significant expansion in World Bank capital, an increase in IMF quotas, Trust Fund reflows, and a new SDR allocation. The new facility should work primarily under the World Bank's leadership because of the new development conditionality.

13. Finally, the time had come to work out a specific timetable for serious global negotiations. It would be a great tribute to global maturity if serious negotiations took place in 1987 and the preparations were made in 1986. At least three issues required such treatment. First, trade talks must begin within the next year under the joint auspices of GATT and UNCTAD. For those talks to succeed, both developing and developed countries must yield a little. The industrial nations should consider all forms of protectionism, including restrictive quotas on textiles, footwear and agricultural subsidies, and the developing countries must be willing to re-examine their stands on reciprocity and the inclusion of services in trade talks. Second, an international conference on money and finance should be convened in 1987, preferably under the joint auspices of IMF and the World Bank. Third, the time had come to devise a multilateral forum at the highest level for annual summit consultations between North and South, since

without political agreement no meaningful progress was possible. His Prime Minister had recently proposed such consultations. The Economic and Social Council was in an ideal position to serve as the substantive secretariat for such annual summits, in which some 25 to 30 selected nations from North and South could participate by rotation.

14. Those few practical proposals were not, of course, adequate answers to all the world's problems. They would, however, provide a starting point for the quest for alternative and better solutions.

15. Mr. QIAN Jiadong (China) noted that the current session of the Council was being held against the background of a somewhat improved world situation, compared with 1985. The slight economic upturn recorded in developed countries, though to some extent attributable to their policy adjustment measures, was largely inseparable from the drastic fall in oil prices and very low commodity prices. Their economies were thus in a better position to reduce inflation further and to keep up the momentum for slow-pace growth.

16. Compared with 1985, the economic situation of developing countries as a whole had improved to some extent. However, given the divergencies in the performance of various regions and the high rate of population growth, those countries were still beset with grave difficulties, with no room for optimism. A considerable number had experienced zero or even negative growth in *per capita* GDP, while *per capita* income in others continued to decline. Most African countries had not yet recovered from the emergency situation. Their economic recovery and development would be a long and arduous process; it would therefore require extensive assistance from the international community, and in particular the full implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.¹ With few exceptions, heavy debt burdens had virtually suffocated the economic development of the Latin American countries with ensuing grave political and social consequences. Even those Asian developing countries whose economic growth had been relatively high had no reason for optimism, since their growth rate was expected to slow down substantially in 1986. In short, most developing countries had not benefited from the improvement in the world economy. They were still facing economic stagnation, exacerbated inflation, increased financial deficits, aggravating unemployment, declining prices for primary products, huge trade deficits, a paucity of development funds, inadequate liquidity and heavy debt burdens. Furthermore, those constraints seemed unlikely to change significantly in the short term.

17. The serious economic difficulties faced by the developing countries were partly due to internal factors. The problems must be resolved gradually by the countries concerned by implementing realistic policies formulated in the light of the characteristics of their individual economic development. Their economic adjust-

ment policies should take into account both the short-term and the long-term effects on their economies, so as to contribute to sustained growth. Nevertheless, the fact remained that, although the developing countries should seek self-reliant development, that goal would be impossible to achieve without international co-operation and a favourable international environment. At present, however, many external factors were exceedingly unfavourable to the development of the developing countries.

18. First, the continuing decline in primary commodity prices, and especially the dramatic fall in the oil prices, had had disastrous consequences for the developing countries exporting those products. There had been no improvement in the terms of trade of the developing countries. The trend towards greater protectionism had accelerated further. The multilateral trade agreements had been flouted repeatedly; the commitments entered into by developed countries for the containment and roll back of protectionism had been disregarded; protectionist measures had further increased, covering ever wider areas. Two striking examples were the recent adoption of a new protectionist bill by the United States House of Representatives and the raising of import tariffs on petrochemical products by Western European countries. Such practices had not only seriously hindered the access of developing countries' products to the developed countries' markets, but had also hampered trade among the developed countries themselves.

19. Second, there was the debt problem, which was not simply a short-term recycling issue, but also of long-term economic growth and development in the debtor countries. Three years after the outbreak of the first debt crisis, the drastic fall in oil prices was again pushing debtor countries such as Mexico to the brink of bankruptcy. A looming new debt crisis demonstrated that, far from being resolved, the problem was becoming more acute for debtor countries in Africa as well as in Latin America. So far the international community had taken stop-gap and short-term measures. However, experience over the past three years indicated that the debt problem would not be resolved merely by requiring debtor countries to tighten their belts and to implement short-term economic readjustment policies. Some creditor countries had come to acknowledge that situation. However, the Baker initiative, which recommended that the solution to the debt problem should be development-oriented had so far remained a verbal recommendation. The present situation urgently required creditor countries, debtor countries, multilateral financial institutions and commercial banks to assume joint responsibilities in a common effort to find a long-term and effective solution to the debt problem.

20. Third, the international community was facing equally serious challenges in the field of money, finance and resource flows. The exchange rate of the dollar had declined since February 1985. In the meantime, interest rates had also been adjusted downwards. However, fluctuating exchange rates remained a problem. Real in-

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

terest rates were still high, compared with the 1950s and 1960s. In addition, problems such as unbalanced international payments, the reverse flow of financial resources, the lack of linkage between exchange rates and commodity prices and chaos in capital flows all showed that the existing international monetary system could no longer cope with current world economic development requirements, particularly as far as the developing countries were concerned.

21. In 1985 the reverse flow of financial resources from capital-importing developing countries had amounted to \$14 billion. The figure for 1985 would be even higher. Furthermore, the flow of financial resources into the developing countries had declined in recent years, while ODA and concessional loans had remained at the same level and lending terms were still extremely harsh. Those inimical factors had undoubtedly added to the existing difficulties of the developing countries. Consequently, the economic readjustments made by them had produced very limited results, or none at all.

22. The interrelated problems of money, finance, debt, resource flows, trade, raw materials and development were fundamental issues with an international dimension. In order to overcome the economic difficulties of the developing countries and to improve the external conditions for their economic development, work should begin in those fields on the basis of an integrated approach. His delegation believed that a number of measures should be taken.

23. First, the developed countries should immediately contain and roll back their trade protectionist measures and ensure greater access to their markets for the products of the developing countries. Practical and effective action should be taken to stabilize the prices of primary commodities and of oil and to make it possible for the Common Fund for Commodities to become operational at an earlier date. In the new round of multilateral trade negotiations, the interests of the developing countries should receive full consideration.

24. Second, the flow of financial resources into the developing countries, particularly ODA and concessional loans, should be increased. ODA should reach the target of 0.7 per cent of developed countries' GNP, with 0.15 per cent going to the least developed countries. The proposals for additional resource flows made by the Committee for Programme and Co-ordination and other bodies should receive due attention. In view of the difficulties confronting the African countries and regard being had to the developing countries' need for financial resources, the eighth replenishment of IDA should be substantially increased in real terms and the general capital increase of the World Bank should be effected at an early date. Meanwhile, direct private investment in developing countries should also be encouraged. Efforts should be made to halt the reverse flow of financial resources from the developing countries and to explore the possibility of rechannelling part of those resource flows back to them.

25. Third, creditor countries, debtor countries, multilateral financial institutions and commercial banks should have shared responsibility to work together in seeking a long-term and growth-oriented solution to the debt problem. Economic adjustment measures should promote the development and export earnings of the debtor countries, instead of sacrificing them. The scope of multi-year rescheduling should be expanded and its terms made more flexible. Meanwhile, adequate new loans should be forthcoming and creditor countries should not be net recipients of capital flows.

26. Fourth, the existing international monetary system must be restructured. The developed Western countries should accept the proposal of the Group of 24 for the early establishment, at ministerial level, of the *ad hoc* committee of the Group of 24 and the Group of 10, which might help to pave the way for an international conference on money and finance. The developed countries should take further measures to stabilize exchange rates, lower their interest rates and reduce their budget deficits. They should also allow international financial institutions to supervise their economic policies. Developing countries should be given greater decision-making power in those institutions.

27. Numerous proposals had already been put forward for possible solutions to the problems besetting the international community. Ultimately, however, the question was whether the parties concerned would be able to muster the necessary political will and engage in effective co-operation. His delegation therefore appealed once again to all countries, particularly developed countries, to display sufficient political will to promote international economic co-operation by strengthening their macro-economic policy co-ordination, by participating in the North-South dialogue in a positive and constructive spirit, and by adopting effective measures conducive to world economic development, and particularly to the economic development of the developing countries. Useful discussions had been held on the interrelated international economic issues in the Second Committee at the resumed fortieth session of the General Assembly. His delegation hoped that the parties concerned would adopt a flexible and pragmatic approach and work together to seek a consensus on the basis of the informal paper E/1986/L.28. If approved by the Council at its current session, the document would help to draw the international community's attention to the interrelation of economic issues and contribute to further discussions on the topic at the forty-first session of the General Assembly.

28. Mr. LABERGE (Canada) welcomed the priority given to the interrelation of economic questions and the interdependence of the world economy in the Council's agenda. The Council must seek to strengthen mutual understanding, to help in identifying areas of agreement, to isolate fundamental differences, and to try to achieve a better consensus on issues and solutions. His delegation was encouraged to note the improved prospects of the world economy and the renewed spirit of international co-operation in the economic sphere.

Although the growth rate of the OECD countries had fallen over the past year, growth had been more evenly distributed, which was a significant factor as it related to approximately 70 per cent of the world economy. The major industrialized countries had, over the past year, explicitly recognized the necessity for better co-ordination of macro-economic policies. Decisions of principle and mutually reinforcing economic developments, such as the joint statement issued in New York on 22 September 1985 by the Group of Five on currency realignment, United States legislation to reduce progressively the budget deficit, and action by Japan and the Federal Republic of Germany to lower interest rates, had removed some of the uncertainties of the preceding year. Most recently, the Tokyo Economic Summit, held 4-6 May 1986, had endorsed improved co-ordination of macro-economic policies in order to establish a solid basis for sustained non-inflationary growth. In April there had been an important exchange of views in the IMF Interim Committee on various aspects of the international monetary system, based on reports of the Group of 10 and Group of 24 transmitted to it at the 40th Annual Meetings of the Board of Governors of IMF and the World Bank (Seoul, 8-11 October 1985). It had reaffirmed the continuing usefulness of the existing system of floating exchange rates, and the key role of multilateral surveillance by IMF of the operation of the international monetary system. The Committee was to undertake the drafting of key indicators to improve the evaluation of economic performance. With regard to the important question of trade liberalization, the Contracting Parties to the General Agreement on Tariffs and Trade had decided in November 1985 to set up a preparatory committee for the launching of a new round of multilateral trade negotiations. The Baker initiative on growth and adjustment, launched at the October meeting of the Bank and IMF, had been carried a step forward at the April meeting of the Committee for Development, which had called for a strengthening of the Bank's capacity to support the adjustment process, proposed closer co-ordination between the Bank and IMF and stressed the importance of increasing private capital flows. Among the measures taken to assist the poorest countries was the agreement to establish a new IMF structural adjustment facility of \$2.7 billion. Negotiations had also started on the eighth replenishment of IDA resources, which, taken in conjunction with the IMF Facility and the Bank's Special Fund for assistance to sub-Saharan Africa, meant that the international community would have powerful tools to promote growth-oriented adjustment in the poorest countries, particularly in Africa. Finally, the thirteenth special session of the General Assembly had achieved an historic consensus on the United Nations Programme of Action for African Recovery and Development 1986-1990, to be implemented over the coming five years. That renewed will for economic co-operation had strengthened the prospects of the world economy. Conditions were increasingly favourable for a long period of non-inflationary growth; exchange-rate realignment was proceeding, inflation had fallen; interest rates were declining; the fall in oil prices had increased freedom of

manoeuvre; and financial markets were displaying renewed optimism, with a return of dynamism in private investment.

29. There were, however, continuing grounds for serious concern. While lower oil prices made increased growth and lower interest rates a possibility for some, growth and the financial situation of the oil-producing developing countries had deteriorated. Other developing countries dependent on transfers of earnings by nationals working in oil-exporting countries had also been affected. Improved world economic growth would depend on the resolve with which both developed and developing countries continued to adapt their economies in response to rapid and major changes in the world economy. The developed countries had the responsibility and the opportunity to take advantage of improved prospects to lay the foundations for sustained non-inflationary economic growth. Better co-ordination of policies to reduce persisting imbalances, to bring down interest rates, to facilitate adjustment and stimulate demand was also required.

30. The main components of the Canadian strategy for economic renewal and its first priority were the control of public debt by reducing budget deficits, a more efficient and dynamic private sector, and the taking of measures to correct structural imbalances and improve price and wages flexibility. Some public utilities were being privatized and adjustments made to stimulate initiative and reward success instead of subsidizing the failure to adapt to new situations. Like other countries, Canada was having to adapt to the sharp fall in oil prices, which would, on the whole, have positive medium-term repercussions on the economy. It was, however, Canada's experience that attempts to regulate oil prices were complicated and inefficient.

31. Canada believed that the developing countries must also pursue their efforts to adapt their economies to the changing international economic environment by applying open, pragmatic and efficiency-oriented economic policies. Many of the measures already taken in the developing countries confirmed his Government's opinion that the liberalization of internal markets, financial systems, investment policies and trading régimes were the best means of ensuring sustained medium- and long-term growth.

32. The strengthening of international economic co-operation in trade, debt, finance and commodities was the second priority objective of his Government. The new round of multilateral trade negotiations would provide an opportunity to promote better economic growth both in developed and developing countries. His Government would like international co-operation and economic interdependence to be strengthened and widened. It would be essential to encourage adjustment in developing and developed countries alike, and the new round should aim at achieving the further integration of developing countries in the international trading system both in respect of advantages and of responsibilities. In that regard, questions involving developing countries should be thoroughly discussed.

33. The stability of the international financial system, and the situation of heavily indebted developing countries must continue to receive special attention. Canada had actively endeavoured to expedite the implementation of the Baker initiative, and it believed that success would depend upon close collaboration between debtor and creditor countries, commercial banks and international financial institutions. The debtor countries must develop global policies to promote growth and equilibrium in external balances, and the industrialized countries must continue efforts to achieve a decrease in real interest rates, greater stability in exchange rates, liberalization of access to their markets and increased financial flows. The industrialized countries recognized that a resumption of growth in developing countries would require major net capital inputs. They must also ensure that their aid and development programmes were compatible with the adjustment efforts of the developing countries, especially when the latter were faced with difficulties that were none of their making. Canada supported a major eighth replenishment of IDA resources at the level of \$12 billion. It had also supported the establishment of the \$2.7 billion IMF structural adjustment facility, and believed that IMF and the Bank should work in close collaboration to promote adjustment and growth.

34. Having examined its own aid effort, the Canadian Government had concluded that there was room for greater efficiency and higher quality, and it envisaged an annual growth of 8.7 per cent in its ODA over the coming five years. Its ODA had been at the level of \$8.7 billion over the past five years, and it would spend about \$13.6 billion over the coming five years. In its budget presented on 26 February, Canada had replaced loans by subsidies in its development assistance and had announced at the thirteenth special session of the General Assembly its willingness to accept a moratorium on repayment of the ODA debt of sub-Saharan African countries making major economic adjustment efforts.

35. United Nations deliberative bodies could make a useful contribution to the promotion of international economic co-operation, to complement the role of the Bretton Woods institutions, which was to act in specific areas of trade, finance and development. The role of the United Nations system was to work for the achievement of consensus, to supervise and to bring together the various elements in the equation. Its discussions would not solve complex problems of economic interdependence, but they could contribute to lay the foundations for a better understanding of such complexities and the constraints operative at the level of action.

36. The thirteenth special session of the General Assembly had been the culmination of a series of negotiations both inside and outside the United Nations. Discussions on a declaration on the critical economic situation in Africa had been initiated in the Council in 1984, and further discussions had led to a better understanding of the issues and had laid the foundations for a consensus. The continuation of dialogue

had been the precondition of success. The special session of the General Assembly had drawn up a coherent strategy involving national macro-economic, sectoral, and trading policies and the mobilization of national resources, and had sought to achieve an improvement in the world economic environment and an increase in external aid. The Programme of Action adopted during that special session had recognized those links and the necessity for concerted action in the competent forums. The special session had also demonstrated the productive results that could be achieved by discussions within the United Nations system: when real and urgent issues gave rise to major political concern and a consensus emerged on the nature of the problem involved; when solutions were sought in a multi-dimensional perspective; and when there was a willingness to accept compromises and the political will to achieve progress.

37. The lessons that had emerged from that experience would be applied in the Council's deliberations on international economic co-operation and were particularly relevant to the forthcoming seventh session of the United Nations Conference on Trade and Development. If that more realistic role of the deliberative organs of the United Nations was accepted, the seventh session of the Conference could bring forward new ideas, make for a consensus on the problems concerned and clear the way for new orientations. Canada had joined several other countries in proposing a far-reaching theme: "Development, trade and structural change", as a means of promoting new conceptions of the relations between trade, finance, commodities and other related matters, and contributing to a better identification of what needed to be done both in the immediate future and in the quest for a long-term planned programme of action to solve present and future problems. In a period of financial constraints, the United Nations system must make the best possible use of its time and resources. The Council should therefore endeavour to ensure that its discussion of such an important agenda item helped towards a better understanding of the interdependence of international economic matters and marked a step forward towards a new consensus on international economic co-operation at UNCTAD VII.

38. Mr. TÜRKMEN (Turkey) observed that, while the recent decline in interest rates, the establishment of more realistic exchange rates, the sharp fall in oil prices, and evidence of better policy co-ordination among the industrialized countries had to some extent improved the global economic outlook, various economic uncertainties remained: external indebtedness, increasing protectionism and depressed commodity prices continued to pose serious problems, and prospects for growth and stability in the developing countries were still bleak. Against that background, the general discussion, particularly on the interrelated areas specified in agenda item 3, and on the implications of changing oil prices, could make a valuable contribution to the strengthening of multilateral co-operation.

39. A growing awareness of interdependence and greater frankness in the expression of concern about the

limitations of unilateralism and bilateralism, together with a recognition of the futility of seeking to insulate national economies from external influences, formed a sound basis for intensified multilateral co-operation in overcoming the costly effects of adjustment policies and for enhanced co-ordination of United Nations efforts on the lines indicated by the Secretary-General (21st meeting).

40. Since the 1970s there had been notable conceptual developments in multilateral co-operation, and a number of developing countries had, throughout the current decade, been shifting, however painfully, to a reliance on market mechanisms and switching their limited resources to more productive sectors; State activism and planning were correspondingly ceasing to be major policy themes. Many were seeking to adopt more liberal foreign trade policies in order to integrate their markets more closely with the main centres of economic activity, and realistic exchange and interest rates, stable monetary and fiscal policies, tax reforms, the liberalization of trade and exchange regulations, and more efficient management of public enterprises, allied with the encouragement of foreign direct investments, were features that had come to characterize their structural adjustment strategies. Such measures normally took a long time to implement and even longer to produce tangible results; it was therefore too early to pass firm judgement on their degree of success. Moreover, the results had so far varied greatly from country to country, and the major objective of promoting economic growth had in many cases fallen short of expectations. Important conceptual improvements had, therefore, been in evidence at the 40th Annual Meetings of the Board of Governors of IMF and the World Bank, held at Seoul, and the emphasis on adjustment and stability had shifted towards growth-oriented adjustment policies, matched by a parallel shift in recommendations for developing countries. There had been increased interest in poverty management, and the linking of adjustment to growth and social progress was becoming increasingly acceptable, in step with the growing recognition of the importance of achieving advances in the areas of human resources, such as education and health, where rates of return were very high—in which context the closer collaboration recently in evidence between the Bretton Woods institutions was an encouraging development. Those favourable trends had, however, yet to be translated into concrete measures in a sustained environment of multilateral co-operation. In his delegation's view, the time had come for a review of the themes of development economics in the light of the current experience of many countries in order to give fresh impetus to multilateral co-operation. In the task of so creating an atmosphere conducive to effective international co-operation the organs and bodies of the United Nations system could, drawing on their vast experience, play a highly constructive role.

41. Rapid fluctuations in economic forecasting over a short period—from the optimism of the International Monetary Fund's *World Economic Outlook*, published in 1985, to the guarded approach evidenced at the Seoul

meetings, to recent more favourable expectations, especially in industrialized countries—pointed to the existence of a volatile situation which called for careful study. Irrespective of such variations in forecasts, however, the fundamental problems in the world economy—such as indebtedness, protectionism, low commodity prices, the persistence of precarious situations in the developing countries, the current account deficit and slowdown of growth in the United States, together with sluggish growth and persisting unemployment in Europe—remained basically unchanged.

42. Various studies indicated that only limited progress had been made in improving the underlying financial conditions in many indebted developing countries, in a number of which balance-of-payments constraints, low growth rates, high levels of unemployment, negative resource transfers and productive investment difficulties continued to pose grave problems. Despite impressive adjustment achievements and sustained increases in exports, there was little room for optimism as far as the immediate future was concerned in many of those countries. The 25 per cent level of export earnings generally agreed by experts to be assignable by third-world countries to loan repayments seemed very high for many debtors in the light of the high ratio of interest payments to export expansion. Many debtor developing countries were not in a position to solve that problem alone since such external factors as the level of real interest rates, world trade movements, and the availability of finance largely depended on the policies adopted by industrialized countries. Intensified co-operation for effective debt management among debtors, banks and governments was, therefore, indispensable. In that regard, the Baker initiative brought forward at the Seoul meetings had aroused hopes in many quarters, and it had contributed to a change of emphasis from the financial to the economic implications of the debt crisis. In his delegation's view, the concept of growth-oriented adjustment was the most important aspect of the initiative, but the initiative could not in itself provide an adequate solution to the problem. The debt situation of all developing countries must be constantly borne in mind if difficulties in obtaining resources from international markets and multilateral financial institutions were to be avoided. There was an imperative need for more comprehensive and co-ordinated work in that area by all the parties concerned.

43. He was greatly concerned at the steadily increasing pressures for restrictive measures at a time when protectionism was acknowledged to be a major threat to the world economy. In recent years there had been considerable erosion in accepted trade norms, and serious questions had arisen concerning trade-related investments. Many developing countries were seriously concerned about such matters, because the successful implementation of growth-oriented adjustment policies and progress towards the solution of the debt problem depended crucially on the ability of third-world nations to increase their exports. In the case of Turkey, the export-led economic strategy of the past five years, together with prudent demand management and con-

tinuous structural reforms, had resulted in a promising economic performance, including an encouraging improvement in the balance of payments, despite the extensive lifting of import restrictions. Efforts to achieve continued increases in exports had met, however, with increasingly severe restrictions on the part of a number of industrialized countries, and Turkey therefore supported the view that protectionism in all its forms should be rolled back, and the open and universal character of the international trading system enhanced. The forthcoming round of multilateral trade negotiations should provide a favourable opportunity for progress towards that end. The negotiations should, in his delegation's view, include liberalization measures in the areas in which the developing countries enjoyed comparative advantages, including the textiles and clothing sector; the early phasing out of the present textiles régime and a return to the GATT system continued to remain a valid objective. As to commodity prices, the press communiqué of the Intergovernmental Group of Twenty-Four on International Monetary Affairs, issued after their meeting in Buenos Aires on 6 March 1986, indicated that the price index of primary products had dropped to the lowest level since the World Bank had begun its estimates some 40 years previously, and virtually all commodities were affected by that general trend. Such declines in commodity prices, excluding oil, meant that consumers in industrialized countries were now paying about \$50 billion less for the same amount of raw materials compared with the preceding year. The income effects of depressed prices had been widespread in the developing countries, and there was no doubt that the present situation called for effective international co-operation, which could form an integral part of development strategies to promote growth-oriented adjustment in the developing nations, including the taking of a number of measures to promote export earnings stabilization, trade liberalization and an increase in the flow of financial resources.

44. Many oil-importing developing countries were experiencing very serious difficulties because of oil crises in the past, and they had also been obliged to pay higher prices for imports of machinery and equipment from the industrialized countries. The current lower levels of oil prices held out prospects for them to improve their balance-of-payments situations and growth rates, and reduce the incidence of inflation and unemployment. The favourable effects for the industrialized countries were, however, expected to be more far-reaching, with estimated annual reductions of \$60 billion in oil-import costs. Despite those favourable short-term effects, the impact of diminishing revenues on oil-exporting countries in the medium and long term had to be taken into account. A fall of 15 per cent in 1986 and an additional 8 per cent in 1987 in the volume of their imports was forecast, together with a current account deficit of approximately \$85 billion over the same period. Such deficits were bound to have adverse effects on the exports of developing countries, which made it all the more important to improve access to the markets of industrialized nations.

45. He wished in conclusion to re-emphasize the importance of a close scrutiny by United Nations bodies of developments in the areas of money, finance, debt, resource flows, trade, problems relating to which constituted a challenge to the international community. Although the recent concerted efforts of the major industrialized countries on financial and monetary matters held out some promise, he believed that there was a continuing need for genuine international co-operation and co-ordination if successful growth and adjustment policies were to be implemented.

46. Mr. KARIM (Bangladesh) noted a continuity in the deliberations of the Council and other United Nations bodies on such themes as ways and means of strengthening multilateral co-operation, and the inter-related issues of money, finance, debt, resource flows, trade, raw materials and development; they reflected the growing interdependence of nations, irrespective of their stage of development, as well as the severe setbacks experienced by the world economy in the early 1980s.

47. There was indeed cause for widespread concern, particularly on the part of the developing countries about the state of the world economy and its management, and about short- and medium-term prospects. The growth of world output had fallen by one third and the rate of world trade by two thirds in 1985 as compared with 1984; 49 countries with a total population of more than 700 million had experienced zero or negative *per capita* growth rates of real GDP; the combined *per capita* income of the developing countries, excluding two, had declined for the fifth consecutive year; in sub-Saharan Africa, *per capita* national income was lower than 15 years previously; the net transfer of resources of the capital-importing developing countries, which had become negative after 1983, was estimated to have reached a level of over \$30 billion in 1985; declining prices for primary commodities were characteristic of all major export regions and the majority of commodity groups in 1985, and, in contrast to previous years, many prices had declined in terms of both dollars and SDRs. The economic and social surveys of the various regions also presented a picture of growth retardation, and even pointed to further deterioration: the prospects of African States for 1986 were decidedly bleak; in Latin America the surplus achieved by a tremendous compression of imports had contributed to a serious contraction of economic activity; in Asia and the Pacific, in recent years there had been a slowdown in the growth of trade, instability in export earnings, a fall in prices of primary commodities, and increasing protectionism; the *World Economic Survey 1986* (E/1986/59) warned that the medium-term outlook for the vast majority of developing countries was no less disturbing and would remain so unless concerted action was taken at the international level. It was essential that the "benign neglect" characteristic of the dominant economies in the past should give way to more responsive and meaningful action, motivated not merely by compassion or a sense of global responsibility but also by considerations of self-interest. As the *Survey* pointed out, the collapse of import demand in the developing countries was damaging

to all industrialized countries, particularly the United States of America, Western Europe and Japan, whose exports to developing countries represented 36 per cent, 20 per cent and 35 per cent, respectively, of their total exports.

48. Some actions taken in recent months were encouraging: the thirteenth special session of the General Assembly had adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990; there had been recognition of the need for guidance and some official intervention in foreign exchange markets and for a concerted policy action by major industrialized countries in order to reduce frictions in international trade and finance; lower interest rates, the appreciation of other major currencies in relation to the dollar, and increased efforts in the United States of America to deal with its fiscal imbalances had somewhat improved the economic climate. On the other hand, real interest rates were still too high, the fall in oil prices had been either beneficial or adverse in its effects, depending on a given country's trade, but the long-term implications of the price fluctuations were disturbing. In sum, too many uncertainties remained on too many fronts. Trade frictions had led to an intensification of protectionist practices at a time when nothing was more urgent than effective action to roll back protectionism and eliminate trade barriers. The overwhelming majority of developing countries, particularly the low-income and the least developed among them, were largely dependent on primary commodity exports and had lost more through persistent price falls than they could possibly recoup. The long-term prospects for those economies was cause for the utmost concern, and the assessment by the GATT secretariat indicated that the longer-term income and trade prospects for primary commodity producers appeared to be less promising than for those engaged in manufacturing and service activities. The negative impact of that deterioration had intensified, and mechanisms for alleviating the difficulties had weakened. The debt of developing countries had passed the \$300 billion mark, and the vigorous adjustment measures that many developing countries had been obliged to take had had crippling effects on their economies mainly because they afforded no opportunity for growth. Austerity could be meaningful only if it led to development.

49. The situation in the least developed countries, two thirds of which were in Africa, was particularly desperate. Hit hardest by weak commodity prices, overwhelmingly vulnerable to external factors and with little or virtually no socio-economic infrastructure, they faced stagnation or decline in income and growth, and growing indebtedness. The impact of the outstanding external debt of the LDCs, which had risen from \$3.3 billion in 1974 to some \$30 billion a decade later, was even more severe than its absolute size indicated. The LDC's difficulties were further compounded by their inability to attract private investment; average *per capita* resource flows to LDCs had been only \$26.3 compared to \$30.2 to all developing countries.

50. Steps must be taken to strengthen the world economy and reactivate the developing countries' economies. The Committee for Development Planning had stressed that a bolder plan, on a truly global scale, would be needed. It estimated that a further \$25 billion was needed to restore moderate sustained growth in the developing countries to the current flow of \$40 billion; in sharp contrast, current policy projections envisaged no more than \$4 billion in new foreign investment and an extra \$2 billion in official transfers to the end of the decade.

51. A concerted initiative was needed, on the basis of global consensus, to restore growth and investment in the developing countries. It should embrace a more systematic and structured discussion leading to the convening of an international conference on money and finance for development; the immediate standstill and rollback of protectionist barriers and their gradual elimination in the context of multilateral trade negotiations; speedy and successful conclusion of negotiations on textiles, with favourable consideration for small producers and LDCs; increased World Bank lending in the range of \$45-50 billion during 1986-1988; a start to negotiations, in early 1987, on a general capital increase of the World Bank; to enable it to increase its lending to over \$21 billion annually by 1990; the eighth replenishment of IDA, by September 1986, at a level of at least \$12 billion; an increased lending capacity of the regional development banks, a reversal of current policy trends to allow the Fund to support more countries through medium-term balance-of-payments adjustment programmes; enhanced liquidity of the Compensatory Financing Facility; a new SDR allocation to help countries lacking access to private financial markets so as to avoid excessive reliance on official allocations or trade surpluses; implementation of the Integrated Programme for Commodities, including the Common Fund, and consideration of diversification measures, as well as the effective and timely implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 and of the Substantial New Programme of Action for the 1980s for the Least Developed Countries.²

52. In conclusion, his delegation agreed with the Secretary-General that the Council must be enabled to discharge its co-ordination role much more effectively than hitherto. That was also necessary in order to strengthen the Council as a major forum for enhancing development co-operation.

53. Mr. BUTLER (Secretary-General, International Telecommunication Union) recalled that he had reported to the Council in 1985 on the work of the Independent International Commission for World-Wide Telecommunications Development, established at the ITU Plenipotentiary Conference. The Commission had unanimously concluded that in future no development

² *Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981* (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

programme of any country should be regarded as balanced, properly integrated or likely to be effective unless it included a full and appropriate role for telecommunications and accorded corresponding priority to the improvement and expansion of telecommunications. The extreme difficulty of awarding priority to sectors of development activity was well known; the critical factor was not the order of priority as such but the balance of all the ingredients needed for activities. For that reason the Commission had urged development planners to have a check list of all components and ensure that telecommunication, whilst not necessarily receiving top priority, was given its due share. The Commission had found that in some countries telecommunications had come to be regarded as an engine of growth, and that in a majority of developing countries the telecommunication system was inadequate to sustain essential services.

54. Many speakers, even as recently as at the latest CPC/ACC joint meetings, had referred to the lessons to be drawn from the system-wide exercise relating to emergency operations in Africa, including the value of the early warning system existing in some countries and the effect of such information on the region as a whole. Although major crises could be tackled effectively at an early stage with timely, reliable information, the collection of such information from rural areas was virtually impossible in many countries with a very weak communication infrastructure. But strides in technology had made the important goal of bringing the telephone within the reach of all now attainable at a reasonable cost.

55. ITU had had fruitful collaboration programmes with regional and subregional organizations, particularly with OAU and ECA in Africa, including developments such as the Pan-African Telecommunications Network (PANAFTEL) and the much wider Regional African Communications System (RASCOM), which included an in-depth study to identify the African countries' telecommunication needs, and particularly rural requirements, combining space (satellite) and terrestrial technologies. More than ten international, regional and subregional organizations were taking part in the study, under the auspices of an inter-agency committee, which included a number of African regional organizations, ITU, UNESCO and UNDP, established in the context of the Lagos Plan of Action and the United Nations Transport and Communications Decade in Africa. The aim was to offer relevant solutions to the countries' varying needs, using appropriate technologies but keeping within the user's economic reach.

56. That project was one of many. He had singled it out, firstly, because it was an integrated multisectoral study addressed directly to the basic causes of the African economic crisis, namely, the virtual absence of proper communication infrastructure. Understandably enough, the African Governments' first priority was food and agricultural production, distribution and management; one essential requirement for those tasks was appropriate telecommunications in order to ensure

the proper flow of information. Secondly, the project provided and demanded proper co-ordination at all levels and with all parties. The requisite co-ordination among the various international and regional organizations was well in hand, but co-ordination among bilateral and multilateral programmes, suppliers and beneficiaries, was required also, as was co-ordination among suppliers of resources. The development of a worldwide homogeneous and efficient telecommunication network was in the interests of both users and suppliers of equipment, and therefore in the mutual interest of industrialized and developing countries.

57. He shared the ardent belief of many previous speakers that proper co-ordination was the only way to achieve global economic growth and ensure harmonious economic and social development, as had been clearly stated in the basic instrument of the ITU, the International Telecommunication Convention (Nairobi, 1982), to which, fortunately, almost all nations were signatories. He therefore appealed to providers of bilateral resources to co-ordinate with the United Nations system for the achievement of the mutual aim of the development of all countries.

58. Mr. KHERAD (Observer for Afghanistan) said that the world economic situation, and particularly the situation of the developing countries, had not improved since the Council's second regular session of 1985. The world community was still beset by falling standards of living and high indebtedness in developing countries, a fall in resource flows to the latter, budget deficits, very high interest rates, growing protectionism, exchange-rate fluctuations and uneven recovery in the industrialized countries. The sterile arms race, moreover, continued not only to threaten world peace but also to absorb resources which could otherwise be applied to development co-operation and economic and social progress.

59. The fragile economic recovery had failed to stimulate world economic growth or to benefit international economic relations and the developing countries' economic situation; the latter continued to deteriorate, and the expectations of recovery had proved unfounded. The repercussions of the prolonged crisis and the persisting inequity in international economic relations were causing havoc in the economy of the developing world, particularly the least developed and land-locked countries. Most developing nations faced falling *per capita* income; in particular, growth rates in the LDCs during recent years had been zero and even negative in some cases, and the breach between developed and developing countries was steadily widening.

60. The situation was not simply due to the world economic crisis; it was also seriously aggravated by the selfish economic policies of certain developed market-economy countries, which resorted to protectionism, discrimination and coercion. It was becoming increasingly obvious that no lasting solution could be found in the context of the current international economic order, and it was high time to begin serious negotiations on the

overall range of social and economic development problems to put an end to underdevelopment. Efforts must be made to establish a new international economic order, in order to restructure international economic relations for the benefit of all, particularly the developing countries. Unless the world community took such steps, the current cycle of cause and effect would persist.

61. The international economy could be viable and effective only if it served the interests of all countries, providing equal rights of decision to all. It was time to take steps to give effect to the aspirations and constructive proposals of the Group of 77 and the Movement of Non-Aligned Countries. Afghanistan reaffirmed the developing nations' legitimate demands; it welcomed those countries' vigorous efforts to expedite the launching of global negotiations, and hoped that the world community would recognize the flexibility and constructive approach of the non-aligned countries and the Group of 77 in proposing two-stage negotiations. It likewise supported the programme of immediate measures to offset the developing countries' gravest economic difficulties, while not overlooking the long-term need for restructured international economic relations.

62. Monetary and financial problems remained an important factor in international economic policy. The alarming weaknesses of the world monetary and financial system showed that it needed a complete overhaul if the developing countries were to expand their international trade, realign their balance-of-payments deficits and develop within the context of a new international economic order. To convene an international conference on money and finance for development would be a constructive step. The ever-deepening indebtedness of the developing countries was impairing their social and economic development plans and programmes, and was one of their gravest difficulties. Measures must be taken to alleviate the debt burden speedily and seek integrated, long-term solutions to the debt problem, particularly by developing fresh credit policies and procedures for co-operation among debtor and creditor nations with a view to strengthening the developing countries' payment capacity and financial independence.

63. The enormous economic burden faced by most countries was aggravated by the increasing use of the international financial system as a tool for pressure and intimidation in furtherance of certain countries' economic and political interests, contrary to the principles of the Charter of the United Nations and international standards. His delegation condemned any such policy and practice; it felt that reform of the international monetary system should go hand in hand with policies aimed at increased development assistance by the developed countries and international organizations. It regretted the decline in financial flows to the developing world, at a time when the latter needed them most. In view of the alarming situation which beset the least developed and land-locked countries in particular,

it was essential for the world community to give full effect to the Substantial New Programme of Action, provide financial assistance to the LDCs in the amounts and conditions appropriate to their immediate and long-term development, preferably in the form of grants, and give urgent attention to the debt problem, releasing the LDCs from the debts contracted with developed countries.

64. The essential task facing the world community was to heed the developing nations' aspirations and to act in a spirit of solidarity and international co-operation based on equality and respect for State sovereignty, with a view to achieving peace, justice and socio-economic development for all. Measures to halt the arms race, particularly in the nuclear field, were an essential part of any effort to put an end to the international economic crisis. In an increasingly interdependent world, a halt to the gigantic expenditure on the arms race, which increasingly impoverished nations and deprived developing countries, in particular, of essential resources, was essential to development and economic co-operation and to a world climate of peace and co-operation in which the many world problems, including the establishment of a new international economic order, could be tackled.

65. Mr. FERRER (United States of America), speaking in exercise of the right of reply, said that whereas his delegation would seek in its statement to contribute to the international development effort, the Soviet delegation, whose statement had been heard at the previous meeting, seemingly had little or nothing to contribute. The Soviet Union seemed to see the world as a great conspiracy of "neo-globalism"—whatever that meant. It was regrettable that the Soviet representative, in repeatedly condemning the activities of the United States and other democratic countries as imperialist and neo-colonialist, ignored his own country's activities.

66. Marxist-Leninist imperialism had made the Soviet Union the only industrialized State with an expanding colonial empire; that country had reverted to the Tsarist foreign policy their original revolutionary idealism had sought to terminate. The Soviet representative's words and so-called commitments were a cheap substitute for action—a sphere in which the Soviet Union failed miserably, as everyone, including the Soviet representative, well knew. The latter, in condemning the West's debt policies, had failed to mention that official debt repayments by the sub-Saharan countries of Africa to the Eastern bloc had more than quadrupled in the previous five years.

67. The Soviet Union continued its shameless policy of blatantly distorting statistics. According to United Nations sources, the Eastern bloc provided less than 1 per cent of total voluntary contributions to the United Nations, whereas the developed market-economy nations contributed well over 90 per cent. The developing countries' contribution to United Nations activities was over seven times that of the Eastern bloc—which raised a question about the latter's idea of co-operation for

international economic development and genuine multilateralism.

68. The Soviet representative's emphasis on reducing arms expenditure in order to free funds for development rang hollow when it was recalled that the Soviet Union was the world's leading arms merchant; 32 per cent of arms sales to developing countries came from the Soviet Union; Soviet military equipment comprised the largest portion of that country's so-called "foreign aid" and was its leading earner of foreign exchange from the developing world. It had to be asked where that country's real commitment lay, as opposed to its rhetorical commitment to pursuing peace.

69. It was not true that the West was attempting to impose a certain type of economic development on the developing countries. Countries were free to choose any model; a country which so wished could follow the Soviet example, especially if it desired dependence on food imports and a bloated public sector. What really concerned the Soviet representative was not the West's imposition of economic models but the developing world's growing recognition that Soviet style economic management was inefficient and unproductive, leading not to development but to stagnation and lower living standards.

70. He thanked the Soviet representative for the kind words expressed to his delegation on the anniversary of the United States' independence.

71. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said it had been hard to believe one's ears during the previous statement. The Soviet delegation's statement had contained facts and figures which clearly showed who in effect was responsible for pillaging the developing countries, wielding for many years a State policy of high interest rates, who was hampering the efforts of the United Nations to establish a new international economic order, and who was obstructing United Nations action against the evil effects of the

South African régime's policies and the activities of transnational corporations. No one was in any doubt about the Soviet Union's major contribution in proposals aimed at improving the world economic situation, including efforts to halt the arms race, with a view to assisting the developing countries in particular. Likewise, everyone knew who was undermining the efforts of the Paris Conference on International Economic Co-operation. The United States delegation's attempts at distortion and distraction deceived no one.

72. Mr. DIETZE (German Democratic Republic) speaking in exercise of the right of reply, said the statement made by the United States delegation had contained a polemical attack on the socialist countries of Eastern Europe, which included his own.

73. The German Democratic Republic informed the United Nations each year of its assistance to the developing countries and national liberation movements; further details would be given in its statement under the current agenda item.

74. For political reasons, one organization was spreading misinformation about his country and other socialist States. That organization overlooked the fact that the German Democratic Republic would never be a member of OECD, whose latest figures, it should be noted, showed that development assistance from its members had again decreased during 1985.

75. Mr. FERRER (United States of America) said that the figures he had cited were taken from United Nations, not OECD, sources.

76. Mr. DIETZE (German Democratic Republic) said that his delegation had repeatedly requested that the Secretariat, in compiling facts and figures, should draw on the relevant national sources, not sources from elsewhere.

The meeting rose at 5.45 p.m.

26th meeting

Monday, 7 July 1986, at 10.20 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.26

In the absence of the President, Mr. David Samudio (Panama), Vice-President, took the Chair.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments
(continued)

1. Mr. ADEDEJI (Executive Secretary, Economic Commission for Africa) said that the General Assembly's thirteenth special session on the critical economic situation in Africa, which had focused on the implementation of Africa's priority Programme for Economic Recovery, 1986-1990,¹ adopted by the Assembly of Heads of State and Government of OAU

¹ A/40/666, annex I.

at its twenty-first ordinary session (Addis Ababa, 18-20 July 1985), might not have measured up entirely to the continent's expectations, but had nevertheless represented a milestone in co-operation and had strengthened the African countries' will to improve the management of their economies.

2. In 1985 Africa's economic situation had shown a slight improvement, gross regional output had expanded by 2.8 per cent, against 1.2 per cent in 1984, although the rise had been virtually cancelled out by growing financial difficulties and the fall in major export commodity prices. Because of the return of the rains in most parts of the continent, agricultural output had increased by 2.5 per cent—although the wide disparities should be noted between the countries, some of which would certainly remain in need of food relief during 1986. Cereal production and cash crops had alike benefited from the return of normal rainfall that, unfortunately, had coincided with a sharp fall in the prices of almost all export produce. On the whole, therefore, the recovery in agriculture, the heart of the African economy, had been very slight, and urgent efforts were needed to restructure the sector on a sounder basis.

3. Growth in the extracting industries had decelerated to only 2.6 per cent in 1985 against 6.8 per cent in 1984, due largely to a supply surplus in the world market for oil. Although oil production in the African countries had in fact risen by about 2.6 per cent in 1985, it had declined sharply in value because of the price collapse; as a result, export earnings had dwindled. Demand for other major minerals had also fallen during 1984-1985, with an ensuing drop in production and investment, and even mine closures, as well as a sharp deterioration in the exporting countries' balance of payments.

4. The situation in the manufacturing sector was hardly brighter. The growth in output during the 1970s had not led to any real restructuring, and in 1980 that sector's share of total GDP had been the same as a decade earlier. Since 1980 the growth rate in real terms of value added in the manufacturing sector had fallen to 1.6 per cent on average per annum, and imports of factors of production had been hit by large scale restrictions.

5. It was no surprise, therefore, that domestic demand had remained weak during the previous two years, despite a slight recovery in 1985. Government consumption and capital formation had been particularly hard hit, one reason being the drastic cuts in national budgets. Investment had felt the effect and had declined continuously since 1982, particularly in the OPEC countries.

6. During 1980-1984, the volume of Africa's exports had declined by 22.9 per cent. In 1985 the volume of exports of goods and services had grown by 3.6 per cent, but the increase had been offset by a decline of 4.8 per cent in prices, so that, in value terms, exports had fallen by about 4.3 per cent. Imports of goods and services had fallen by 2.9 per cent as against 4 per cent in 1984, which, although offset by the rise in their prices, had

significantly eased the African countries' current account deficit, which had fallen from a 1981-1984 average of \$22 billion to \$11 billion for 1985. At the same time, however, net capital inflows had stagnated and Africa's reserves, after an improvement in 1984, had again fallen by \$2.2 billion at the end of 1985.

7. The escalating external debt had had catastrophic effects, and many countries were threatened by a real economic collapse unless immediate measures were taken to overcome the crushing burden of debt servicing, the ratio of which had attained 25 per cent in 1985.

8. With regard to the outlook for 1986, agricultural output should continue to grow throughout the region, but the food situation would remain precarious in some countries. The agro-industry sector would perform better, since the requisite domestic raw materials would be available. External demand would be decisive for the extraction sector, whose progress would depend almost entirely on exports; total oil production was hardly likely to increase, and although for some mineral products the outlook was fairly good, for others the situation seemed bleak. With few exceptions, the crisis in the manufacturing sector was not likely to end, due to import shortages and various structural problems. A general decline should be expected in investment, since many countries would still be in the grip of acute financial difficulties leading to cuts in expenditure or stringent adjustment programmes. But the shift towards more funds for agriculture, a rise in agricultural prices and the growing role of market forces were bound to have positive effects on output, even though it might take time. In that light, the ECA secretariat forecast a modest growth of 2 or even 3 per cent at best for 1986.

9. Most African countries had adopted measures to readjust their economies but often by the adoption of a policy of cuts in capital expenditure fraught with consequences for development and production capacity. The ECA, at its twenty-first session in April 1986, had critically reviewed the economic situation of the continent and had decided that drastic measures must be taken immediately to put the African economy back on a firm footing for growth. Priority must be given to food and agriculture; the share of public expenditure allocated to agriculture must be raised to 25 per cent of aggregate public investment by 1989, pursuant to the Priority Programme, and attention must be given to modernizing the agricultural sector, training personnel, developing the material and social infrastructure, using natural resources rationally and protecting the ecological balance, as well as to putting in hand research, training, production and distribution programmes and adopting an appropriate pricing policy. The Commission had called upon the international community to remove customs barriers and create conditions favourable to trade in the commodities exported by the African countries.

10. Africa's priority Programme laid special emphasis on parallel measures necessary in other sectors, particularly in industry and the infrastructure. Major ac-

tivities had been undertaken to implement the Programme for the Industrial Development Decade for Africa. At its twenty-first session, the ECA had reviewed the progress made in carrying out the programme and other activities: the second phase of the United Nations Transport and Communications Decade in Africa,² the programme for the integration of women in development, the Substantial New Programme of Action for the 1980s for the Least Developed Countries,³ and all programmes which required a major effort by the international community.

11. The Commission had reaffirmed its decision to establish an African centre for meteorological applications for development in order to combat drought and other natural disasters. It had likewise considered the question of strengthening collective self-reliance through economic and technical co-operation and integration; it had adopted 26 resolutions, three of which required approval by the General Assembly. In view of the financial difficulties of the United Nations, none of those resolutions called for additional resources, and he hoped that all States would support them. If Africa was to come out of its present difficulties, it was essential translate into acts the compact forged at the General Assembly's thirteenth special session.

12. Mr. SAHLGREN (Executive Secretary, Economic Commission for Europe) recalled that the ECE countries accounted for roughly two thirds of world output; developments in that region, therefore, had a decisive influence on the economies of the rest of the world, where the pace of growth had remained far short of what had been envisaged and whose development was a priority item on the Council's agenda.

13. The recovery of growth in the output of the region's developed market-economy countries had faltered during the first half of 1985. In Western Europe, the GDP, which had fallen during the first quarter in the four major countries, chiefly on account of a particularly harsh winter, had recovered during the second quarter. In the United States of America, GNP had decelerated sharply during the second half of 1984 and had really recovered only in the second half of 1985, partly due to financial incentives; for 1985 as a whole, however, GNP growth in the United States had been comparable to that in Western Europe, at 2.25 per cent. Thus, the wide gap in output growth between Western Europe and the United States, observed in 1983 and 1984, had virtually disappeared in 1985. There had been a fairly sharp deceleration of growth in the region's market-economy countries as a whole between 1984 and 1985, from 4.5 to some 2.5 per cent, chiefly due to the slow-down in the United States.

14. Inflation in the region's market-economy countries had continued to slow down in 1985, more sharply than had been expected. Employment had risen, but the rise had remained small and had been concentrated in North America; in Western Europe the rise in employ-

ment had been slower than growth of the labour force, so that unemployment had continued to rise, although much more slowly than in the preceding years. The uneven distribution of trade and current account balances had worsened further, heightening the disparities in 1985. The United States trade deficit had reached some \$140 billion and its current account balance \$110 billion. The counterpart to the situation had been largely concentrated in Japan and the Federal Republic of Germany. Western Europe as a whole had recorded a current account surplus of about \$20 billion, whilst in southern Europe the adjustment policies of past years had succeeded in correcting the large current-account deficits caused by the two oil shocks.

15. For the last 15 years, the major concern of policy makers in the region's market-economy countries had been to reduce the high and persistent inflation. After the second oil shock in 1979, anti-inflation measures had even taken priority over the goal of full employment. But the process of reducing inflation had been much slower than foreseen, with much greater repercussions on employment and output than expected. With inflation no longer their major concern, Governments might now focus their attention on improving output and employment. Low and declining rates of inflation could have a positive effect on output growth; but matters were somewhat complicated because a general fall in inflation rates would not necessarily lead, at least in the short term, to a corresponding fall in nominal interest rates.

16. By the end of February 1986 spot prices of crude oil had fallen by almost 50 per cent in less than three months. The effects of that further collapse of the oil market had been amplified by the revaluation of many countries' currencies in dollar terms. Although, up to the second quarter of 1985, many Western European countries had failed to benefit from the fall in oil and other commodity prices because of the rising dollar, the situation had changed radically and countries that were members of the European Monetary System had thereupon benefited from an actual fall of almost 60 per cent in the crude oil price; most of them were net energy importers, and although the effects of the latest oil shock had hit them hard the immediate effect of such a fall would be a striking improvement in their trade balance.

17. The fall in oil prices should generally have a beneficial effect on growth and inflation in most of the region's developed market-economy countries and, as a result, on the world economy as a whole. It had been expected, before that drop, that growth in Western Europe and North America would be little more than 2.5 per cent in 1986; it had since become likely that 3 per cent would be reached. The fall in oil prices, amplified by the weaker dollar, gave a large boost to the purchasing power of the region's developed market-economy countries, and its multiplier effects should be considerable, since a large proportion of imports came from the region itself. For that reason, economic growth could speed up in 1987 despite a number of con-

² General Assembly resolution 32/160, of 19 December 1977.

³ See the 25th meeting, footnote 2.

trary factors, such as the high level of interest rates; At a later stage of the upswing it might be necessary to co-ordinate a general reduction in nominal interest rates; more generally, some policy changes might be required in 1987.

18. In the centrally planned economies of the region, the acceleration in the pace of economic growth, begun in 1982-1983 and maintained in 1984, had not continued in 1985. Net material product (NMP produced) in the seven countries concerned had increased by some 4 per cent in 1983-1984 and by roughly 3.5 per cent in 1985. However, the growth rate of aggregate industrial output had been more stable, and the rate of growth in NMP produced in 1985 could have been a temporary departure from the underlying trend; nevertheless, maintenance of the 1983-1984 growth rate had proved more demanding than had been anticipated.

19. Both supply and demand factors had played a role in shaping economic developments in the area in 1985. On the supply side, most of the countries concerned had felt the effects of an unusually harsh winter. That factor, together with performances in agriculture that were worse than had been expected, had held back growth in exports. In some countries the efforts made during subsequent quarters to remedy the situation had partly offset the shortfalls, but in others output and exports had remained low throughout the year. On the demand side, the slowdown in world trade, particularly in imports by the developed market-economy countries, allied to ever-increasing competition from developed and developing countries alike, had helped to depress exports in most of the countries concerned. Their trade balance, which had been in surplus with the developed market-economy countries during the previous years, had turned into deficit in the Soviet Union and some Eastern European countries. Nevertheless, current accounts for Eastern Europe as a whole had remained in surplus, albeit to a lesser extent, reflected in a rise of some \$8 billion in the seven countries' overall indebtedness. The NMP used (resources for domestic use) in the Soviet Union had increased at a rate close to that of NMP produced in 1985; the same had been true for some Eastern European countries.

20. While recent developments in the centrally planned economy countries' economies had been greatly influenced by short-term factors such as climatic conditions and external constraints, those had not been decisive in the medium and long term. Various analyses on the subject pointed to excessive consumption of energy and raw materials in relation to national output, low growth in labour productivity and declining capital productivity as the underlying factors inhibiting economic growth and competitiveness.

21. Guidelines and other documents relating to the five-year plans for 1986-1990 set the objective of a considerably higher rate of output growth than had been achieved in 1981-1985. Accelerated economic growth was to be achieved mainly through a more efficient use of all factor inputs—energy, raw materials, fixed capital and labour. Also, foreign trade was to play a greater

role in development, in particular through more intensive co-operation within CMEA. It also seemed that accumulation and investment would rise faster than consumption, reflecting the need to accelerate structural changes. As for short-term prospects, there seemed to be sufficient spare capacity in the centrally planned economy countries for growth to accelerate in 1986.

22. On the subject of East-West economic relations in general, the growth in the volume of world trade, after a particularly large increase in 1984, had fallen to less than 4 per cent in 1985, and growth in trade had slowed somewhat for all groups of countries, albeit to markedly different degrees. In 1985, East-West trade had developed unevenly, the West's exports to eastern Europe had picked up but the pace of exports to the Soviet Union had slackened noticeably. On the other hand, the West's imports from Eastern Europe, particularly from the Soviet Union, had fallen. Early in the year the reason for the situation had been the harsh winter, but other factors, possibly of a more long-term nature, had played a part. The outlook for world trade in 1986 was closely linked to the fall in oil prices and the appreciable currency realignment which had begun in the latter part of 1985. In general, the fall in oil prices should have a favourable impact upon global economic growth and, thereby, on world trade, but the distribution of benefits and losses was liable to be uneven since output and trade of net oil exporters were bound to recede.

23. The year 1986 might well mark the beginning of a new phase in East-West trade. Since the early 1970s, the overall expansion of that trade had owed much to developments in the energy sector. The combination of rising energy prices and eastern Europe's growing capacity to export fuels had resulted in a growth in earnings, especially for the Soviet Union. It was those earnings which, to a large extent, had underpinned the growth in imports from the developed market economy countries. But the collapse of oil prices in early 1986, together with the uncertainty about the future level of fuel deliveries from eastern Europe, was likely to weaken one of the key factors of East-West trade to an extent which sales in the West of other eastern European goods were unlikely to offset. Preliminary data for the first quarter of 1986 already pointed to a cutback in the volume of Soviet imports from the West. One positive aspect of the situation, however, was that attention might be paid to important constraints on East-West trade: trade restrictions and impediments, the high share of raw materials and fuels in eastern European exports and delays in the modernizing of domestic structures.

24. Turning to ECE activities, he said that they had been positive in all sectors.

25. In the trade field, he referred to the symposium on East-West business opportunities and trade prospects to be held at Salonika, Greece, in September 1986, during which experts from the region—and perhaps from other regions—would take a pragmatic and innovative approach to the potential for East-West trade in particular

industrial branches, including energy- and raw-material-saving techniques, pollution abatement technologies, agro-industries and the chemical and pharmaceutical industries.

26. The ECE had intensified its work on environmental protection. The Convention on Long-range Transboundary Air Pollution had been ratified by 31 of the 35 signatory countries, and a protocol calling for a reduction of 30 per cent in sulphur emissions had been signed by 21 parties in July 1985. A Working Group on Nitrogen Oxides had been established to draw up proposals aimed at reducing emissions of nitrogen oxides and their transboundary fluxes. Finally, the senior advisers to ECE Governments on environmental problems were reviewing environmental trends and policies in member countries, with a view to drawing up a strategy on environment and natural resources up to the year 2000. The ECE continued to work in close collaboration with UNEP, as was shown by the satisfactory implementation of the Declaration on Low- and Non-waste Technology and Re-utilization and Recycling of Wastes. He noted with satisfaction that it was the intention of the Executive Director of UNEP to extend such co-operation to other spheres in the future.

27. The Senior Advisers to ECE Governments on Energy had held their fifth session in September 1985; they had reviewed national policies on that subject, in the light of the situation brought about by the decline in oil prices. The Commission had examined the work programme in the energy field and approved proposals for new activities. Two symposia were planned for 1987: one on new and renewable sources of energy, the other on energy efficiency improvements. They might be of interest to countries outside the ECE. The Senior Advisers would also be studying environment-related issues and the supply of heat from nuclear power stations and fossil fuels.

28. At their previous session the Senior Advisers to ECE Governments on Science and Technology had reviewed changes in national science and technology policies as well as the results of the *ad hoc* Meeting on the Evaluation of R and D Activities. A seminar on the importance of technology transfer in ECE member countries, which should produce interesting results, would be held in Warsaw in October 1986. He also outlined a broad range of practical activities, from biotechnology to the rational use of water in the chemical industry, which attested to the wide variety of practical projects included in the Commission's programme of work; he believed that such activities developed a solid foundation for the consideration of broader, more general problems.

29. The Senior Economic Advisers to ECE Governments were engaged in preparing an "Overall Economic Perspective (OEP) to the year 2000". The OEP, which was to be completed in 1988, examined a number of crucial issues likely to arise during the next 15 years. An interim version of the document already existed, together with supporting papers relating to science and technology, human resources and investment. Work

would be carried out during the next two years on final demand and consumption, the environment and energy.

30. The ECE continued to be the executing agency for the Trans-European North-South Motorway Project (TEM); 2,000 km were already in operation, the construction of the bridge on the Bosphorus had begun in May 1986, and the Italian segment of the TEM should be open before the end of the year. ECA, ESCWA and ECE were carrying out a joint project on transport in the Mediterranean region; its programme of work had been endorsed by the Commission, and the Greek, Spanish and Turkish Governments had presented proposals for its implementation. An interesting seminar on the harmonization of customs procedures had also been organized by the Spanish Government in October 1985. The ECE secretariat had continued to service the activities of the Committee of Experts on the Transport of Dangerous Goods, which would be making a final review of a glossary of terms used in connection with explosives; the fourth edition of the Committee's recommendations had been published.

31. The ECE's work had also progressed in the fields of human settlements, industry, agriculture, timber and statistics.

32. The Commission would strive to contribute to United Nations programmes designed to assist developing countries. He particularly welcomed the UNDP Governing Council's decision to maintain a regional programme in Europe. He underlined the fact that projects carried out in the region, especially in the realm of high technology, were often of benefit to countries in other regions. It was highly desirable, from that perspective, to strengthen collaboration with UNDP and the other regional commissions.

33. The signature of the Final Act of the Conference on Security and Co-operation in Europe (CSCE) had been an event of prime importance for strengthening relations among the States of the region. That important process was continuing, and it continued to have a profound effect on ECE's work. He looked forward to informing the participants at the third CSCE review meeting, to be held in Vienna in November 1986, of the progress made by ECE in giving effect to the relevant provisions of the Final Act as well as of the possibilities to contribute further to its implementation.

34. In 1987 ECE would be observing its fortieth anniversary, and the Commission had decided that it would be observed in such a way as to enhance co-operation among its member States. That anniversary and the Vienna meeting would provide an opportunity for an assessment of the work carried out and impetus for the future as well as for opening up new prospects.

35. Mr. KIBRIA (Executive Secretary, Economic and Social Commission for Asia and the Pacific) observed that the ESCAP region comprised more than half of the world's population and the great majority of the world's desperately poor and hungry. Many of its countries, especially the newly-industrialized nations of East and South-East Asia, had indeed made substantial

economic progress over the years: several had managed to triple or even quadruple their per capita GDP in the space of a generation. Communications had been considerably improved; educational systems and reservoirs of skilled manpower were developing rapidly; there had been significant increases in literacy and primary school enrolment rates and notable improvements in health services, disease control, and life expectancy. There were, however, shocking disparities, both economic and social, in many of the ESCAP developing countries. About one third of the population of several South and South-East Asian nations suffered from undernourishment, which limited the capacity to work in adults and stunted brain development in children, many of whom never attended school. The poverty cycle thus tended to be self-perpetuating.

36. The region continued, therefore, to need international support and assistance; it deserved that aid because of its sustained domestic resource mobilization efforts, sound management and prudent borrowing policies. Crises elsewhere should not result in an undervaluing of the needs of countries that were among the world's poorest.

37. The disappointing economic results achieved in 1985 were due largely to growing protectionism against the region's manufactured exports, and the continued decline in prices for its primary commodities. In 1985, the prices of copra, tea, palm oil and sugar had all dropped by more than 25 per cent. Protectionist measures, weak demand for most commodities and slower growth of world trade had led to reduced exports, deteriorating terms of trade, and large trade deficits. Although interest rates had edged downward in the world's financial centres, they remained high in real terms in most of the region's domestic capital markets, thus stifling the investment needed to combat unemployment.

38. At the forty-second session of the Commission (22 April-2 May 1986), some delegations had voiced concern over the decreasing resource base of multilateral financial and technical assistance agencies, which had coincided with a considerable shortfall in the target of the Substantial New Programme of Action for the 1980s for the Least Developed Countries of doubling ODA by 1985. The Commission had, however, adopted a plan of action that called for specific measures to enhance human skills, opening avenues for inter-country co-operation in such areas as training, the exchange of planning experience, and the sharing of facilities and personnel. The resolution was an important new step towards improving the technological capability of human resources in the region, and the Commission had appealed to other United Nations agencies to help to ensure that the Plan of Action was successfully implemented.

39. While emphasizing the urgent need for an improved global economic climate, the Commission felt that it was also important to press ahead with South-South co-operation, intraregional trade, and sub-regional co-operation. Governments had welcomed the

founding of the South Asian Association for Regional Co-operation, which would no doubt play a significant role in reinforcing the foundations for wider regional co-operation. The Commission had also commended the holding of the Asia-Pacific International Trade Fair in Beijing, in November 1985, as an example of fruitful co-operation among member countries. Furthermore, the region's Ministers of Trade had met in June 1986 in Bangkok for the first time in eight years and had issued a declaration giving a new sense of direction to efforts to expand trade among the nations of Asia and the Pacific.

40. Another noteworthy aspect of the Commission's forty-second session had been a remarkable uniformity of opinion on social issues, particularly a strong consensus that social conditions had been deteriorating in many member countries. Development could not achieve full momentum so long as millions of people, especially women and other disadvantaged groups, were left on the fringes of the process. Reflecting that awareness, the Commission had adopted two resolutions aimed at strengthening ESCAP's social development activities.

41. The Commission had also adopted, for the Council's consideration at its current session, a draft resolution to admit as associate members the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau. To commemorate the fortieth anniversary of ESCAP in 1987, the members of the Commission had decided on a number of stock-taking measures to help to chart the course of its future work. He had also to report that the Commission had been disappointed by the deferment of the United Nations conference centre project in Bangkok; it had appealed to the Secretary-General to explore all possible ways and means to enable construction to proceed on schedule.

42. In conclusion, he reaffirmed his optimism about the future of Asia and the Pacific. Formidable difficulties still remained, but he had deep faith in the qualities of the people of the region, in the dynamism of many member countries, and in the prudence and wisdom of their policy makers and their abiding commitment to development.

43. Mr. GONZÁLEZ (Executive Secretary, Economic Commission for Latin America and the Caribbean) said that the crisis, which had begun in 1981, had continued to make its effects felt in the majority of the countries of the region. The low growth rate in production had lagged behind demographic growth, external balances had deteriorated, and, although inflation had subsided in certain countries, it had increased in others.

44. With the exception of Brazil, whose domestic product had increased by over 8 per cent, all the other countries had registered on average a fall in *per capita* GDP of more than 2 per cent. In spite, however, of the unfavourable export situation, the region had shown a trading surplus of \$34.3 billion, achieved, however, by cuts in imports and a consequent slow-down

in economic activity. Moreover, net resource transfers from the region to the rest of the world had exceeded \$30 billion. As a result of the reduction in capital inputs in 1985, external debt had only slightly increased, and, in real terms, it had even declined for the first time in the recent history of the region, standing at \$368 billion at the end of the year. Interest repayments nevertheless continued to absorb a high proportion (nearly 36 per cent) of export earnings, and the proportion had increased since the preceding year as a result of the fall in the value of exports.

45. In the second half of the year, Argentina, Bolivia and Peru, and, to a lesser extent, Costa Rica, Venezuela, Chile, Ecuador and Colombia, had achieved notable results in combating inflation. Furthermore, since March 1986, Brazil had reduced its rate of inflation drastically. It had to be emphasized that the results obtained by Argentina, Peru and Brazil were attributable to innovative policies, which endeavoured, as far as possible, to avoid damage to economic activity, and to spread the burden of stabilization more equitably among the social sectors.

46. It was difficult to make precise forecasts for 1986 and 1987, partly because sufficient information was not yet available, but mainly because of the continuing uncertainty about the international economic scene, in spite of the encouraging recovery in some developed countries. Moreover, while the fall in oil prices had had highly unfavourable effects on the balance of payments and growth capacities of countries like Mexico, Venezuela and Ecuador, it had helped to increase the import capacity, and consequently improve the development prospects, of Brazil, Uruguay, Chile, and some countries of Central America and the Caribbean, in which purchases of oil from abroad accounted for a sizeable proportion of total imports. As to trends in primary commodity prices, Colombia and the countries of Central America had benefited from the rise in the price of coffee, whereas, in contrast, the very low real level of international prices for tin, copper, zinc, lead, cereals and meat had restricted the export earnings of countries such as Argentina, Bolivia, Chile, Peru and Uruguay. The expected acceleration in the growth of the OECD countries, and the fall in interest rates should be to the advantage of the countries of the region as a whole. The favourable consequences of such changes should not, however, be overestimated, since the falls so far recorded had been mainly in nominal interest rates, while real rates had remained high as a result of the marked deceleration in world inflation levels. In that connection, it should be stressed that, so long as the real level of interest rates was higher than the growth rate of production and exports in debtor countries, debt servicing would demand ever greater efforts. Since 1982, the outflow of resources and savings, due not only to high interest rates, but also to the drying up of net financing by commercial banks, had been one of the main reasons of the economic crisis. The reduction of such outflows was, consequently, one of the prerequisites for the economic recovery of the Latin American and Caribbean countries. Net interest

payments must be reduced and capital flows to the region increased, and the countries must also increase domestic savings and adopt more effective and coherent economic policies.

47. The idea that a recovery in the growth of the world economy would automatically enable the economies of Latin America and the Caribbean to get off the ground again had not been borne out by the facts. In 1985, in spite of the growth in the OECD countries, exports from Latin America and the Caribbean had sharply declined in value, and there had been a slow-down in the economic activity of many countries of the region. Furthermore, while internal adjustments were indeed indispensable and countries had to pursue economic recovery policies, however intensive the effort might be, and however well directed, it was not enough.

48. The worsening social tension in many countries was giving serious concern to the Governments of the region and demonstrated that austerity policies could not be enforced for a protracted period without endangering the social stability and democracy that several countries were committed to strengthening. Appropriate international co-operation was, therefore, necessary. In the financial sphere, it should first and foremost take the form of a reduction in interest rates, which were still too high. In the context of negotiations on external debt, the possibility of reducing net capital outflows should be contemplated. Several proposals had been made in that connection which deserved consideration by both debtor and creditor countries. In the trade field, a recovery in commodity prices, currently at an extremely low level, depended on a dynamic reactivation of the economies of the industrial countries and the implementation of appropriate measures by the developed countries. The Latin American and Caribbean countries, for their part, would only be able to achieve significant increases in their exports if the markets of developed countries were more accessible, which would involve the dismantling of the protectionist measures at present restricting their admission to them.

49. Turning to the Commission's main activities since July 1985, he said that the meeting of the Plenary Committee of the Commission, in August 1985 at Buenos Aires, had been preceded by a high-level meeting of government experts, which had drawn conclusions from a study of the crisis and the medium and long-term prospects for the region. Studies had been carried out on adjustment policies, economic recovery, inflation and debt in order to provide Governments with information to help them work out appropriate policies. The secretariat had endeavoured to extend relations with the private and public sectors in the areas of trade, technology, industry and transport, and to work more effectively with leading figures in production, trade and finance in order to promote the development of the region. A meeting on the social effects of the crisis and policies to overcome them was under preparation. The situation of young people, and policies on behalf of women who endured poverty and discrimination alike had also been studied. With regard to population ques-

tions, the work programme of the Commission had become heavier with the establishment of a joint ECLAC-CELADE (Latin American Demographic Centre) demography group and a joint ECLAC-ILPES (Latin American Institute for Economic and Social Planning) planning group at Port of Spain.

50. In conclusion, he noted that the Commission had, at its twenty-first session, approved the holding of a special session, without additional costs, to discuss policies for promoting growth and development. The special session would take place in Mexico towards the end of the year and would provide an opportunity to analyse the various adjustment possibilities likely to stimulate economic recovery, to discuss the changes needed in production structures, and the promotion of regional co-operation. The Commission had also decided to continue, at the special session, to monitor the consequences of and outlook concerning the external debt of Latin America and the Caribbean.

51. Mr. AL-KISHALI (Deputy Executive Secretary, Economic and Social Commission for Western Asia) noted that the growth of the world economy had slowed down in 1985, falling to 3.1 per cent after the 4.5 per cent increase in 1984, and that no significant improvement in 1986 seemed likely. The world economy needed to grow more rapidly in order to make up for the devastating effects of the recession of the early 1980s. The persistence of high unemployment rates in many developed as well as developing countries remained a serious challenge. In spite of the adoption of austerity measures, their external debt position had deteriorated, as a result of the decline in their export earnings, due primarily to the slow economic growth of their developed trading partners and to a fall in the prices of primary commodities, including oil.

52. The international debt crisis was one of the most serious problems facing the international community, and it could only be solved within a multilateral framework.

53. The States members of ESCWA continued to be affected in varying degrees by the recession which had begun in 1983, depending on whether they were oil-exporting States of the Gulf Co-operation Council or other States. The former had experienced on average a negative growth rate in GDP of 1.6 per cent, while the latter had registered a marginal positive growth rate of about 0.5 per cent.

54. The economies of the ESCWA region were continuing to suffer from the fall in oil prices and the decline in demand. The share in the market of the oil-producing States had declined as the share of the non-OPEC oil-producing States had increased. The fall in the value of the dollar had also had unsettling effects on the oil market. Thus, the combined oil revenues of the major oil-exporting countries of the region had fallen to

approximately \$71.2 billion in 1985—a 13 per cent decline from the 1984 level.

55. The recession had had a number of adverse repercussions, not only on member countries of the region but also on the developing countries, aid to which by the oil-producing countries, amounting to some \$5 billion, would be sharply reduced. It was also important not to underestimate the adverse social and economic impact on labour-exporting countries of the return of a proportion of their nationals, to swell the ranks of the unemployed.

56. Turning to international transactions, he said that the balance of payments in the region had been in deficit since 1983, in contrast to the large surplus enjoyed by oil-producing member States throughout the 1970s. In all member States the value of exports had fallen in 1984 for the fourth year in succession, and there were no signs that there had been an improvement in 1985. The region's share in the total value of world exports had fallen between 1980 and 1984 from 9.8 per cent to 4.8 per cent, while its share in the total value of world imports had risen from 3.8 per cent to 4.3 per cent over the same period. He wished to emphasize that the oil-producing countries of the region had also faced difficulties in exporting the products of their rapidly expanding petrochemicals industries.

57. Indicators pointed to a continuation of the unfavourable economic situation during 1986. It was largely due to developments in the oil market, and if OPEC and non-OPEC oil-producing States did not succeed in reaching agreement on production levels, prices and market shares, there might well be further falls in prices. In any case, the oil market was expected to remain weak throughout 1986 and for some years.

58. In the light of the economic situation in the region and the United Nations financial crisis, the Commission had reassessed its programmes and adopted a number of resolutions in consequence. It had also continued its efforts to expand areas of co-operation and co-ordination with various regional and Arab organizations.

59. The Western Asia region was becoming the most volatile area in the world. The Arab-Israeli conflict, the Lebanese situation and the Iran-Iraq war were continuing to disrupt stability, retard development and hamper multilateral co-operation. Those conflicts, which were taking a tremendous toll of human lives and causing immense suffering, must be brought to the earliest possible conclusion if they were not to escalate to a point which might threaten world peace. It was to be hoped that in 1986, proclaimed as International Year of Peace, concerted international action would bring about a just and lasting peace.

The meeting rose at 12.30 p.m.

27th meeting

Monday, 7 July 1986, at 3.40 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.27

In the absence of the President, Mr. Heinrich-Dietrich Dieckmann (Federal Republic of Germany), Vice-President, took the Chair.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. TERENCE (Secretary-General of the Inter-Parliamentary Union) recalled that the increasing prominence of the parliamentary component in international co-operation had been emphasized six years earlier in the preamble to the International Development Strategy for the Third United Nations Development Decade;¹ it had become an accepted fact in the United Nations that many problems could be treated more effectively by concurrent and convergent action by Governments and parliaments.
2. The Inter-Parliamentary Union, which now numbered 105 States and whose statutory objective was to work for peace by supporting United Nations aims, had in 1985 devised appropriate procedures for that action at all levels in a resolution on strengthening its co-operation with the United Nations that had been unanimously adopted. The action covered most of the areas with which the General Assembly was concerned, but applied more specifically in economic and social development and the environment. The Union's recent conference in Mexico had given priority to economic questions, particularly with a view to preparations for the seventh session of the United Nations Conference on Trade and Development and the forthcoming round of negotiations in GATT. The conference, like the Council, had discussed the inter-related economic issues and their impact on development, and had stressed once again the importance of the overall efforts of organizations in the United Nations system on behalf of Africa. In 1987 the Union would probably resume consideration of problems relating to human resources development. It had also recently expounded its programme of activities for an in-depth study of specific development problems in co-operation with United Nations bodies, and had confirmed the series of regional inter-parliamentary conferences in Africa, initiated in 1981. For 1986, its African members had assigned priority to agricultural development and food security, and the Union was preparing a conference on that theme in conjunction with FAO to be held in Harare in December. The African conferences had also focused on population questions and the participation of women in development. The Union aimed above all, however, at strengthening the machinery for implementing its recommendations, which included regular reports by its members and scrutiny of the measures taken and the results achieved—an essential condition for the Union's efficiency and the effectiveness of its co-operation with the United Nations. Through the activities of its national groups, legislative and practical measures in the economic and social field had been taken in many African countries. In the area of human rights, there had been further releases of imprisoned parliamentarians, and in the area of environment the Union was preparing a meeting to evaluate follow-up measures to the World Inter-Parliamentary Conference on the Environment held jointly with UNEP in 1984. The Union followed a very strict policy in the choice of its programme priorities, and it enjoyed a sound financial situation.
3. The Council's Programme and Co-ordination Committee would doubtless pursue its endeavours to avoid wasting effort and resources due to the large number of intergovernmental bodies active in the United Nations context. The Union had found itself faced with certain problems in that area, and its governing bodies had taken the view that the Union was coping satisfactorily with priority issues and that it was not appropriate to establish subsidiary inter-parliamentary bodies. The Inter-Parliamentary Council had indicated its concern about inter-parliamentary associations recently created outside the Union, which were duplicating its activities and also expending considerable amounts on travel and maintenance for the parliamentarians invited to their meetings—an approach which the Union considered unethical. The Inter-Parliamentary Union also felt that the secretariats of certain organizations in the United Nations system should refrain from offering such associations financial, administrative and technical support, and participating, often at a high level, in their meetings. The Union was convinced that, at a time when multilateralism was under scrutiny, it should be recognized that the efficiency and development of multilateral activities called for strict and careful management.
4. Mr. RAMPHAL (Chairman, Committee for Development Planning) observed that the theme of the external financing problems of developing countries, on which the CDP's 1986 report (E/1986/26) focused, had followed naturally from the theme of the challenge facing multilateralism, explored in its 1985 report. He would have liked to be able to report overall progress in the renewal of multilateralism; in some areas, however,

¹ General Assembly resolution 35/56, of 5 December 1980, annex.

as in the financing problems facing the United Nations and respect for the rule of law, there had been actual retrogression. Yet in others—disarmament, southern Africa, the economic crisis in sub-Saharan Africa and macro-economic policy co-ordination—there was a glimpse, at least, of a greater awareness of the need to intensify international commitment.

5. In 1985, when the Committee had decided to focus on the capital needs of developing countries, recovery in the industrial countries, itself already weakening, was continuing to bypass wide sections of the third world, including the poorest countries. For many, its negative features—persistently depressed commodity prices, historically high real interest rates and crippling debt-service payments—outweighed its faint impulses. However, the threats to resource flows to developing countries were of immediate concern. The debt crisis that had emerged in 1982 had brought about a sharp decline in commercial bank lending to developing countries from a level of \$52 billion in 1981 to \$13 billion in 1985, which, in conjunction with huge interest payments, had resulted in negative transfers from the banking system. Meanwhile, private foreign direct investment was failing to assume the larger role advocated for it and had begun falling from its peak levels of 1981-1982. The declines in private flows were, however, not too large to be offset by official flows, if the latter had been forthcoming. IDA itself had seen a sharp reduction in its seventh replenishment even in nominal terms and, while other international financial institutions endeavoured to respond to the situation, a reduction in OPEC assistance had meant that official flows were barely maintained. The upshot had been a sharp decline in net capital flows to developing countries, with a resulting substantial reduction in current account deficits. It was not, however, a successful adjustment, since in many countries little contribution had been made by export growth, and adjustment had been achieved through contractions in imports large enough to be severely growth-inhibiting. The problem of indebtedness to commercial banks, especially by Latin American countries, had loomed large, but the situation in sub-Saharan Africa had been even worse. Food shortages had turned to famine in many countries, severely accelerating long-term declines in living standards. The prospects for developing countries had, thus, come to depend crucially on trends in the flow of external finance; that was the reason why the Committee had decided to concentrate its work on their capital requirements. Its report (*ibid.*) emphasized that the resource flows needed for growth-oriented adjustment were vastly under-estimated. Unless net financial flows were restored to positive and substantial levels, many of the world's poorest nations would not achieve adequate growth and social progress, whatever policy reforms their Governments might undertake. Even on moderately optimistic assumptions of growth, and of inflation and interest rates in industrial countries, the debris of the past remained an obstacle to a revival of growth in the developing countries. In most countries in Africa, Latin America and Western Asia, living standards had continued to deteriorate for the fifth year in succession,

and there was little reason to expect significant improvement in any of those regions as long as present policies and trends continued. The Committee's report pointed out that, although the reasons for that bleak outlook varied widely from country to country, one common problem bedevilled every aspect of economic life in almost all developing countries, namely, the sudden reversal in the flow of international finance after the 1982 debt crisis. In 1984 and 1985, the net transfer of resources from capital-importing developing countries had exceeded \$40 billion, and for Latin America as a region the amount had been much higher. Even sub-Saharan Africa had not been spared that perverse development; although net transfers had remained positive, they had registered a sharp decline. Thus, while the peoples of the industrialized countries had through such efforts as Live Aid and Sport Aid made a tremendous human response to the emergency in Africa, net transfers from Governments had fallen significantly. The situation was even worse in the case of IMF, where net transfers had become negative and were likely to remain so for the next few years, in spite of a recent decision to allow Trust Fund reflows to go mainly to sub-Saharan Africa. For the first time in post-war economic history, the international flow of resources had been reversed—from some of the poorest countries in the world to the richest.

6. On present policies, the projections indicated that the situation would obtain for the remainder of the decade, condemning much of the developing world to intolerably low growth rates for many years to come, and those trends were unfortunately being confirmed by current developments: industrial country growth in early 1986 had fallen below expectations; trade imbalances continued to cast a shadow on prospects for sustainable growth; and, in the first five months of 1986, non-oil commodity prices had been some 10 per cent below the average 1985 level in SDR terms. Recent OECD statistics showed that total financial flows to developing countries had continued to decline for the fourth successive year. The Committee's conclusion was clear: austerity on the part of developing countries was just not enough. They had demonstrated their willingness to make unprecedented sacrifices, yet continued to face reverse resource transfers that put their entire effort in jeopardy. The plain fact was that the policies urged upon them could not be sustained without adequate finance. The need to generate a trade surplus sufficient to finance the servicing of foreign debt could not remain indefinitely the central objective of developing country economic policy. Lower expectations could not for ever serve as the equilibrating mechanism between social needs and financial pressures. Nor was the present situation in the interest of the industrialized countries: the third world's ruthless compression of imports was depriving them of markets and forcing protectionism on all countries. Far from moving the world economy towards greater stability, freer trade and faster growth, present policies were generating powerful pressures in the opposite direction. Growth in the developing countries in the immediate future would not exceed 3 to 3.5 per cent per year. With the increase in

population, there would be little or no improvement in living standards or employment in many developing countries, and prospects to the end of the decade were not much better. IMF projected a growth rate of 4.7 per cent per year for the period 1988 to 1991, implying a *per capita* income growth of 2.7 per cent—well below the 3.4 per cent of the 1970s. There was, however, a ray of hope: China and India were doing much better in the 1980s than in the previous decade and should continue to achieve reasonable growth.

7. The Committee's projections of capital requirement were targeted toward the restoration of growth rates to the level of 5 to 6 per cent per annum, but capital needs also depended on assumptions about such variables as industrialized country growth and international interest rates. Taking into account the most probable outcome and what the report regarded as a minimum agenda of action, the latter focused attention on capital requirements to achieve a growth rate of just over 5 per cent by 1990—a figure arrived at by aggregating estimates for different regions. Existing financial flows to developing countries were of the order of \$40 billion annually, and the Committee estimated that, in order to accelerate growth to the 5 per cent level by 1990, additional annual finance of \$31 billion (in 1985 dollars) was needed. Of that amount, no more than \$6 billion could be expected from increased official transfers and new foreign investment. There was thus a gap of \$25 billion to be met from fresh flows, in addition to which another \$15 billion a year was needed to bolster reserves, which had fallen to critical levels. Thus, a doubling of the present level of financial flows was called for. The Committee believed that growth, targeted at acceptable if modest levels, was the appropriate basis for projecting capital needs, whereas most existing projections took existing trends in capital flows as given and assumed that developing countries would have to continue to adjust to those constraints. The result inevitably understated real needs.

8. In its conclusions, the Committee called for a cooperative solution in the form of a partnership involving mutually reinforcing roles among the developing countries, the governments of industrialized countries, the commercial banks and the multilateral financial institutions, all of which would have to accept some costs, and all of which would, ultimately, gain. The Committee supported the view that the traditional positive flow of financial resources was indispensable for development and must not be left to the vagaries of the market or the whims of the private sector. The debt crisis had starkly revealed the instability and uncertainties that hindered development when the private sector had too large a role, and the Committee saw a clear need for the international community to resume its broad responsibility in the provision of development finance. In calling for a doubling of resource flows, the report envisaged a crucial role for the multilateral development banks. Of the \$25 billion of additional flows required annually, about \$8 billion would have to come from the World Bank and the regional development banks, and \$2 billion from IDA. The report that the World Bank

had recently been receiving more by way of interest and repayment of principal than it lent was a sad comment on the present situation and pointed to the need for a greater effort if the proposals in the CDP's report were to be implemented. The Bank would have to double its annual disbursements, which it could easily do by increasing its total capital or gearing ratio or the proportion of its capital that was callable; on any basis, the cost to governments and taxpayers would be minimal. Current negotiations on a capital increase for the Bank provided an opportunity to establish a capital base capable of ensuring the required increase disbursement. The Committee was firmly of the view that the Bank's non-concessional lending should not be regarded as a form of aid but as a mediation between private capital markets and the borrowing countries—a point specifically emphasized by Keynes when the Bank was established. There was universal recognition today that present financing problems had been created, at least in part, by an over-rapid withdrawal of commercial bank lending, and that, in any case, excessive reliance on private markets was not desirable. In such circumstances, it was disappointing that major industrial countries should show so much hesitation in supporting an enlarged role for the Bank, particularly given its proven record in cost-effective lending. Current negotiations on IDA replenishment did not generate confidence that the required increase in resources would be forthcoming; yet it was vital to secure an IDA with significantly more resources than the current IDA and Special Facilities for sub-Saharan Africa, an objective inherent in the donor commitments made at the thirteenth special session of the General Assembly. An increase in official lending was central to any effective strategy for meeting developing country capital requirements, and it would be the most direct evidence of continuing industrialized country commitment to the objective of adequate economic development, as well as providing an assurance to private lenders and acting as a catalyst for private flows. Beyond new commitments to the multilateral institutions bilateral agencies would, therefore, have to play a significant role through additional direct assistance and relief on official debt for the poorer countries. Taking official lending as a whole, the Committee was calling for no more than a restoration by 1990 of the levels achieved in 1980-1981. The total increase of \$12 billion called for was modest indeed, particularly when set against the large gains accruing to industrial countries from declines in commodity prices, including oil. The Committee was concerned that interest payments on external debts had become the largest component in developing country current-account deficits. The difficulties of the indebted countries in meeting past commitments were compounded by the sharp reduction in new bank lending. Commercial banks could not simply withdraw: instead, the Committee envisaged a gradual deceleration to a more balanced level. They could be realistically asked to provide an additional \$13 billion annually, or about half of the additional resources required, some \$3 billion of which might be forthcoming voluntarily, largely through co-financing with the World Bank; for the remaining

\$10 billion, the banks must be induced to plough back into new lending a proportion of the interest payments they were at present receiving. Arrangements for such relending would have to be institutionalized, either through partial capitalization of interest or through multi-year new money facilities. Individual cases might also require debt relief to restore a sustainable situation. IMF must also do more to assist directly, including expanding its Compensatory Financing Facility, to moderate fluctuations in interest payments.

9. The report of the Committee called for a new selective allocation of SDRs. In conditions of international financial stringency, and with the prospect of smaller United States deficits, there was ample justification for a controlled expansion of international liquidity, and that would be a reasonable way of assisting developing countries to finance about a quarter of their reserve acquisitions.

10. The sharp decline in trade credit had produced unsettling conditions for many developing countries, and it was in the interest of the governments of the industrialized countries to reactivate it through their export-credit agencies and also enable developing countries to build up their reserves in support of growing trade. Commercial lending assisted by guarantees should be a large source of such finance supplementing the role of SDR allocations.

11. The Committee recognized that country conditionality would have to be a prominent feature of any new co-operative arrangement; for improved developing country performance was the only guarantor of capacity to repay what was borrowed. The Committee called, however, for a new form of growth conditionality, with greater participation by developing countries in its formulation, adoption and evaluation. Growth conditionality would take into account the circumstances of each country and recognize the need for longer periods for adjustment, which should take place in company with growth and not at its expense. With expanded lending by the World Bank, growth conditionality should be given a more prominent role in working out acceptable and workable agreements.

12. The Committee had given special attention to the critical problems facing sub-Saharan Africa in its two preceding reports, and the current report again devoted a special section to them, pointing to the commendable efforts being made by sub-Saharan African countries to improve their domestic management. Emphasis must now move from emergency needs to long-term development, with special attention to rehabilitation. Recent estimates based on modest assumptions pointed to a financing gap of \$6 billion a year, of which almost a third would have to come from concessional financing. For low-income Africa, further commercial borrowing was neither feasible nor financially responsible, and the urgent need was for a large increase in concessional assistance through a greatly expanded IDA, and increased bilateral assistance, including the wider adoption of debt relief and increased support for export credit. The report also called for a new kind of compact

between African countries and donor Governments, in the form of a more ambitious combination of policy reforms and financial flows. The commitments on the part of donors and recipients which the report specified were similar to those discussed at the thirteenth special session of the General Assembly, where a gratifying consensus had been achieved. No specific commitments had, however, been made in external financing, and the role of donors in bridging the financial gap would be crucial for sub-Saharan African recovery in the coming period.

13. The discussion of the world economic situation in the report was a logical extension of its central thesis. The Committee agreed that the policy reforms recommended in development finance could only be successful in a healthy world economy; it recognized that there had been progress; and it was concerned at how much remained to be done. The fall in oil prices, together with the improved outlook for inflation, interest rates and exchange rates, had engendered in recent months a degree of complacency in the industrial world. Many uncertainties, such as large trade imbalances and volatile exchange and interest rates, continued, however to cast a shadow over the prospects for sustainable recovery, and the losses suffered by developing countries in their terms of trade had to be set against the gains from falling commodity prices. There was at best a fragile, shifting basis for global recovery, and, at worst, an illusion of security.

14. A doubling of development finance would favour a revival of world economic growth by relieving the pressure on the international trading system arising from unnaturally large export surpluses of developing countries. Their capital needs were not a problem peculiar to them alone; the problem was a global one and closely tied up with improved access for exports from developing countries, which called for special attention in the new GATT round of trade negotiations. What was at stake was the structure of economic interdependence and the liberal system that had underwritten record economic growth in the post-war period.

15. The report concluded by reminding industrial countries of their wide responsibilities. The multilateral agencies alone could not take the initiative; the banks were passive participants; and developing countries could not lead, except negatively by provoking a crisis. The United States Secretary of the Treasury, Mr. Baker, had been correct in his initial perception of the importance of dealing with the debt problem, but much more remained to be done if the international community was to begin once again to take on the development challenge. The Committee believed that the way forward lay in a co-operative solution which would double financial flows in a framework supportive of growth in both industrialized and developing countries.

16. Mr. NOWORYTA (Poland) welcomed the Council's resolve to contribute to the improvement of international economic co-operation, and, thereby, to economic détente as a vital supplement to disarmament

proposals, the most important of which was the denuclearization programme put forward by the Soviet Union.

17. His delegation interpreted the decision to give priority to the interrelated issues of money, finance, debt, resource flows, trade, raw materials and development as recognition of the comprehensive, indeed dialectical, nature of development, and as an acknowledgement of the fact that recovery necessitated a favourable external economic environment in line with national adjustment efforts. Such an environment could not be created without international co-operation.

18. The need for burden-sharing and the co-responsibility of creditor and debtor countries in initiating co-operative action to solve the global debt problem had been rightly advocated by many delegations. Growth, not austerity, was the best medicine, and the complex interdependence between debt and development called for careful analysis, as his delegation had argued at the fortieth session of the General Assembly.

19. International economic security had been invoked in the course of the XXVII Congress of the Communist Party of the Soviet Union. A pre-condition for such security was confidence-building in international economic relations, a subject brought to the fore primarily by the question of indebtedness. The Secretary-General's report (E/1986/L.28, annex) had reflected a favourable response in the second round of consultations on the possible scope of such confidence-building measures.

20. There was an urgent need to reopen meaningful negotiations on major world economic problems, ensuring the developing and socialist countries their proper place in the international division of labour, commensurate with their economic potential and share in world output and overall demand. The developed market-economy countries could not prosper in the long run while most developing countries experienced low or zero growth. The current situation, characterized by private capital promotion and one-way flows from developing to developed market-economy countries, offered no grounds for optimism.

21. International economic relations should not be guided by narrow commercial considerations alone. It might prove necessary, for instance, to provide unrestricted and free flows of experience and know-how in certain domains, such as environmental protection and food production.

22. In operational activities, the emphasis should be on human resource development in institution-building and steps to consolidate national development capacity. The Administrator of UNDP had rightly said (22nd meeting) that its activities were people-centered; such activities, and those of other United Nations agencies involved in operational activities, should continue to be based on universality and a voluntary approach.

23. As reflected in the Tenth Congress of the Polish United Workers' Party, accelerated development, im-

proved efficiency in conditions of economic reform and export efforts were the means to improve internal living standards and external debt servicing. The policies adopted at the Congress were based on further economic and technological integration within CMEA expansion of trade with developing countries and a return to normal trade with the market economies.

24. Many delegations had rightly advocated an enhanced role for the Council and the United Nations in general as a forum for international surveillance, macro-economic co-ordination and universal dialogue and negotiation. The challenge of sustained global development and well-being called for the revitalization of the Council.

25. Mr. WORONIECKI (Poland), speaking also on behalf of the delegations of Mongolia and the socialist countries of Eastern Europe, said that the socialist countries attached great importance to celebrating 1986 as the International Year of Peace, since durable peace and security were inextricably linked to the restructuring of international economic relations on the basis of justice and democracy, the development of international economic co-operation and international economic security. As the member States of the Warsaw Treaty had stressed in the statement on the removal of the nuclear threat and improvement in European and world affairs (A/41/411), the socialist countries viewed the strengthening of peace and international security, the elimination of the arms race and steps to disarmament as closely linked to the solution to other world problems—overcoming economic backwardness, eliminating widespread hunger, homelessness, epidemics and illiteracy, the satisfaction of growing requirements in energy, raw materials and foodstuffs, protection of the environment and the peaceful use of the world's oceans and of space.

26. The programmes for general and comprehensive elimination of nuclear weapons by the year 2000 and the ensuring of security for current and future generations, referred to by the General Secretary of the Central Committee of the Communist Party of the Soviet Union on 15 January 1986, would not only lead to greater security but release immense financial and material resources for the tasks of socio-economic development, particularly in the developing countries. The principle of armaments in place of development must be reversed. The socialist countries again drew the world's attention to the programme for improved economic relations and security and for confidence-building in intergovernmental relations, put forward at the CMEA Economic Summit in 1984; it had a direct significance for United Nations economic bodies in the International Year of Peace, since it responded to the interests and expectations of all countries and would promote true economic growth in the developing nations. One of the Organization's chief tasks should be to enhance its contribution to improving international economic relations, strengthening confidence in that field as part of the establishment of comprehensive international security. United Nations economic organs and Member States

could collaborate in laying the foundations of such a system, envisaging measures such as the elimination of all forms of discrimination, the discarding of policies of blockade and sanctions unless recommended by the world community, a genuine attempt to settle the indebtedness problem, the establishment of a new world economic order to guarantee equal economic security to all States, the establishment of principles for the application to the international community, particularly the developing countries, of a portion of the resources freed as a result of cutting military budgets, joint research into the peaceful use of space and the tackling of the global issues on which the fate of civilization depended.

27. The socialist countries supported the Soviet Union's call, contained in the memorandum on international economic security (A/41/118), to show political will in establishing the requisite conditions for international economic security.

28. The International Year of Peace should facilitate genuine progress in United Nations activities on the interdependence of disarmament and socio-economic development, pursuant to General Assembly resolutions 38/188 J, of 20 December 1983, and 39/151 E, of 17 December 1984. Such progress would respond to the efforts of those nations striving to overcome backwardness and attain the level of the industrialized countries, free themselves from economic dependence on the West, reduce armaments and military expenditure and divert resources to social and economic development. The socialist countries were determined that the topic would occupy the most important place during the forthcoming international conference on disarmament and development.

29. United Nations economic organs could make an important contribution to the aims of the International Year of Peace by means of decisions aimed at stabilizing the overall economic and financial situation, giving effect to United Nations statements on the restructuring of international economic relations on an equitable, democratic basis, particularly the Charter of Economic Rights and Duties of States² and the Declaration on the Establishment of a New International Economic Order.³ The Year could become an important landmark towards such a goal if an end could be put to the obstacles to equitable and mutually advantageous economic co-operation such as the use of international economic relations as a means of pressure and interference in sovereign States' internal affairs, the hampering of newly independent countries' social and economic growth, and exploitation by transnational corporations. Likewise to be ended were methods which violated United Nations instruments, such as unilateral refusal to honour economic agreements, the use of trade, credit and technological blockades and discrimination in trade, science and technology. Such practices ran counter to the aims of the International

Year of Peace and the attainment of international economic security.

30. The plight of the developing countries, including their deep indebtedness, was a major world-wide problem and the true source of many conflicts in Asia, Africa and Latin America. The growing indebtedness, added to the annual level of resources, amounting to \$200 billion, extracted from the developing countries, meant dwindling development prospects and an inevitable worsening of the already grave social, economic and other problems. The yoke of debt currently burdening dozens of countries and even entire continents was a direct result of the arms race. Militarism had a direct interest in maintaining the system of neo-colonialist over-exploitation which helped to enrich the monopolies further and finance the West's budget deficits and military programmes.

31. The International Year of Peace would facilitate the solving of such problems on an equitable basis and put an end to the use of countries' financial problems as a means of political pressure and interference in sovereign States' internal affairs, thus fostering the establishment of a new system of international economic relations, based on equity and mutual advantage, and enhancing the socio-economic progress of all.

32. The socialist countries were ready to collaborate constructively, in the Organization's economic bodies, with all interested States and organizations to that end.

Mr. P. M. S. Malik (India), Vice-President, took the Chair.

33. Mr. ROBERTSON (Australia) noted that one consistent theme of the discussion so far had been the continued uncertainties about the developing countries' economic prospects. Commodity prices had continued to fall since 1982, with little prospect of early improvement, despite the recovery in the industrialized nations; private capital flows to developing countries had fallen to early 1970s levels. In general, their growth was moderate at best and their borrowing ability weak. But the short-term outlook for many debtor countries could improve, except for the heavily-indebted fuel exporters, because of the oil-price decline, continued growth in industrialized countries and some easing of interest rates.

34. The marked variations in the growth rates of individual developing countries illustrated the importance of domestic policies, which was being increasingly recognized. Sustained economic growth would occur only when a Government faced up to difficult choices. Above all, the developing countries' economic policies continued to aim at mobilizing domestic resources for investment and development; a financial climate favourable to private sector revival and a more efficient price mechanism were key factors.

35. It was encouraging that Governments of developing countries were increasingly ready to acknowledge the private sector's potential contribution through investment from domestic and foreign sources; but that was not to denigrate in any way the contribution public

² General Assembly resolution 3281 (XXIX), of 12 December 1974.

³ General Assembly resolution 3201 (S-VI), of 1 May 1974.

sector enterprises could make. The Administrator of UNDP had disclaimed (22nd meeting) any intention of becoming involved in debating the public and private sectors' relative merits or of prescribing economic models to Governments.

36. The representative of Brazil (*ibid.*) had draw attention to the many respects in which national policies alone, essential though they were, could not tackle the world economy's persistent imbalances, which required multilateral co-operation. The capital-importing countries' economies were extremely vulnerable to external factors; industrialized nations must play their part. *Inter alia*, policies aimed at durable, non-inflationary growth in world demand, measures to open the markets of industrialized countries to developing countries' exports and policies compatible with a lowering of world interest rates would be fundamental. It was also hoped that, despite the industrialized nations' own considerable problems, adequate ODA would be forthcoming.

37. Australia believed that the international economic debate should be guided by four principles: the equitable integration of developing countries into the international economic system; the full acknowledgement of the economic interdependence of developed and the developing nations; the promotion of appropriate economic policies; and the avoidance of proposals for unjustified or over-ambitious institutional or structural reforms. There were welcome signs of an approaching consensus and recognition of the need for an integrated approach to development, trade and finance and of the extent of structural interdependence.

38. The international trading system was central to world economic relations. No country was immune to the detrimental effects of protectionism, subsidies and high interest rates. The extent to which policies of protection in industrialized countries had worsened the terms of trade in commodities for many developing countries in 1985 was unacceptable. The Treasurer of Australia, speaking at the OECD Ministerial Meeting in April 1986, had said that it was up to the developed countries to open their markets on fair terms, facilitate private capital flows to developing countries, provide adequate ODA levels and, most important, resolutely tackle their own structural problems in ways which would rationalize world trade and help to relieve the disastrous decline in non-oil commodity prices and eliminate world agricultural trade distortions.

39. The major industrialized countries thus had a particular responsibility for setting the world economic environment; but they were tending increasingly to solve trade and other important problems bilaterally, often at the expense of third countries. The need for multilateralism must be generally reasserted; Australia was seeking, within the GATT context to make agricultural trade more market-oriented and aligned with the rules of trade in manufactures. Agricultural export subsidies must be eliminated. The forthcoming round of multilateral trade negotiations must cover, more adequately than hitherto, the issues of interest to smaller in-

dustrialized and developing countries, such as agriculture, subsidies, safeguards, textiles and tariff escalation.

40. But the differences between the developed and the developing world should not be oversimplified. His own country, although included with the North, was preoccupied by many of the problems confronting most developing countries. In the South, too, there were growing disparities between countries developing a sophisticated industrial base and the LDCs whose dependence on external assistance grew no less. World economic conditions directly affected Australia, a medium-sized trading nation, in the same way as they affected almost every developing country. In common with many developing countries, a very high proportion of Australia's export income was derived from commodities, while manufactures formed a large proportion of its imports. As a major commodity exporter and long-standing supporter of international co-operation in commodities, Australia was vitally interested in stabler, less distorted commodity markets but, like many developing countries, was faced increasingly by declining prices and excluded from some of the richest markets by tariff and non-tariff measures. Again like most developing countries, Australia, a major net importer of capital and technology, had experienced declining terms of trade in recent years. The broad agreement that developing countries should receive preferential treatment should not obscure the need for all countries, developed and developing, to recognize the importance of resisting protectionist pressures and undertaking necessary structural adjustments. Australia hoped that the Council, at its current session, would not founder again on the mistaken notion that some countries could be exempt from obligations to adjust to changing economic circumstances. All countries sought to share the benefits of a liberalized, strengthened and more efficient trading system; it was only fair that all should bear the adjustment burden.

41. The current high level of the developing countries' private and public debt revealed the developed and developing worlds' interdependence and the need for access to foreign markets for the exports necessary for debt repayment. Rising protectionism in major markets not only affected the developing nations' debt-servicing capacity and, in turn, the major creditors' financial systems, but also led to import restrictions by debtor countries, thereby reducing growth and employment in developed countries. Major agencies, especially IMF and the World Bank, had shown an encouraging capacity to cope with new problems and recognize new opportunities while retaining the confidence of financial markets in member countries' policies. A major feature of any solution was structural adjustment in developed and developing countries alike so as to sustain widespread world recovery and in turn generate the growth, export capacity and trade opportunities developing countries needed.

42. Australia was naturally concerned about the fragile situation of some debtor countries; the impact of

prolonged austerity programmes on their living standards and domestic political stability should not be underestimated. There was evidence of growing political weariness with difficult adjustment programmes. In general, Australia supported the multilateral approach to adjustment and conditionality; it believed that the economic advice of relevant intergovernmental institutions should continue to pay due regard to the member countries' social and political circumstances. Adequate resources must continue to be made available to developing countries, and IDA should have high replenishment figures. Australia noted with satisfaction the recent replenishment of the Asian Development Fund at the level of \$3.6 billion.

43. His delegation had been very interested in the consensus view noted by the Secretary-General, during the recent ACC/CPC discussions, that the experience and expertise acquired by OEOA could not be dissipated when the latter was wound up on 31 October 1986, and that arrangements were needed to ensure that future major cross-sectoral emergencies were recognized and responded to in good time.

44. Turning to the place of ECOSOC within the United Nations system and its effectiveness, viewed against the background of the initial financial situation and current debate on reform, he said that his country, while deeply committed to the United Nations and the multilateral system generally, was not blind to the evidence of waste, inefficiency, duplication and ineffectiveness. Such aberrations were the root causes of the disrepute into which the Organization had fallen in some quarters and a factor in the severity of the crisis. It was widely agreed that the United Nations system should be strengthened by improving programme delivery, pruning wasteful and redundant activity and concentrating available resources in areas of highest priority. There seemed, however, to be reservations about the need for more thorough reform. He wished to stress that reform was not a matter of questioning the Organization's existence, but of review, reorganization and restructuring—in short, efficiency. Two fundamental truths underlay the channelling of limited resources into programmes of agreed initial importance: governments of the developed countries needed to demonstrate to their electorates that the international system they were helping to support was functioning properly; and the developing countries, as the chief beneficiaries of United Nations expenditure, stood to gain most from increasing the efficiency of international institutions and minimizing wasteful activity.

45. Governments' views would differ about the activities that could be re-evaluated. In Australia's view, candidates for appraisal might include the ECA and the Department of Public Information; likewise, the current wasteful level of documentation should be strictly controlled. The Council had a clear role in effecting savings and reallocating expenditure in the programmes and organizations for which it was responsible. His delegation therefore placed considerable emphasis on item 19 of its agenda.

46. Reform and re-evaluation were also served by the periodic reinvigoration of institutions. The principle of limiting the tenure of the executive heads of United Nations bodies and specialized agencies—a matter not of invidious judgements about individuals but of achieving a necessary renewal of institutions—seemed to be gaining wider acceptance and should be applied more broadly.

47. Pursuant to resolution 32/197, of 20 December 1977, the General Assembly would consider at its forty-second session the restructuring of the economic and social sectors of the United Nations system. The Council would be the focus of the debate; its structure, procedures, mandate and resources would be evaluated. Australia hoped that the Council would take up, as a matter of priority, the issues of efficiency review, reorganization and restructuring. Its agenda for 1987 should allow adequate time and resources, particularly during the first regular session, for a thorough discussion on those issues, so that the General Assembly at its forty-second session would have before it the Council's considered views on its future. His delegation would be looking, in particular, for continued adjustments in international economic relations and policies aimed at greater efficiency, in the international community's common interest.

48. Mr. ALFARARGI (Egypt) said that his delegation fully subscribed to the views expressed by the representative of Yugoslavia in his statement on behalf of the Group of 77 (22nd meeting).

49. The economic recovery in some developed countries in 1984 had receded during 1985. The growth rate in the developing countries had slowed down and their real export earnings had stagnated; most of them faced a much bleaker outlook. The projected growth rate for the developing world would not exceed 3 per cent during 1986. Average *per capita* GDP of the developing countries had declined during 1985 for the fifth consecutive year. The fall in oil prices, which should benefit oil-importing countries, would not alleviate their tight financial conditions, whilst the oil-exporting countries' economies would be very seriously affected.

50. The developed countries' macro-economic policies continued to be selective, not focused on world economic growth as a whole or the restructuring of the world economy. The developing countries were confronted with sharply declining commodity prices leading to ever worsening terms of trade, growing protectionism against their exports, sharp falls in financial resource transfers, historically high interest rates, exchange-rate misalignment, crushing external debt, a net outflow of resources and a lack of effective multilateral surveillance of the industrialized countries' policies or of sufficient co-ordination. The continued fall in oil prices would impair the oil-exporting countries' debt-servicing capacity and their ability to import, thus worsening international trade as a whole and jeopardizing prospects for expansion. The interrelated issues of money, finance, resource flows, debt, trade, raw materials and development must be tackled as a pre-

requisite to a just, sound and viable international economic order.

51. There was growing recognition of the international monetary and financial system's failure to meet its responsibilities, and above all to make an adequate level of international liquidity available to meet the needs of the world in general and the developing countries in particular. The situation had been worsened by the fact that capital flows and exchange rates had been moving independently of foreign trade. Developing countries had repeatedly urged the linking of liquidity with development efforts and an appropriate volume of SDR allocations to meet the growing demand for reserves. One factor in the sharp reduction in financial resource transfer was the decline in ODA in real terms in recent years. In many cases ODA had not yet reached the target of 0.7 and 0.15 per cent of donor countries' GNP to developing and least developed countries respectively. Paradoxically, there had been a large-scale reverse flow of international financial resources for the first time in post-war economic history, the consequences of which could be very grave for the world financial and economic structure.

52. Turning to the debt crisis, he said that the efforts of the developing countries had not been matched by policies of co-ordination and co-operation by the international community. Many factors, such as the unprecedented high interest rates resulting from the industrialized nations' reliance on fiscal rather than financial policies in fighting inflation, were beyond the developing countries' control, whilst increasing the latter's debt-servicing burdens. Real interest rates remained high, and the appreciation between 1982 and 1985 of the dollar, in which most debt servicing was valued, had further increased the debtor countries' burden, while the shrinking volume of commercial bank loans since 1982 had meant that a larger proportion of them had been allocated to external debt servicing, leaving no additional resources for development. A further cause of the current crisis was the adverse effect on international trade of protectionism, restrictive practices and non-observance of agreed rules in the multilateral trade system. The latter must be strengthened; the prospects for any attempt to do so, whether within GATT or some other framework, would depend on a commitment by all parties to halt protectionist trends and gradually remove current restrictions in commodity trade.

53. The liberalization of the trade in commodities would have to be complemented by attempts, in international forums, to limit the impact of exchange-rate fluctuations and bring current capital flows into line with normal rates and trends; international trade in services should be organized taking into account the possible political, economic and social consequences for the developing countries' economies. The current commodity crisis had been compounded by market weaknesses and the serious decline in real prices and earnings and exacerbated by growing protectionism, rising production costs, volatile exchange rates and high

real interest rates. Measures were urgently needed to halt and reverse the trend.

54. The current crisis was no mere cyclical phenomenon but a symptom of deep-rooted structural imbalance. The international monetary, financial and trading systems must be thoroughly overhauled, in the interests of developed and developing countries alike; the proposals by the Group of 24 in their report to IMF in April 1986 would expedite international monetary and financial reforms, including the adoption of measures and mechanisms to promote world economic growth and facilitate a balanced, equitable adjustment process. A partnership must be forged between the four groups involved in the crisis—the developing countries, the industrialized nations' Governments, the multilateral financial institutions and the commercial banks. An integrated approach was bound to entail constraints and burdens, but would ultimately benefit all.

55. The Governments of industrialized nations were not only called upon to reduce interest rates and improve receptiveness to developing countries' imports but must also provide more resources to official and multilateral financial institutions. They must adopt an overall approach to commodity issues, embracing agreements, adequate compensatory financing and the establishment of the Common Fund for Commodities; they should also develop policies conducive to sustained, equitable, non-inflationary growth, including trade expansion and an end to protectionism. Multilateral development institutions must be more innovative and imaginative. The conditionality criteria of IMF must change from demand deflation to growth through longer structural adjustment and increased financing levels. The World Bank's role should be strengthened so that it could fulfil its commitments relating to development, growth and poverty alleviation; its net annual disbursements should be at least doubled and its lending further reoriented from projects to programmes in order to re-establish its traditional role as a primary source of international development finance. The eighth replenishment of IDA should be substantially larger, in real terms. Commercial banks should conclude new types of agreement with indebted developing countries, ensuring some form of multi-year lending. Major debtors would need reliable long-term commitments to smaller net outflows as an agreed percentage of their export earnings, to assist them in financing and continuing their development programmes. Developing countries must continue to formulate policies to foster growth, reforming policies in accordance with their respective priorities. Those four groups would have to act in unison if world financial stability was to be restored and adequate growth assured for the developing countries.

56. His delegation subscribed to the view expressed by the Committee for Development Planning that the developing countries' financial requirements for growth-oriented adjustment had been seriously underestimated. It also agreed with the Committee's recommendations concerning an integrated response to

the development finance crisis and the need to double such finance in order to promote growth in the developing countries.

57. Reporting on policy changes for long-term growth, the ACC Task Force on Long-term Development Objectives had referred (E/1986/84, paras. 25 and ff.) to the "real policy challenges" which must be addressed—namely, the macro-economic policy mixes of the key currency countries and the interaction and international implications of their policies; the importance of macro-economic co-ordination and surveillance; the need for a better-functioning financial intermediation system; a growth-oriented balance between adjustment and financing in indebted countries; and the need for increased bilateral and multilateral concessional and non-concessional resource flows to low-income and middle income countries.

58. In Africa, the effects of the world crisis, aggravated by drought and desertification, had resulted in unemployment and widespread starvation. His delegation sincerely appreciated the political will of all those who had expressed solidarity with the peoples of Africa. A new era of genuine partnership had been forged and it was high time to demonstrate in deeds the sentiments voiced, which represented a common point of reference to be fully implemented. One positive result of the thirteenth special session of the General Assembly was the world community's commitment to make every effort in support of African development through, *inter alia*, external resource flows. The world community, in recognizing the magnitude of Africa's debt and realizing what measures were needed to alleviate it, gave a further welcome sign of growing solidarity and co-operation between Africa and the rest of the world.

59. It was time to translate words and intentions into deeds. Some developed nations had already pledged or taken highly commendable measures; Africa pinned great hopes on them and on the political will of all nations to help it to help itself, in its efforts to achieve world peace, progress and prosperity.

60. Mr. DU CAUSE DE NAZELLE (France) said that the *rapprochement* of ideas as to the nature of economic growth and the conditions in which it could take place, the initial successes of the convergent policies being implemented by the OECD countries for the purpose of reducing inflation, of making better use of the factors of production, of adapting economies to the lower price of oil, and of correcting and preventing monetary disorders, as well as the action taken by the World Bank and IMF, provided grounds for guarded optimism. There seemed to be a better understanding of what was happening and more agreement on what the OECD countries' common interests were in undergoing an extraordinary transformation of their agricultural, industrial, financial and commercial activities, which could be geared to benefit the world as a whole.

61. Nevertheless, such optimism did not dispel the very serious concern regarding the persistent threat of a ruinous protectionism, continuing unemployment in

many countries, particularly in the EEC, the negative growth recorded in too many developed countries engaged in the extremely painful process of readjusting their ends to their means, and the dangerous problems posed by the indebtedness of a number of developing countries to the international financial system. It was hoped that those problems would be overcome or alleviated by the following joint measures.

62. First, debt would be dealt with on a case-by-case basis, in a spirit of close co-operation between creditors, debtors and the international credit and aid institutions. Second, more help would be given to those who helped themselves, through the implementation of domestic reforms, by opening up markets to them and by increasing the flow of bilateral and multilateral financing, particularly through the World Bank; the EEC countries had already taken action along those lines, as well as in respect of debt relief. Third, the world flow of ODA, of which the EEC and its member States already provided one third, and France more than one quarter of that one third, would be maintained and increased. In that context greater priority would be given to the poorest countries, whose share would be augmented, both in quality and in volume. That did not apply only to bilateral action: France urged that IDA's resources should be replenished at the level of \$12 billion and that at the same time the capital of the World Bank and of the IFC should be increased. Fourth, protectionist pressures would be resisted and existing protectionism would be reduced; the EEC was the developing countries' major customer and was willing to commit itself firmly to the new round of international trade negotiations. As far as possible an effort would also be made to protect, by means appropriate to each case, the export earnings of developing countries, which, for their part, would undoubtedly develop their special trade lines in accordance with the basic trends on world markets. Fifth, the progress recently made in correcting monetary parities would be safeguarded and, with the help of IMF, the international system would be protected against the effects of new tensions. Such were the concerns and intentions of France and its partners in the EEC.

63. The General Assembly's thirteenth special session, on Africa, had provided an excellent illustration of what could be done. The African States' decision to join together in a reasonable and courageous project, with new priorities and difficult reforms, stemmed from a political will that France admired and welcomed. The positive response of donor States and institutions and of commercial and financial partners entailed a moral and political commitment to which France would give full effect. The innovatory decision to follow up the convergent action on a joint basis provided reasonable hope that Africa would be saved. The difficulty experienced by certain African countries in making further adjustments because of the lack of unused productive capacities, the problems which some of them would face in discharging their present debt without indebteding themselves even further in the future, and the formidable social problems which they would have to solve in order to modernize their productive and admin-

istrative machinery, justified the concern felt regarding the success of the undertaking. For that reason, everything that could be done would be done to give the African initiative a better chance of success by providing it with a better international framework, and to match it by an increased effort by France to benefit all those found to be on the right road in the follow-up procedures.

64. France was particularly concerned with Africa. At the thirteenth special session of the General Assembly, African States had been criticized in some circles for supposedly abandoning their sovereignty merely because they had announced, when requesting assistance, that they would take the necessary domestic measures to ensure that the assistance provided was effective. That was surely a misconception. How could States that announced that they would take upon themselves their own programme of reform and action in order to put their own houses in order be criticized as having renounced their dignity or independence? Presumably that would not be said to be the case in respect of States which merely asked for help without announcing that they would begin by helping themselves. In actual fact, there was no better proof of dignity and independence than the victories won over oneself in order to regain control over one's destiny. That was how France viewed the United Nations Programme of Action for African Economic Recovery and Development 1986-1990,⁴ and that was why France would be glad to support it.

65. In adopting criteria for concentrating, grading, rationalizing and co-ordinating operational activities for development, a little more ambition should be displayed, bearing in mind the deep concern aroused by the continued impoverishment of too many developing countries, the slowness with which some of them were beginning to find the momentum for expansion after the adjustment effort, the unpleasant surprises sprung on others by fluctuations in the prices of products whose markets had been severely depressed for years, and the excessive debt-servicing burden—considerations which must be in the forefront in the selection of priorities in operational activities at the international level.

66. Mr. EL GHOUAYEL (Observer for Tunisia), noted that little progress had been made in the matter of global negotiations, in so far as pragmatism and the international economic situation had led North and South to reduce the scope of their ambitions. It was to be hoped that the United Nations would not become, as far as its treatment of international economic relations was concerned, a mere forum for the dilution of long-term reason and the crystallization of short-term passions.

67. The concept of the interrelationship between money, finance, international trade, debt and commodities, including energy, was not innovative in itself. However, the approach to it was new, raising new difficulties in understanding what the overall objectives were and what the relative importance of each factor

was. The solution was, perhaps, to make a point-by-point analysis of the global regional and subregional economic situation, but the reports of IMF, the World Bank, the United Nations Department of International Economic and Social Affairs, UNDP, ADB or the Central Bank of Tunisia need not be referred to in that respect.

68. There were, however, grounds for welcoming the statement made to the Council by the President of IMF (24th meeting), who had at last become an advocate of development through growth and of structural adjustment with a human face. It was comforting to note that IMF, following the World Bank, had finally endorsed the developing countries' analysis of the situation. His delegation appreciated the important role which the smaller, market-economy countries in Europe and elsewhere had played in making the picture clear. The President of IMF had referred to the financial transfers of more than \$2 billion that had been made to ensure that populations continued to have a sufficient calorie intake and that children were able to grow up free from nutritional, educational and other deficiencies; nevertheless, he added that a much greater effort would have to be made in that respect.

69. Tunisia, as an African country that conducted 80 per cent of its trade with the EEC, considered that the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 was sectorally and geographically limited. It was sectorally limited both because the draconian commitments entered into by the African countries could hardly go further than the sacrifices already made, as was made clear in the pertinent chapter of the Programme of Action, and because the commitments entered into by the industrialized countries as a whole and by the international donor community, with the exception of a few countries that had taken limited but symbolically encouraging action, had been slow in materializing.

70. In that connection he welcomed the initiative taken by the UNDP Governing Council, which had decided to request the Administrator of UNDP to explore, as a matter of urgency, ways and means of implementing part III of the Programme of Action, concerned with follow-up and evaluation mechanisms, while ruling out the possibility of establishing new mechanisms and emphasizing the need to strengthen and optimize co-ordination of the action taken by existing institutions, particularly UNDP and the World Bank.

71. The geographical limitations were not specifically spatial; they related to the way in which economic development was distributed among African countries and to the diversity obtaining among them. The development of the African continent had to be planned as an overall process in which middle-income and high-income countries should be provided with the means to enable them to play a fundamental role as a conveyor belt whose transmission effect would benefit African States at large. A dialogue exclusively between the industrialized and the least developed countries could in

⁴ General Assembly resolution S-13/2, of 1 June 1986, annex.

no circumstances lead to the development and self-sustained and lasting growth of the African continent in the long term, nor to its harmonious integration into the world economy. In that connection the growing importance of economic and technical co-operation among the African countries themselves, and between African countries and other developing countries in Asia and America, ought to be emphasized. The international community should take the necessary steps to develop such co-operation and to remove the obstacles to it. His delegation hoped that the appropriate organs of the United Nations system—particularly the Bretton Woods institutions and GATT—would give urgent consideration to that question.

72. In the United Nations Programme of Action, special attention was paid to the serious problem of the African countries' external indebtedness. Until an adequate solution had been found to that problem all the African countries would, in order to meet their debt-

servicing obligations, continue to divert to debt-servicing the growing financial resources which would otherwise be utilized to develop their human resources, to improve the status of women, to promote food and agriculture, to combat drought and desertification, and to implement the Programme of Action. The acute nature of that problem had been emphasized both by the Secretary-General of the United Nations (21st meeting) and by the Director-General of IMF (24th meeting). If the adoption of the United Nations Programme of Action constituted a landmark in the history of the Organization, then the adoption of a further programme of action designed to resolve the problem of the debt burden borne by the developing countries, including the African countries, would constitute an event of equal importance, particularly as far as the reshaping of international economic relations between North and South was concerned.

The meeting rose at 6 p.m.

28th meeting

Tuesday, 8 July 1986, at 10.50 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.28

In the absence of the President, Mr. David Samudio (Panama), Vice-President, took the Chair.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. XIE (Under-Secretary-General, Department of Technical Co-operation for Development) said that the world economic situation continued to be a source of concern: large imbalances in trade and payments were unlikely to be redressed in the immediate future, the adjustment measures taken by developing countries were thwarting their development efforts, there was a net transfer of resources from the developing to the developed countries, and the slow increases in international trade were apparently fuelling a rise in protectionist measures. Clearly, solutions would have to be found through concerted international action within a multilateral framework. In that context technical assistance played a very important role in supporting national development policies.

2. In 1985 the total outlay on operational activities by the Department of Technical Co-operation for Development had amounted to \$127 million—a clear advance on previous years but lower than the record level of 1981. The Department had reduced its staff by one third be-

tween 1981 and 1985 and had modernized its management and its internal information system. As a result, the productivity and cost-effectiveness of operational activities had improved.

3. Africa still represented the largest single component of expenditure, and in 1985, \$43 million—representing one third of the Department's activities—had been allocated to the least developed countries. The largest activity sector was natural resources and energy, to which \$60 million had been allocated in 1985. Other important sectors included development planning, statistics and public administration.

4. Sectoral and intersectoral activities were geared to a variety of specific needs of developing countries. In the case of natural resources and energy, they helped towards the exploration and development of mineral, water and energy resources. In the case of planning, public administration and statistics, intersectoral activities were aimed at improving planning methods, public sector and overall economic management, the mobilization of financial resources for development, the integration of long-term population policies, and the management and development of economic and social data for research, training and policy analysis.

5. Over the past five years approximately 80 per cent of the Department's total expenditure had been on projects funded by UNDP and UNFPA. In 1985, projects financed from funds-in-trust had accounted for

\$15 million, and the Programme of Technical Co-operation had financed activities to the value of \$7.5 million. In the 1984-1985 biennium, the resources made available to the Department under the United Nations Programme of Technical Co-operation had represented 6 per cent of the total outlay on operational activities and less than 1 per cent of the United Nations regular budget. Despite its small size, the Programme was playing a very important role in the provision of different forms of technical assistance to the developing countries.

6. The immediate future offered many opportunities for technical co-operation with the developing countries. In the context of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, adopted by the General Assembly in its resolution of 1 June 1986,¹ the Department would support African initiatives directed especially towards improving economic management, population policies, the management of water resources and the development of alternative sources of energy. Human resource development was another important sector which required the adoption of concerted measures. In the area of natural resources, the link between technical assistance and capital assistance needed to be further strengthened.

7. In the light of their current and future needs, the developing countries would inevitably call on United Nations operational activities. If those needs were to be met in an effective manner, a larger volume of resources for technical co-operation would need to be channelled through a multilateral framework.

8. Mr. BUCCI (Italy) said that in 1985 and in the first half of 1986 the world economy had been marked by falling rates of inflation, a deceleration in growth, and a reduction, albeit uneven, of unemployment. In the industrialized countries, the most positive factor was the decrease in inflation helped by positive trends in labour costs, the fall in the value of the dollar, and the drop in the prices of raw materials. The implementation of appropriate economic policies had also contributed to the disinflationary process. The rapid depreciation of the dollar and the sharp fall in oil prices should, on the whole, promote growth, reduce unemployment and ease the financial tensions that had accumulated over the past decade. The oil-importing developing countries should also benefit from the situation, but it was essential that the industrialized countries should reactivate international trade, which had been hit by the fall in the purchasing power of the oil-producing countries. Consequently, the countries which had overcome inflation and whose external accounts were heavily in surplus must stimulate production and demand.

9. In 1985 a turning point had been recorded on the exchange markets. The United States had modified its position regarding the exchange value of the dollar. Since February 1985, the United States currency had depreciated by 35 per cent in relation to the yen and the mark. Recent events had demonstrated that currencies

were primarily influenced by financial considerations and expectations. The stabilization of rates of exchange therefore required the careful co-ordination of monetary and budgetary policies at the international level. In the long term, macro-economic trends must be integrated in a coherent framework in order to correct structural imbalances between savings and investment. On the whole, the European monetary system had reacted rather well to the decline of the dollar.

10. A solution to the debt problem must take account of the position of each country, while respecting certain uniform criteria. In that connection the proposal made by the United States of America at the 40th Annual Meetings of the Board of Governors of IMF and the World Bank (Seoul, 8-11 October 1985) constituted an important frame of reference because of its focus on development, the willingness to provide international support, and the recognition of the global nature of the problem. The indebted countries should above all draw up recovery plans in co-operation with the Bretton Woods institutions. The size of capital outflows pointed to the need for the countries concerned to re-establish a climate of confidence. Moreover, the monetary stabilization policies implemented by Argentina and Brazil showed that those requirements were becoming increasingly understood. By rescheduling public debts, the Club of Paris would continue to help to lighten the burden placed on the indebted countries. The World Bank's capacity must be strengthened by an increase in its capital and through the replenishment of IDA at a minimum level of \$12 billion. The Bank should prepare intervention techniques in line with the structural adjustments required by the balance of payments. Closer co-operation with IMF was also desirable for the design of macro-economic policies and restructuring activities.

11. The commercial banks should give greater attention to the progress made by debtor countries in correcting their external accounts.

12. Although over the past few years international co-operation had made it possible to surmount certain crises, the situation with regard to exchange rates and international liquidity was still a source of great concern. The recent initiatives to restore order on the principal exchange markets had paved the way for more intensive co-operation. The Interim Committee of IMF had approved certain suggestions by the Group of 10 on the functioning of the monetary system. The introduction of multilateral surveillance procedures for the economic policies of the major countries was a step in the right direction. It was also recognized that SDRs could help to stabilize official reserves. Those initiatives had been confirmed at the Economic Summit meeting held at Tokyo from 4 to 6 May 1986, and marked the beginning of a better managed exchange rate and international liquidity system.

13. It was appropriate that the Council should accord priority to a review of the interrelated issues of money, finance, debt, resource flows, trade and development. The linkage between them clearly emerged from the analysis which he had just made. It should produce a

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

common awareness of shared responsibility in dealing with problems and crises, as well as with the management of growth. That had been confirmed by the General Assembly at its thirteenth special session, devoted to Africa. The implementation of the Programme of Action for African Economic Recovery and Development 1986-1990 would serve as a test of relations between industrialized and developing countries.

14. Mr. DE LA SERNA (Spain) said, first of all, that he hoped the Economic and Social Council would be able to adopt by consensus the decisions of the Governing Council of UNDP when it was called upon to deal with them. Turning to the *World Economic Survey 1986* (E/1986/59), he said that it gave ground for moderate optimism. Most industrialized countries, especially in Europe, had reverted to a growth rate similar to that reached during the second half of the 1970s and had succeeded in checking or even curbing inflation. Nevertheless, there continued to be high unemployment, with the political and social consequences which that entailed. The developing countries had had to sustain not only the effects of their own structural maladjustments, but also external factors such as natural disasters and extreme climatic phenomena, which had been particularly severe in sub-Saharan Africa and many Latin American countries. They were experiencing economic difficulties, sometimes very serious, associated with fluctuations in the major currencies, the international financial system, resource flows, external indebtedness, trade, raw materials and energy.

15. It was natural that in an interdependent world those issues should be studied in a co-ordinated way and that the task should fall to the Economic and Social Council. An awareness of the interdependence among the above-mentioned issues and their effects on development followed from the recent initiatives taken by the major industrialized countries and by the international monetary institutions for the purpose of realigning exchange rates, reducing interest rates and reactivating the surveillance and co-ordination function of IMF.

16. The developing countries were continuing their efforts to adjust and restructure their productive sectors with a view to promoting self-sustained and non-inflationary growth, often at the cost of incalculable social sacrifices. All that was encouraging, but it must be recognized that much remained to be done in some fields and that there was an urgent need to strengthen and improve the machinery of international co-operation.

17. In case of debt, the interdependence of macro-economic, monetary, financial and trade issues, as well as the need to improve the co-ordination of economic policies, were particularly evident. His Government considered that coherent and simultaneous solutions should be sought by strengthening international co-operation in order to attain self-sustained and non-inflationary growth. An adequate transfer of new financial resources, both official and private, was also

necessary in order to nourish and sustain the development process.

18. As far as international trade was concerned, his delegation noted that the growth rate of 3 per cent recorded in 1985 was considerably below that reached in 1984. That was due to the weakness of import demand in the most heavily indebted countries. Also important were the barriers to international trade in many sensitive products in the form of voluntary agreements to limit exports. In that connection, it hoped that at the eighth round of multilateral trade negotiations in GATT a new and more bilateral framework for future trade in goods and services would be established.

19. It was gratifying to note that at the resumed session of the General Assembly's Second Committee a candid and sincere debate had been initiated on the decline in the prices of raw materials, which was being continued at the current session of the Economic and Social Council and would be further continued at the forty-first session of the General Assembly. The adoption, by consensus, of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 was particularly welcome. The fact that such a commitment had been assumed by the United Nations was important, but equally important was the way in which the international community, the United Nations and individual countries would take up the challenge.

20. For all the foregoing reasons, his delegation attached particular significance to the Council's review of operational activities for development and the question of improving the effectiveness of international co-operation and co-ordination within the United Nations system. It would explain its views on the subject when agenda item 19 was considered, but for the moment it wished to express its satisfaction at the fact that more and more countries were helping to finance operational activities for development. In that connection it was particularly important that there should be a major review of the policies underlying their preparation and implementation.

21. In conclusion, he wished to express his Government's full support for the Secretary-General's efforts to improve the Organization's efficiency.

22. Mr. KITTANI (Iraq) said that, in order to comply with the Secretary-General's call for streamlined general debates, he would not restate Iraq's position, which was in any case well known, but would attempt to approach the discussion in a fresh, and perhaps even provocative spirit. He noted that, 20 years after the first session of the United Nations Conference on Trade and Development, which had launched multilateral co-operation, the international community was moving steadily further away from it. In passing, he paid tribute to Mr. Raúl Prebisch, who had advocated comprehensive measures to correct anomalies in the international economic order, and to respond to the needs of the Group of 77, of which he had been a founder. As of the present day, the establishment of the new international

economic order had made no progress. The North-South dialogue, to which some countries had pinned their hopes, had reached a stalemate, and some countries even objected to the Council or the General Assembly discussing financial problems or debt and trade-oriented issues in general.

23. There had, admittedly, been some partial solutions, and his delegation welcomed a number of regional initiatives that had been taken, for example in Latin America, but such arrangements were no substitute for United Nations action. The United Nations should be a living organism and not a mere tool, and all Member States and component bodies should review their roles and ponder the reasons for the understanding and give-and-take. There could be no doubt that if the United Nations was powerless to reverse the current decline, all were responsible for it—developed and developing countries and the Secretariat. The United Nations was passing through a serious financial crisis, which was in reality a political one. His delegation had already expressed its views on that matter in the General Assembly and he would not repeat them, but he wished to emphasize once again that everyone had a responsibility to reflect on the reasons for the set-back that had occurred. The idea of restructuring the United Nations was floated from time to time, but such a solution was illusory since the decisive factor was the use made of structures, rather than their nature. The United Nations could not do everything any more than it could do just what people wanted it to do. It was obvious that, in the light of the magnitude of existing needs, it could play only a marginal role, and, in point of fact, it was lagging far behind in certain rapidly developing fields, such as data processing. All resources and all energies must, therefore, be mobilized in support of activities that the United Nations alone was able to conduct. The objective must be to engage in a genuine debate, based upon a constructive commitment. His delegation roundly condemned those who saw in the existence of an international organization such as the United Nations a fancied threat to their national interests and who set out to destroy it.

24. He was convinced that it was essential for each and every one, in his own sphere, to discharge his responsibility by critically scrutinizing the reasons for United Nations ineffectiveness. Without new ideas, no progress could be made, as was illustrated by a recent case: the fall in oil prices had enabled the industrial countries to make profits, estimated by experts to amount to \$60 billion a year. No one had, however, proposed that part of that sum should be directed to countries adversely affected by cuts in the aid from OPEC countries; at the time when the latter were experiencing surpluses, other countries had not been sparing in proffering advice on how to use them.

25. The United Nations obviously could not replace national sovereignty or regional co-operation, but it should play a catalytic role. It might, for example, draw on the services of highly skilled experts from all over the world, who would make it a centre for reflection and initiative.

26. In conclusion, he re-emphasized that, in an increasingly interdependent world, it was the duty of all to consolidate the unity of the international community. No country, however powerful and rich it might be, was capable of solving the world's problems alone.

27. Mr. GONSALVES (India) noted with gratification that the discussions on the critical economic situation in Africa initiated in the Council had led the General Assembly to adopt the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, and he ventured to hope that the discussions on the interrelated issues of money, finance, debt, resource flows, trade, raw materials and development, to which the Council had given priority at its current session, would similarly lead to wider agreement on effective international co-operation in those vitally important areas. So far, there had been little more than hesitant attempts at co-ordination among a limited number of countries, and difficulties had already been encountered in translating the Tokyo Declaration commitments into action. The international economic situation required a considerably more intensive and broadly based approach, and it was appropriate that those issues should be discussed in the Council and General Assembly.

28. The *World Economic Survey 1986* (E/1986/59) showed that growth rates around the world in 1985 had been below the expectations of more optimistic scenarios, and projections for 1986, and indeed to the end of the decade, afforded no encouragement; major imbalances in the world economy persisted, and a growth rate of around 3 per cent would not make any significant impact on the gigantic problems of mass poverty and unemployment.

29. Developing countries were unable to share even the limited optimism of such projections; the recovery had hardly affected them and their living standards were no higher at present than at the beginning of the decade—in some cases there had even been a precipitous decline. The divergent trends in the economic prospects of the developing and the developed countries, with their implications for aggravated tension and instability, gave further grounds for serious concern. In particular, the crisis in Africa loomed as large as ever, and no amount of domestic policy adjustment could succeed in overcoming it unless external circumstances became more favourable. That applied equally to the rest of the developing world.

30. In 1985, there had been considerable exultation at the defusing of the "debt bomb". One was compelled to conclude that there was a "debt cancer", less dramatic perhaps, but no less destructive. The Baker initiative, although welcome as a fresh approach, did not in any case appear adequate to meet the magnitude of the problem. If present trends in the availability of concessional flows and other forms of external capital continued, countries that had so far succeeded in avoiding a crisis might soon succumb.

31. Thus, the scenarios placed before developing countries were inaccurate and misleading. The growth

prospects of those countries were bleaker than ever as a result of sharply declining capital flows, increasing debt burdens, deteriorating terms of trade, mounting protectionism, and lack of export opportunities. What was even more serious, the improved position of the developed countries had to a considerable extent been achieved at the cost of the developing countries: apart from the reverse transfer of capital, the industrial countries had gained an amount estimated at \$60 billion from lower commodity prices, and another \$70 billion from lower energy costs. It was therefore opportune that the Council should explicitly include raw materials and energy among the interrelated issues for consideration in a priority item at the current session.

32. The Council should also consider ways and means of enabling the world as a whole to benefit from the favourable developments that had occurred. The developing countries did not perceive themselves as playing a game in which there had to be winners and losers; they believed in the concept of interdependence. The reason why recovery had been so uncertain was largely that the developing countries had not been allowed to share in it. It was, therefore, ironical that the fundamental issues of development and poverty had all but disappeared from the economic agenda of the Council, which, in its preoccupation with structural adjustment and recovery, seemed to have lost sight of the fundamental purpose of development, which was the improvement of the material conditions of life. Such an improvement could not be achieved by the "trickle-down effect" of growth in the industrial countries, as some appeared to be suggesting.

33. Unfortunately, the world monetary and financial system has not moved towards explicit recognition of interdependence. In the absence of a formal financial system, there were some loosely defined rules of the game, which allowed the more powerful actors to pursue objectives in disregard of the impact of their actions on the rest of the world. The current strains in monetary and financial systems were to a large extent the outcome of inadequate co-ordination and surveillance of the economic policies of the major industrial countries. The international liquidity situation had also deteriorated. In spite of IMF measures to make SDRs the pre-eminent assets of the international monetary system, the world was at present effectively on the dollar standard. The result was a shrinkage in the available volume of short-term, and even medium-term, liquidity, and access to it was becoming increasingly restrictive. The resultant strain could be well imagined when the richest country in the world, by a combination of its monetary and fiscal policies, absorbed capital to the extent of \$100 billion a year from the rest of the world. While the multilateral system had no control over such vast capital movements, it was paradoxical that a proposal for a modest allocation of SDRs had been thought dangerous and destabilizing. The economic arguments for a fresh SDR allocation were overwhelming, and it should be decided on without further delay.

34. The situation regarding long-term development finance was even more critical. The Committee on

Development Planning had expressed justified concern at the fact that, over the next decade, the developing countries would be unable to finance their development, and that, without appropriate financing arrangements, they would be unable to satisfy even the minimal aspirations of their peoples in respect of work and living standards. Even more disturbing, in conjunction with the increase in debt burdens and the decline in commercial lending, the flow of net transfer of resources had turned in favour of the developed countries and capital outflows from developing countries had risen to over \$30 billion in 1985. According to OECD statistics, financial flows to developing countries had decreased by 40 per cent in real terms over the preceding four years. Statistics issued by the Bank for International Settlements reflected drastic reductions in private capital flows to developing countries. ODA was stagnating, at only one third of the 1 per cent of GNP target set by the international community, and the picture would be even more grim were it not for some OECD countries that were contributing proportionately a much higher percentage of their GNP as ODA. Some of the larger OECD countries might follow that example, particularly in view of the huge surpluses they had built up and the advantages that had accrued to them from the fall in energy costs. He, therefore, fully supported the suggestion by the Committee for Development Planning that development finance flows should be doubled to a level of \$25 billion per year. An increase in official flows, both bilateral and multilateral, was absolutely imperative, as the massive needs for infrastructure development, irrigation, and the like, could not be met by commercial banks or even by direct investment. An increase in the resources of the World Bank, the regional development banks, and IDA was therefore urgently needed.

35. Instead of dealing with those issues piecemeal, a comprehensive examination was called for: his delegation considered that the time was ripe to begin the preparatory process for an international conference on money and finance, and drew attention to the proposal of the Group of 24 that a ministerial committee should be set up to examine existing proposals for reform. It was even more opportune since the preparatory phase for a possible new round of multilateral trade negotiations had been initiated. A consistent and complementary policy was vital in the interdependent areas of trade and financial and monetary systems.

36. It was common knowledge that the principles and provisions of the multilateral trading system continued to be violated with impunity. Recent GATT and UNCTAD studies revealed that protectionist measures had intensified over the past year, and that they were being applied with increasing severity against exports from developing countries. The international community must safeguard the multilateral trading system against the attacks launched against it in recent years. The commitments undertaken in GATT in 1982 to combat protectionism had not been honoured, and major trading nations were seeking to shift attention from the problem by calling for a new round of multilateral trade negotia-

tions aimed to extend the mandate of GATT to cover new, and alien, areas such as services, investment, intellectual property and workers' rights. GATT was concerned with trade in goods and commodities across frontiers, and any widening of its responsibilities would only serve to accentuate the inequity of the existing economic order. In any case, the area of services did not lend itself to such treatment because of the heterogeneous nature of service activities, their close links with the socio-economic outlook and goals of different countries, and the implications that such a treatment would have on national security and sovereignty. Transactions in many service sectors were inextricably linked to investment as well as to the movement of persons, and international specialized agencies already existed to deal with such matters, such as ITU, IMO, ICAO, etc. In many service sectors, the most important concerns from the point of view of the developing countries were development, transfer of technology, and the role of transnational corporations. However, a search for equitable multilateral solutions to those problems had been systematically prevented by the very countries that were seeking solutions to issues in the narrow trade-related framework of GATT. The best way of restoring the credibility of the multilateral trading system was to call an immediate halt to protectionist measures, and to proceed to roll them back, and to conclude a comprehensive agreement on safeguards and trade liberalization measures based on the effective application of GATT rules governing trade in goods.

37. The *World Economic Survey 1986* highlighted a phenomenon that was likely to have serious implications for the growth of trade and output, namely, the weakening income elasticity of trade. The major reasons

underlying that phenomenon included the increasing trend towards protectionism, the stagnating commodity markets and the decline in oil prices. The effects of lower oil prices needed to be more carefully considered. As far as the developing countries were concerned, the energy problem was a much wider one, embracing as it did such matters as deforestation, the shortage of fuel wood, the shrinkage of investment resources for long-term projects, and access to new technology. Growing energy needs would continue to pose formidable problems unless a comprehensive framework of international co-operation encompassing all energy sources was established.

38. Solutions should also be sought for the long-term issue of declining commodity export earnings, including stabilization and diversification measures. The development of a suitable international framework that would enable developing countries to participate more fully in the processing, marketing and distribution of commodities should be considered. The instability of commodity markets was not due solely to technological or natural factors: the use of subsidies and other disruptive trade practices had practically destroyed trade in several agricultural commodities.

39. In order to overcome the problems that had marked the first half of the decade, the few encouraging signs recently noted should be built on and international co-operation revitalized. The time had come to resume the dialogue and break out of the current state of deadlock of virtually all the multilateral economic negotiations. If the Council contributed to that end, its time would have been well spent.

The meeting rose at 12.45 p.m.

29th meeting

Tuesday, 8 July 1986, at 3.15 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.29

In the absence of the President, Mr. David Samudio (Panama), Vice-President, took the Chair.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments
(continued)

1. Mr. KOENIG (International Chamber of Commerce) said that there had been several encouraging important developments during the past year. Recovery in the United States of America had entered its fourth year, inflation had continued to decline substantially

and interest rates had fallen significantly. In Europe, business profitability had improved whilst wage and price increases had further slowed; Japan had taken new steps to liberalize trade and finance; and the Group of Five had moved to bring greater order to the international monetary system. Growth had revived in some Latin American countries; and China and India were relying more on market incentives.

2. On the other side, unemployment in Europe was still high, international trade was a cause of much concern, and Latin America's debt continued to cloud international finance and inhibit the area's economic growth. Many commodity prices remained severely depressed and the large United States trade deficit per-

sisted. As the world had grown more interdependent it had also, in some respects, become more fragile and subject to imbalances.

3. ICC continued to urge close attention, in public policy, to the linkage among major factors such as external debt, foreign private direct investment, monetary disequilibrium, protectionism and the achievement of sustained, balanced growth. It had called for greater consistency in national policy-making and more objective consultation among intergovernmental organizations and major industrialized nations. There had been some gratifying developments, including a clearer recognition that international trade could be threatened not only through direct erosion of its principles and rules but also, as noted in a recent GATT report, from neglect of the close interaction between the trading system's functioning and policies adopted in other areas.

4. In view of the growing protectionist sentiment and the weakening of multilateralism, ICC had warmly supported the GATT decision to establish a Preparatory Committee with a view to a new round of trade negotiations. A much firmer lead was needed from the major trading countries and a clearer recognition by the developing countries, that they would suffer most if the multilateral trading system collapsed. ICC earnestly hoped that the GATT Contracting Parties would produce a clear, broad agenda for the forthcoming trade round and that the Ministerial Meeting would agree on an early starting date for negotiations. The business community felt that the new round should aim to reverse protectionist pressures, liberalize trade in agricultural products, restore GATT disciplines in other sectors where they had been weakened and reduce trade barriers in areas, such as services, not currently subject to international rules.

5. Since negotiations on the many complex issues might well be protracted, it was important to bolster GATT's authority, so as to ensure stricter compliance with obligations already accepted under international agreements; if that task was delayed until the conclusion of negotiations, the trading system might be irretrievably damaged. Therefore, ICC urged Governments to give prompt, more serious consideration to some of the recommendations in the Leutwiler report,¹ commissioned by the Director-General of GATT, without awaiting that outcome; in particular, a mechanism should be established to monitor, and report regularly on, developments in government policies which affected international trade, so as to focus public attention on those policies potentially damaging to the common interest. More should be done, too, to make the public aware of how much expanding world trade contributed to the long period of prosperity after the Second World War and alert it to the decline in growth and employment that would stem from further trade deterioration.

6. The Baker initiative was imaginative, not least because it showed that the debt crisis had become a development crisis and stressed the importance of reviving growth in the debtor countries; in underlining the need for the latter to re-establish confidence in the private sector sufficiently to reverse the flight of capital, it addressed an issue of particular concern to the business community. But ICC had since become concerned by the slow pace of real progress and the apparent loss of political momentum. Many companies, in addition to banks, had commercial relations, including payments arrears, with debtor countries and were increasingly worried about the uncertainties of the situation, which made them hesitant to trade and invest further in those countries on the scale required. More substantial action on the Baker initiative would provide much needed encouragement to the non-bank private sector of business; ICC had therefore called upon all the parties directly involved in the initiative to implement an agreed programme of action on a case-by-case basis. The solution of the debt problem was closely linked to the extent to which international trade could provide debtor countries with opportunities to enlarge their foreign exchange earnings, through more open markets in the industrialized countries and the willingness by the latter to accept bilateral trade deficits with debtor countries to facilitate debt servicing.

7. In 1985, ICC had called for a renewed appraisal of the international monetary system and exchange rates, especially in view of the position of the dollar at that time. It welcomed the agreement by the Group of Five, in September 1985, to reduce the misalignment of the dollar, the yen and the European currencies. But, in addition, there should be mutually consistent long-term policies conducive to faster and more stable economic growth.

8. ICC had consistently argued that economic growth depended on steady investment flows. ICC welcomed the positive change in many developing countries towards foreign direct investment as well as the fresh assessment of its contribution to higher living standards and would continue actively to explore ways to encourage private investment.

9. As noted in the report of the ACC Task Force on Long-term Development Objectives (E/1986/84, annex), the question of deciding the optimum mix of public goods, social services and human infrastructure and the private production of goods and services was essentially one of public choice, public discussion and sovereign decision. ICC had long called for an enlightened policy dialogue, in domestic and international forums, on that fundamental issue and would continue to use its consultative status with the Council to contribute to such a dialogue.

10. The Secretary-General's report on a unified approach to development analysis and planning (E/1986/77 and Add.1), had indicated concern in some countries that the State's role as economic agent might have become overburdened and increased attention to the

¹ GATT, *Trade policies for a better future: proposals for action*, Sales No. GATT/1985-1.

role of price mechanisms. The business community could only welcome that growing recognition of the role the market could play in a more effective allocation and utilization of resources.

11. Mr. TETTAMANTI (Argentina) said that the world economy was in a state of uncertainty and was becoming more and more unfavourable for the developing countries; because of the serious disproportion between the adjustment efforts made by those countries, particularly the most indebted, and the external factors imposed by those in a position to control and even manipulate the world economy. The situation was such that a developing nation could not achieve economic progress solely through its own productive efficiency or government action. In many Latin American countries the adjustment policies undertaken were constricting their scope for action and were making it increasingly difficult to sustain on-going programmes, especially in those countries affected by the fall in oil prices. The developing nations, especially in Latin America, could hardly be expected, therefore, to share the optimism some developed countries voiced about certain world economic indicators.

12. Indeed, the most objective forecasts for the next few years were uncertain for the developed world and even negative for the developing nations with regard to growth of GDP. There seemed no grounds, therefore, for optimism about the remainder of the century, unless fundamental changes were made in the developed nations' policies and a genuine improvement in international co-operation.

13. A better grip on inflation in the developed countries, the recent fall in world interest rates, or even the favourable impact on the developed world's economies of the fall in oil prices would not in themselves serve to change the situation. In the developing world, unemployment, fiscal deficits, balance-of-payments imbalances and trade tensions were some of the persistent symptoms that clouded the future. The world economy was still beset by erratic, often uncontrollable factors. Standards of living in the developing countries had fallen drastically; the external debt burden continued to grow, and interest levels, despite recent falls, were intolerable. Countries dependent on international trade for debt servicing continued to suffer from the current situation, characterized by protectionist trends, worsening terms of trade, subsidies by the developed countries and immense stockpiling. Public and private financial flows had virtually dried up, and the steadily growing technological gap was leading to a new form of dependence.

14. The most alarming factor, since it affected all the others, was that of external debt, which, as the Secretary-General had said (21st meeting), burdened global growth and was politically and economically dangerous for the world as a whole.

15. The Latin American nations deemed urgent action indispensable before it was too late. In the Montevideo Declaration (E/1986/61, annex), the countries which

had subscribed to the Cartagena Consensus had said that not even the most drastic adjustment in their countries could overcome the huge burden of external debt, which stemmed largely from historically high interest rates, that the problems arising from lack of growth in the region were leading to instability and social tension as well as hampering the democratic process, and that the Latin American Governments were unequivocally committed to a return to growth.

16. The Argentine Minister for the Economy, addressing the IMF Interim Committee on 9 April 1986, had said that the developing countries had faced up to their responsibilities in adverse circumstances, having adopted stringent domestic economic measures, and at the same time intended to honour to the utmost the obligations stemming from full participation in the world community, but that the intergovernmental dialogue with industrialized nations called for by the Cartagena Consensus countries, to enable opportunities for concerted international action to be explored, was lacking. As the President of the Council had said (21st meeting), the little hope that had seemed to be emerging when the Council had met in 1985 had not materialized.

17. The current external debt situation was illustrative; despite all efforts, the lack of dialogue was more evident than ever. There were no grounds for asserting that any way had been found to overcome the current impasse, although the Latin American nations had given clear proof of responsibility in their internal policies and put forward firm proposals in international forums. The Argentine Chancellor, referring to the Cartagena Consensus, had mentioned the offer of political dialogue proposed to the North, on a precise list of topics: a reduction to normal levels in real interest rates, and lower bank margins; increased capital flows and separation of commercial banking; maintenance of real commercial credit balances; a limit to net resource transfers; a substantial increase in multilateral development bodies' resources; the adjustment of conditionality to individual countries' situations and economic policy objectives; and reappraisal of current international trade.

18. The topic in question was no isolated problem but general in scope, posing a threat to world stability. The gravest symptom, the external debt problem, was but one of a complex set of interrelated problems which must be faced. The Council had a high responsibility in that regard; it yearly reflected events which arose throughout the United Nations system. Whilst rightly deliberating the interaction on the world economy of all the factors mentioned, it must also assume the practical responsibilities incumbent on it within that system.

19. Multilateralism was losing ground, and the system's various organizations were becoming less effective. If the current lack of urgent response and the corresponding loss of confidence continued, the United Nations system and interests of the world community which depended on it would be seriously affected. The spirit of action and the global view of the international system seemed to have been lost; no one seemed

to know how to correct the worsening imbalances and tensions. The situation was marked by an almost total paralysis in the preparations for the seventh session of the United Nations Conference on Trade and Development and by the failure hitherto to agree on the preparations for the new round of multilateral trade negotiations in GATT.

20. As the Committee for Development Planning had rightly said in its report (E/1986/26, para. 4), until the flow of development finance was restored, prospects for adequate growth and social progress in many of the world's poorest nations would remain negligible, whatever efforts their Governments made to put their own house in order. And, as everyone knew, the current technological gap, if it continued to grow, was bound to lead to a new, inhuman form of dependence rather than to justice and equity.

21. It was high time to take action, and the Council had a particular responsibility in that regard. As the President of the Council had noted, the latter's task was to create an atmosphere favourable to a constructive relationship and joint efforts in solving international economic problems, building on the mutuality of interest between developed and developing countries in restructuring international economic relations to avoid the danger of collapse in the world economic system. The current situation was liable to lead to a pattern of dependence more hazardous than anything known hitherto; a central concentration of power could provoke that danger. The problem involved was not technical but political; therein lay the Council's responsibility.

22. For example, the need for a new round of multilateral trade negotiations within GATT, including new areas, was being talked of—but disorder ruled in the traditional areas. There was talk of the need to liberalize trade—but protectionism was growing. In effect, whilst the talk was about the need to strengthen multilateralism, there were daily signs of fresh bilateral agreements between the major trading partners, such as the recent provisional understanding between the United States and the European Communities relating to the entry of Spain and Portugal into the latter. Likewise, the developing countries were being exhorted to make further efforts in foreign trade while international markets were being closed to their products, and subsidies and other devices were being applied notwithstanding the developing countries' very small capacity compared to the industrialized nations' immense resources. The paralysing of efforts within UNCTAD such as the Integrated Programme for Commodities and the Common Fund, and the failure even to produce an agenda for the seventh session of the Conference, in disregard of the need to revitalize development processes on the basis of multilateralism, equity and justice instead of mere cosmetic agreements, could only aggravate the developing countries' problems and heighten their dependence. Lastly, the developing countries were being urged to step up internal adjustment policies and control fiscal deficits and inflation but at

the same time the high international interest rates persisted and their opportunities for trade were being blocked.

23. The international system continued to disregard the political approach required to overcome the situation created by external debt, for which the developing countries were only partly responsible. New capital flows had virtually dried up; the developing world was being placed in a grave plight although, without its recovery, there was no chance of overcoming the current crisis and reverting to world economic expansion.

24. The world had overcome similar or worse situations in the past; but it had required political will to do so. None of the current problems was insoluble; even the external debt problems were nothing compared to the pillaging of resources which stemmed from blind and pitiless power politics. His country had faith in the United Nations system and would continue to speak out, in its forums, in solidarity with the developing world, in favour of the necessary changes. But the Council had yet to show proof of meeting its obligations. It had taken important initiatives during crises in the past; it had the duty, more than ever before, to do so again. What was needed was a fundamental reappraisal of the international interdependence and interrelationship not only of problems but of institutions, which should be given fresh roles and opportunities. Despite the frequent talk of preparing for the next century, efforts had hitherto been piecemeal, focused only on particular interests or groups of countries. It was time to adopt a global approach to the challenge of the approaching century and for the Council to assume its responsibilities in that regard.

25. Mr. KOBAYASHI (Japan) drew attention to three basic elements that he believed should underlie the Council's discussions at its current session.

26. The first was the interrelatedness of such factors as macroeconomic trends, structural adjustments, trade, financial resources, debt and development. The growing recognition of that interrelatedness and the unprecedented degree of interdependence among national economies, both developed and developing, made coherent co-operation imperative. The economic performances of developed countries determined, to a considerable degree, the environment in which the development process went forward in developing countries. Sustained growth in industrialized countries, for example, was clearly the most effective contribution to a lasting prosperity in which all countries could share. Developing countries, on the other hand, accounted for an ever-increasing share of world output and trade; domestic policies were closely linked to the development process.

27. The second element was the changing structure of the world economy. The tremors that had shaken it in the late 1970s and early 1980s had resulted in substantial changes in the economies of countries at all stages of development. For many developing as well as developed countries, the first half of the 1980s had been a period

of adjustment to technological competition, fluctuations in real interest and exchange rates, low commodity prices, growing difficulties in obtaining access to export markets, debt, problems of capital flows, and high unemployment. Some developing countries had succeeded in maintaining macroeconomic stability and in implementing pertinent policies in response to the changing world economy. Others had found it difficult to do so, partly owing to external factors over which they had little control. For example, sharply reduced price elasticity had contributed to the continued depression of commodity markets, despite the resumption of economic growth since 1983. That situation necessitated a diversification of production, which should be vigorously pursued with due regard for structural adjustment in the longer term. Efforts to meet that objective must be supported by international co-operation.

28. The third element was the current uncertainty and unpredictability of the world economy, which was entering the fourth year of its recovery from the deep recession of 1980-82. However, the present situation was necessarily fraught with complexities and uncertainties, as reflected in unpredictable fluctuations in exchange rate and capital flows and the recent sharp decline in oil prices. Heavily indebted oil-exporting countries would face a particularly difficult period over the next few years, and the overall future implications of oil price fluctuations were uncertain.

29. In 1985 the world economy had been characterized by a modest expansion of output and a slow growth in trade. Many developing countries, however, were still experiencing serious problems: the economic crisis in much of Africa persisted; in most countries in Latin America, *per capita* income had declined for the fifth successive year. External indebtedness continued to be severe. Commodity prices had stagnated at a low level, to the detriment of those countries heavily dependent on exports of commodities.

30. Apart from those negative indicators, however, a number of major developments, including adjustments in exchange rates among major currencies, a continued decline in interest rates, progress in reducing inflation, and sharply reduced oil prices, had generally improved the outlook for sustainable growth. More important, policy perceptions in both major industrialized countries and international institutions had been improved significantly.

31. The sound economic policies which major industrialized countries had pursued in co-operation had resulted in lower inflation and lower interest rates. That co-operation had also led to a substantial shift in the pattern of exchange rates, better reflecting fundamental economic conditions. At the Economic Summit meeting held in Tokyo from 4 to 6 May 1986, the seven major industrialized countries had stated their intention to further strengthen policy co-ordination with a view to promoting sustained non-inflationary economic growth, to maintaining and strengthening the open multilateral trading system, and to promoting greater stability in exchange rates.

32. The Development Committee of the World Bank and IMF had advanced a concept of medium-term growth-oriented adjustment to support the efforts of indebted developing countries. It had also emphasized that a lasting solution to the debt problem required not only adjustments and sustained growth in developing countries, but the adoption by industrialized countries of policies that would create a favourable environment—for example, by lowering real interest rates, expanding international trade, and increasing external capital flows.

33. His Government was concerned about persistent protectionist pressures, since protectionism was a major obstacle to the expansion of trade. Existing commitments to halt or reverse protectionist practices must be honoured. At the same time, the launching of the new round of multilateral trade negotiations at Punta del Este in September 1986 was crucial to maintaining and strengthening the open, multilateral trading system. During the new round, Japan would, together with other industrialized countries, be ready to eliminate tariffs on industrial products completely.

34. The situation of developing countries highly dependent on exports of primary commodities must be duly considered. Japan supported their efforts to promote further processing of their products and to diversify their economies, and was ready to take account of their export needs in formulating its own trade and domestic policies.

35. His delegation wished to stress how important it was that there should be an increased flow of financial resources to developing countries. ODA had a vital role to play, especially in low-income developing countries. His Government intended, in the next few years, to respond to the needs of developing countries by increasing considerably its ODA within the framework of the Third Medium-Term Target it had set in 1985. Concessional aid flows through international financial institutions also played a very important catalytic role, and Japan welcomed the establishment of the Structural Adjustment Facility in IMF and supported an immediate implementation of the eighth replenishment of IDA at a level of \$12 billion, based on the principle of fair burden-sharing among contributing countries.

36. The importance of direct foreign investment and private bank loans should not be overlooked. The creation of a sound environment would encourage increased direct foreign investment and ensure greater availability of private bank loans. The creation of such an environment and the achievement of good credit standing in developing countries depended primarily on the policies pursued in them. The halting and repatriation of flights of capital could also facilitate the efforts being made by the developing countries. Official export credit agencies in industrialized countries could make an important contribution by resuming or increasing coverage on a case-by-case basis, to restore creditworthiness to the countries concerned. Japan hoped that MIGA would be an effective mechanism in promoting direct foreign investment.

37. The present monetary system needed to be improved. The attainment of stability in exchange markets required a comprehensive approach to all the related issues. A recent welcome development in that regard had occurred at the Tokyo Economic Summit, where the participating countries had agreed to improve the framework of policy co-ordination and to strengthen surveillance.

38. Although the sharp decline in oil and other energy prices might spur economic growth in energy-importing countries, in the long run it might lead to shortages in the energy supply and to excessive price increases resulting from slackened efforts to conserve energy and to explore and develop new energy sources. Sharp fluctuations in energy prices would hamper the sound and sustained growth of the world economy. In view of the close relationship between economic growth and energy, long-term energy market stability and security of supply were desirable.

39. There was no panacea for the debt problems, which required broad co-operation by all parties concerned—the governments of debtor and creditor countries, international financial institutions, and private banks. In that connection, Japan welcomed the progress in developing a co-operative debt strategy by official and private organs based on the Baker initiative. In addition, co-operation between the World Bank and IMF had become much closer. The World Bank was strengthening its assistance to enable heavily indebted countries to develop credible growth-oriented programmes. Its adjustment-related lending to them was expected to increase substantially in 1986. At the private level, co-operation with debtor countries had been strengthened through a new type of assistance to ease external debts. Debt problems should continue to be approached on a case-by-case basis by examining the particular conditions that existed in a given country and by responding in a manner appropriate to that country.

40. The thirteenth special session of the General Assembly had marked the starting point for intensified international efforts in support of the countries of Africa. Japan was ready to assist to the best of its ability, and intended to increase substantially its ODA to Africa within the framework of the Third Medium-term Target. It would co-operate fully with African countries in the follow-up procedures envisaged in the Programme of Action.

41. The common task at the current session was to make the Council more responsive to the real economic and social issues confronting the international community by building upon the work done at previous sessions in an unflinching effort to meet the challenges of an interdependent, complex and changing world economy.

42. Mr. REDOUANE (Observer for Algeria), after expressing his support for the Secretary-General's plea (21st meeting) for the reinforcement of international co-operation in the United Nations system and after associating himself with the statement made by the

representative of Yugoslavia (22nd meeting) on behalf of the Group of 77, said that the serious erosion of multilateralism over the past few years and the doubt cast on the international community's capacity to cope collectively with the many challenges before it continued to delay the search for ways and means of reshaping the asymmetrical pattern of international economic relations. In 1986, despite some slight progress, most peoples had lived through difficult moments and expected their situation to improve only slightly in the short term. The economic recovery begun in a few industrialized countries in 1983-1984, on which great hopes had been placed in some quarters, had petered out in 1985, and stark reality had reminded the world that without an agreement geared to a global recasting of the laws governing the functioning of the international economy, underdevelopment would continue to obtain in the South and inflation and unemployment in the North. The fall-off in the growth rate of world output from 4.7 per cent in 1984 to 3.3 per cent in 1985, and of the growth rate of world trade from 9 per cent to 3.8 per cent over the same period, illustrated the volatile and uncertain nature of the progress made. Of course, the global figures gave no idea of the drama of the developing countries, particularly in Africa. With a growth rate of 2.4 per cent of their GDP in 1985, many of them had seen their *per capita* product fall.

43. The areas in which the developing countries were encountering difficulties could be grouped in three main fields: monetary and financial problems, commodities, and international trade. As far as monetary and financial problems were concerned, the debt crisis of the developing countries was undoubtedly the main source of concern. His delegation was far from sharing the view that the crisis was on the way to being solved. On the contrary, the treatment tried so far was such as to create misgivings about the cost for the debtor countries and the time the cure could last. The solutions adopted threw the main burden of adjustment on the debtor countries, seriously endangered their growth prospects, and posed serious threats to their social and political stability. The most eloquent illustration of their inadequacy was the fact that in 1985 the net flow of resources from South to North resulting from debt servicing had been assessed at \$30 billion.

44. The errors committed in the approach that had been taken so far were the outcome of an attempt to reduce a human and political problem to a technical and financial one. The debt problem was not merely a problem of payment, but a problem which involved the daily lives of millions of human beings. Consequently, in any plan designed to overcome the difficulties arising out of the debt crisis, the human dimension would have to be taken into account and a global and integrated approach would have to be adopted. Such an approach would also have to take account of the need to extend repayment periods and periods of grace, to reduce interest rates, to limit debt-servicing payments to a certain percentage of export earnings, to convert part of the debt into grants, and to allow payments in local currency.

45. The measures resulting from such an exercise should, of course, be applied within the broad framework of the United Nations system, as should any action taken in the international monetary system to influence interest or exchange rates.

46. For those reasons his delegation wished to recall the timely proposal by the Movement of Non-Aligned Countries for the convening of an international conference on money and finance, a proposal which had already been given a favourable reception in many industrialized countries. The inadequacy of financial resources was an important aspect of the difficulties experienced by the developing countries in implementing their development projects. Furthermore, the stagnant level of flows of ODA from North to South was increasing the difficulties of developing countries which depended on such assistance for the bulk of their external financing.

47. The situation was particularly acute in the commodity-exporting developing countries, especially the least developed among them. In view of the dramatic drop in commodity prices, which had continued during 1985, it was essential that the international community should reach an agreement to increase and stabilize commodity prices within the framework of the Integrated Programme and Common Fund. Producer countries should also be assured of a greater share in the processing, marketing and distribution of commodities.

48. A more recent source of concern was the artificial and brutal fall in the price of oil. Although no thorough studies had yet been made of the precise implications of that fall for the world economy, it would be unwise to give way to euphoria and to rejoice over the immediate advantages of a phenomenon which might have harmful consequences for the international community as a whole. Firstly, the fall in the oil prices would entail, in absolute terms, an impoverishment of the developing countries to the advantage of the industrialized countries, to the tune of some \$60 billion a year. Secondly, the reduction of the export earnings of oil-exporting developing countries would considerably diminish their import capacities; that would not only limit their development prospects but also slow down the recovery that had begun in the industrialized countries. Thirdly, the fall in the income of the oil-exporting countries would worsen the developing countries' debt problem and damage solidarity among them and South-South co-operation. Fourthly, the fall in the price of oil would lead to over-consumption of oil as compared with other sources of energy and would postpone prospecting for new deposits and the development of alternative sources of energy, thereby preparing the conditions for a real world energy crisis.

49. As far as the world trade system was concerned, his delegation wished to associate itself with those delegations which had expressed scepticism regarding the advisability of convening a new round of multilateral trade negotiations in GATT. Such nego-

tiations, if they took place, should be preceded by a formal commitment by the industrialized countries to observe initially a standstill with regard to trade measures against goods from the developing countries and, at a later stage, to dismantle those measures progressively. Moreover, a new round of trade negotiations should be open to all countries in order to guarantee its credibility and universality. The questions of foreign investment services and intellectual property should not be discussed in the negotiations, since they were beyond the competence of GATT. They were also difficult subjects to negotiate on, in view of the lack of information available on them.

50. His country welcomed the priority given to the interrelated issues of money, finance, debt, resource flows, trade, raw materials and development in the Council's general debate. The linking of those subjects for study purposes logically required that the solutions to them should also be linked.

51. The General Assembly had devoted its thirteenth special session to the critical economic situation in Africa. Although it was still too early to evaluate in detail the contents of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990,² it would seem that both Africa and the international community had shouldered their responsibilities; they had certainly expressed their determination to contribute to the continent's recovery. It was to be hoped that the commitments entered into would be reflected in concrete measures for the benefit of the peoples of Africa, who had suffered so much in the past few years.

52. The example of the General Assembly's special session should be extended to the developing countries as a whole and it should break the ground for a broader consideration of the transformation of the rules governing the operation of the international economic system and the establishment of a new and equitable international economic order. That was the point of the proposal on global negotiations submitted by the non-aligned countries, to which Algeria was deeply committed. His delegation hoped that the seventh session of the United Nations Conference on Trade and Development, scheduled for 1987, would provide an occasion for starting the dialogue, since UNCTAD's universality and mandate were such as to favour enlarged negotiations on ways of collectively meeting the major challenges posed by the deterioration in the international economic situation.

53. Mr. WALTERS (United States of America) said that his delegation believed that the world economy had reached a crucial turning point. There was an urgent need for the United Nations to build upon the momentum of the past year and help set the tone for a new era of development. It should use its strength to sustain and expand economic freedom and prosperity. If it hesitated, the United Nations would be left behind.

² General Assembly resolution S-13/2, of 1 June 1986, annex.

54. In briefly reviewing the current trends in the world economy which encouraged him to speak with such optimism, he would focus on the interrelationship of economic factors, with special emphasis on the enormous opportunity arising from the dramatic declines in energy prices and interest rates in 1985.

55. The foundations of the current economic situation had been laid in 1973, with the first major oil shock. The 1973 oil embargo had fundamentally altered the traditional calculations of comparative advantage that had dominated two decades of unprecedented growth in the post-war period. With the second oil-price shock at the end of the decade, the 1970s had been transformed from a decade of growth to a decade of inflation, stagnation and uncertainty. The tenuous economic balance had been upset, causing rapidly accelerating inflation, which had crippled the world economy. In response, most of the major economies had raised interest rates to unprecedented post-war levels and had adopted severe domestic adjustment measures, sparking the worst recession since the end of the second world war. While the industrialized West struggled to come to grips with the new economic environment, some countries had been slow to recognize the situation and to act. Faced with soaring oil import bills and falling revenues from their traditional exports, too many countries had maintained the excessive levels of external borrowing begun in the 1970s in order to finance their balance-of-payments deficits. Some banks, still intent on recycling massive influxes of petro-dollars, had joined in the process. A belief that inflation was there to stay had dominated the economic thinking and policies at the beginning of the 1980s; all seemed confident that huge debts could be repaid with the ever-cheaper money of the future.

56. As everyone now knew that had proved a serious miscalculation, underestimating as it did the will of the major industrialized countries to defeat inflation and ignoring the market's ability, over time, to defeat attempts at interference. Recent events in the oil markets were an indication that the fundamental rules of the market-place reigned again. Higher prices discouraged consumption while encouraging greater exploration and research into alternative forms of energy; people had learned to use energy more efficiently, and an oil-supply shortage had turned into an oil glut with a consequent collapse in prices. No serious economist predicted a return in the near future to the price levels of the late 1970s. There was a renewed opportunity for growth and development.

57. Lower oil prices would affect the world economy in many ways: OECD inflation would be further reduced by an estimated two full percentage points in the current year; OECD growth would rise by an additional 1 per cent; and interest rates would fall even further as inflation was brought down.

58. Some had expressed concern that lower oil prices and other trends in the world economy would work against the developing countries. The United States did not share that view. The vast majority of the developing

countries, including most of those heavily indebted countries, would benefit significantly from recent economic trends. Oil importers in developing countries would save some \$14 billion from lower oil prices. The reduction in interest rates by some three percentage points over the past year would reduce debt-servicing payments by about \$12 billion. The crucial question now for developing countries was their ability, and willingness, to put in place economic and political reforms that would correct past mistakes and make their economies more dynamic and resilient.

59. The United States was well aware that some lost from the fall in oil prices. The major OPEC exporters faced a significant decline in income. Many, however, had built up substantial reserves. Others also relied heavily on oil for export revenues. The Soviet Union, for instance, was dependent on oil and gas for 60 per cent of its hard currency revenues. More importantly, some of the major debtor developing nations, such as Mexico, Venezuela, Ecuador, Indonesia, and Nigeria relied on oil and gas exports for the greater part of their export receipts. His Government was fully aware of the concerns of developing countries, and had pledged itself to support their adjustment efforts with flexibility and compassion. He might add that certain areas in the United States involved in oil and gas production had also been hit hard. He believed, however, that the change in world energy markets would have an overall positive effect for most countries.

60. There were, moreover, other positive changes in the world economy. As the world's largest economy, the United States believed its primary responsibility to the global economy was to maintain a sound domestic environment. Over the past 12 months it had made substantial contributions to that goal. Its economy was in its fourth consecutive year of growth, inflation had decreased markedly, interest rates had fallen dramatically, total employment continued to rise, imports stood at record levels, and serious and painful efforts were under way to curb the budget deficit. The past year had also been a period of remarkable progress in international economic policy co-ordination. The joint statement issued by the members of the Group of Five meeting in New York on 22 September 1985 was an explicit recognition by the major industrialized countries of the interrelationships between exchange rates, external imbalances, and domestic economic policies and performance, and it had initiated a process to improve economic policy co-ordination.

61. The initiative by United States Secretary of the Treasury Baker at the 40th Annual Meetings of the Board of Governors of IMF and the World Bank (Seoul, 8-11 October 1985) had been another significant step in broadening that effort to include both North and South. It reflected a growing concern that the world debt strategy needed to shift from demand retraction to emphasis on restoring growth in developing countries. The initiative had received broad support from the Governments of the major industrialized countries and their central banks, from IMF and the World Bank,

from United States commercial banks accounting for more than 95 per cent of outstanding United States bank claims on the major debtor nations. In subsequent months, that momentum had been built upon by successive rounds of interest-rate cuts, the deliberations of the Interim Committee and the OECD Ministerial Meeting in April, the Tokyo Economic Summit in May, and the thirteenth special session of the General Assembly, devoted to Africa.

62. The agreements reached at the Tokyo Economic Summit were especially important: the partners had made a clear commitment to review economic objectives and forecasts at regular intervals with the aim of adopting policies to support growth, reduce external imbalances and promote greater exchange rate stability. If significant deviations from an intended course became apparent, the summit nations had undertaken to exert their best efforts to obtain remedial action. The United States believed that the process had greatly strengthened international economic co-ordination and effected a significant improvement in the international monetary system.

63. The outlook in the trade field was also heartening. Although protectionist pressures persisted throughout the world, many countries, including his own, had committed themselves to resist them resolutely. His Government recognized that current imbalances could not be allowed to continue, caused, as they were in many cases, by countries that continued to resist a commitment to free and fair trade. It hoped that the new round of multilateral trade negotiations scheduled for September, for which preparations were already under way, would address some of the underlying problems of the world trading system, as well as some newer issues, such as protection of industrial property, trade in services, and investment. He was confident that the States Members of the United Nations would all contribute actively to those efforts to liberalize trade for the benefit of all.

64. Improvements in the international environment were not, however, sufficient to produce growth in individual countries. Structural reform, aimed mainly at wanting a more flexible and efficient economy, was also essential. While the reforms and adjustments that were needed varied from country to country, most countries were turning increasingly to a similar blend of policies, which included: opening up economies to the influence of competition at home and abroad; creating a more favourable investment environment; establishing real interest rates and other measures to increase domestic savings and reduce inflationary pressures; reducing Government control and deregulating economic activities; creating incentives for individual initiative; establishing realistic exchange rates in order to boost exports; privatizing State-owned enterprises; eliminating subsidies; and relying on market-pricing mechanisms, a measure of recognized importance for increased agricultural production in the African region.

65. The role of the United Nations was not to review the past, but rather to concentrate on the future. The

Council could make a meaningful contribution to international economic relations by working towards agreement on a general policy framework best suited to the shared goals of long-term growth and development.

66. A revolution was under way in economic thinking. People everywhere had come to realize that economic freedom and development were intertwined, that wealth must be created before it could be distributed, and that the real source of economic vitality remained the energy and creativity of the individual, not government bureaucracy. Deeply ingrained habits of statist thought were being eroded by contact with realities, and faith in the constructive power of private initiative and entrepreneurship was growing.

67. Whenever one looked at two similar societies, operating side by side, with shared cultures and histories, one saw that the nation that relied upon the strength and imagination of the individual inevitably prospered more than the nation that relied on Government intervention and statist centralized planning. One needed only to compare the German Democratic Republic and the Federal Republic of Germany, Czechoslovakia and Austria, Communist Indo-China and Thailand and Singapore. Renewed interest throughout the world in free enterprise was the surest means not only of liberating people from poverty but of promoting democracy and political freedoms. Economic and political freedoms went hand in hand. A nation that trusted its people to make decisions in their own best economic interests was also more likely to trust them to choose their own political leaders. On the other hand, régimes which embraced centralized control of economic activities by a small élite put their people in a hammerlock which deprived them of the most fundamental human rights. The United States continued to be concerned that the Council and the rest of the United Nations system had too long ignored the importance of private initiative in economic development and the dynamic role of the private sector. Resolutions had been adopted on strengthening the role of the public sector, and on public administration and finance, but there had been no parallel action on the role of entrepreneurship in economic development. His delegation hoped that other members of the Council would join it in starting to redress that imbalance during the current session.

68. His country had been encouraged to note the progress made at the General Assembly's thirteenth special session, when all regions had pledged their support for the Africans in their efforts to restructure their economies. His delegation considered that it was time to make some real progress, and it intended to submit a resolution under agenda item 19 aimed at using the United Nations system to enhance donor co-ordination throughout the world. It would call for no new programmes or major expenditures of funds. The United Nations could make a real contribution to multilateralism by serving as a central repository for development assistance information, to enable donor nations to share information on ongoing projects on a country-by-country basis, and promote better co-

ordination of their efforts to the needs and priorities of developing countries, while avoiding duplication.

69. In conclusion, he wished to stress the importance the United States attached to the Council and other organs of the United Nations system in the discussion of international economic policy. The Council should recognize its limitations, but also fully utilize its strengths; it could thus demonstrate to the world that the United Nations system could contribute constructively in the economic field. The special session on Africa had shown what could be done if all nations were committed to a common goal. It had also demonstrated that the United Nations had a vital role to play in that process.

70. Mr. BAYAART (Observer for Mongolia) said that his country was currently preparing to celebrate the sixty-fifth anniversary of the revolution which had brought freedom and independence to its people and enabled it to advance without transition from feudalism to socialism. At its recent nineteenth session, the Congress of the Mongolian People's Revolutionary Party had formulated internal and external policy for the coming years, and determined the lines on which economic and social development should proceed with a view to enhancing national prosperity. In its review of the international situation, the session had emphasized that the most urgent problem was to eliminate the nuclear threat, to put an end to the arms race, and to revive and strengthen the process of détente. Never before had the issue of the inadmissibility of war, which threatened the survival of mankind and could put an end to civilization, been so starkly posed. Imperialist circles in the West continued, however, to be bent on accelerating the arms race and were even attempting to extend it to outer space, and to throw off the restraining influence of the existing system of treaties with a view to achieving military superiority in pursuit of a policy of violence in accordance with a doctrine of "neoglobalism". In those circumstances, there was a continuing need for all States, large and small, to participate actively in a joint search for ways and means of improving the international situation and strengthening peace and co-operation. His delegation, accordingly, attached great importance to the proposed new Soviet programme of nuclear disarmament proposed in the statement by Mr. Gorbachev on 15 January 1986. The implementation of the programme for the limitation of conventional weapons and armed forces throughout Europe put forward in June 1986 by the States members of the Warsaw Treaty Organization would also represent a major advance in international relations. Economic development and co-operation were inextricably bound up with the avoidance of nuclear war, the taking of concrete steps to ensure a lasting peace, and the establishment of friendly relations between States, as was demonstrated by the fact that in the period of détente a number of important multilateral and bilateral agreements had been reached on armaments limitations, while the United Nations had adopted such important documents as the Charter of

the Economic Rights and Duties of States,³ and the Declaration on the Establishment of a New International Economic Order,⁴ as well as the International Strategy for the Second and Third Development Decades.⁵ Unfortunately, it had to be admitted that, as many delegations had pointed out, there had been no real progress in putting such principles into effect. In his delegation's view, a major contribution to the improvement of international economic relations could be effected by action on the initiatives of the developing and non-aligned countries, such as the proposal for the holding, within the framework of the United Nations, of global talks on increasingly acute problems, and the convening of an international conference on money and finance, as well as negotiations on drafting a code of conduct for transnational corporations, and on the transfer of technology. Unfortunately, as a result of the destructive opposition of leading capitalist countries, those initiatives had been brought to a halt. Mention must also be made of the boycott by the United States of America of the Conference on the Relationship between Disarmament and Development.

71. Ruling circles in the United States were endeavouring to use international economic relations for their own political ends. Their policy was to undermine equal, mutually advantageous economic co-operation and to exploit international economic links in order to bring pressure on and interfere in the internal affairs of sovereign States, and to impede the independent economic development of newly liberated countries. The result had been to damage international economic relations as a whole, to disorganize and restrict international trade, to destabilize commodity markets, extend protectionism, and destabilize international monetary and financial relations. The negative effects of such a policy were most strongly felt in the developing countries, faced as they were by acute social and economic difficulties. As the *World Economic Survey 1986* (E/1986/59) rightly pointed out, their economic development was substantially complicated by such factors as the worsening in the terms of trade, heavy external indebtedness, and harsher conditions for the granting of credit. One of the most acute problems continued to be the net outflow of financial resources from the developing countries to the developed capitalist countries. According to the *Survey* it had in 1985 exceeded \$30 billion. A major role in that process was played by transnational corporations; another major factor was the growing external indebtedness of developing countries which according to United Nations figures, had reached the astronomical sum of \$1,000 billion. The developing countries were spending vast sums on debt repayments, which exceeded the inflow of new resources. In his delegation's view, the problem of indebtedness could only be solved by lowering interest rates, stabilizing exchange rates, renouncing protec-

³ General Assembly resolution 3281 (XXIX), of 12 December 1974.

⁴ General Assembly resolution 3201 (S-VI), of 1 May 1974.

⁵ General Assembly resolutions 2626 (XXV), of 24 October 1970, and 35/56, of 5 December 1980, annex.

tionism, and restructuring the international monetary and financial system.

72. His Government, in association with the other socialist countries, continued to support the just claims of the developing countries for a restructuring of international economic relations on an equitable and democratic basis. At recent sessions of the General Assembly a number of resolutions had been adopted on the initiative of the socialist countries aimed at reforming the whole system of international economic relations, and solving the urgent problems of the developing countries. He wished to single out resolution 40/173 of 17 December 1985, on international economic security, which substantially strengthened United Nations activities in the economic field. The need for such action was obvious; the problem was a global one and must be approached globally. Full support should be given to the proposal by the Soviet Union for the convening of a

world conference on problems of economic security. Radical socio-economic reforms, the strengthening of the State sector, and the establishment of the inalienable rights of States to sovereignty over their natural resources were effective means of overcoming economic backwardness. A valuable contribution to such objectives was made by important resolutions of the United Nations such as those relating to the long-term trends in economic development, national experience in implementing radical social and economic reforms in promoting social progress, the role of the State sector and of trained personnel in economic development for the developing countries. He hoped that the current session of the Council would make a contribution to a formulation of practical measures to implement those resolutions.

The meeting rose at 5 p.m.

30th meeting

Wednesday, 9 July 1986, at 10.15 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.30

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. SRIVASTAVA (Secretary-General of the International Maritime Organization) said that membership of IMO stood at 129 in 1986, which showed its increasingly global character. The organization was endeavouring to promote the effective implementation of the comprehensive régime of international standards and regulations for the improvement of maritime safety and the prevention of marine pollution. Twenty-one out of 28 international conventions and protocols had entered into force and a new convention would enter into force by the end of 1986. The Assembly and the Council of IMO had decided that until the end of the 1980s the organization would concentrate its activities mainly on the effective global implementation of international treaties.

2. The main objectives of IMO were summed up in the general theme which its governing bodies had adopted to celebrate World Maritime Day: "Safer shipping and cleaner oceans". That was the theme that inspired all IMO programmes and activities in the technical, environmental and legal fields. The directives and other measures adopted by the Assembly at its fourteenth ses-

sion in November 1985 were chiefly designed to help countries to establish a national capability in the shipping sector or to strengthen their existing capability, in order to enable them to participate effectively in world shipping. IMO was therefore trying to promote a suitable infrastructure in the technical, administrative and legal areas. Its activities thus supported and complemented the other United Nations programmes in the economic and social fields. IMO had finalized and co-ordinated a programme of advice and assistance to States in such fields as maritime administration and legislation, shipbuilding and ship-repairing, technical operations and maintenance of ports and installations and preparedness in cases of accidents or pollution emergencies. It also gave advice on the training of the requisite personnel to operate and manage a sound, safe, efficient and competitive merchant fleet. The programme had already yielded positive results in many countries and was generating growing interest in all regions of the world.

3. IMO had participated in the discussions of the United Nations agencies and bodies on the measures to be taken to deal with the crisis in Africa, both in the short term and the longer term. In that connection, it had noted with interest that the General Assembly had urged the African countries to intensify the construction and maintenance of transport infrastructure in the framework of the Transport and Communications Decade in Africa. It had also noted that the emphasis

placed on manpower-development and training was in line with the priority that IMO itself gave to those matters in its programmes and activities in Africa.

4. He wished to draw the developing countries attention to the World Maritime University established by IMO in Malmö, in Sweden; the University was the only international institution to provide high-level training for the senior staff that was indispensable for the operation of viable maritime programmes. The University also trained students from the developed countries. It was an important platform for encouraging peaceful relations in the maritime sector among the nations of the world.

5. IMO continued to maintain fruitful relations with other United Nations agencies and was ready to contribute to the programmes for the International Year of Peace. Together with UNCTAD it had decided to set up an intergovernmental group of experts to study, *inter alia*, the subject of maritime liens and mortgages.

6. Mr. AFANDE (Observer for Kenya) said that, in view of the state of the world economy, the international community should take specific action. For the developing countries, 1985 had again been a year without growth, during which living standards had declined. Those countries were suffering from critical food and agricultural problems, and the balance of payments of many of them had further deteriorated, leaving them deeper in debt. Substantial assistance from the international community was therefore needed. He wished to join the preceding speakers in expressing his concern at the seriousness of the problem of indebtedness and the numerous economic shocks that it brought in its wake. It was regrettable that much of the debt contracted by many developing countries since 1978 had not helped to increase productive capacity, but had above all served to minimize the incidence of external economic phenomena. In the past two years the flow of resources to developing countries had been dramatically reduced, if not totally eliminated. Adjustment measures were only a temporary solution, and arrears of the rescheduled debt already amounted to a quarter of the outstanding debt. Reacting to the conditions imposed by international monetary institutions and a number of developed countries, the developing countries had made the requested adjustments. However, it must not be forgotten that austerity could be meaningful only if it led to development.

7. In the field of trade the problems were no less serious, and the past year had been perhaps the hardest year for developing countries in the post-war era. Many investment projects had been postponed or abandoned for lack of foreign exchange. Moreover, in spite of an upturn in economic activity in the industrialized countries, there had been a marked increase in the wave of protectionism and the adoption of other measures designed to strengthen bilateralism and sectoralization in order to restrict imports from the developing countries. Such measures not only hampered development but were also a threat to the developing countries' economic, social and political stability. The GATT rules

needed to be revised and strengthened in order to remedy the situation. While a revival of the General Agreement seemed to be needed, that goal was as yet undefined and it was not advisable to include services in the following round of multilateral trade negotiations that was to take place at the Ministerial Meeting in Uruguay in September.

8. The deterioration of commodity prices continued to be a key factor in the difficulties faced by many developing countries. For a country such as Kenya, which was an exporter of commodities, stability in that sector was of fundamental importance. The compensatory programmes established by the developing countries in order to minimize the real losses experienced in commodity trade had been treated with indifference and in certain cases had given rise to retaliatory measures on the part of the industrialized countries.

9. With respect to the crucial question of the inter-related issues of money, finance and resource flows, the developing countries, particularly in Africa, had witnessed an unprecedented transfer of capital to the industrialized countries. The Government of Kenya therefore supported the call for the convening of an international conference on money and finance for development.

10. At the thirteenth special session of the General Assembly, on the critical situation in Africa, a broad consensus had been reached on the nature and extent of the problems confronting Africa and on various solutions. Successful implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990¹ would depend on the political will of the members of the international community, who should also strive to reduce the tensions engendered by the problem of *apartheid*.

11. Owing to the new approach towards certain problems, particularly the debt issue, and the support for multilateral co-operation that had been apparent in the relevant General Assembly debates, there was hope for an improvement in the situation, provided that the industrialized countries became aware of their responsibility and participated actively in the implementation of the measures adopted. However, other specific measures were required in order to stabilize commodity prices, to facilitate implementation of the Integrated Programme for Commodities and to begin operation of the Common Fund for Commodities. Besides, the industrialized countries must continue their efforts to stabilize exchange rates and lower interest rates.

12. With respect to the debt issue, adjustment should be accompanied by growth and the volume of lending to developing countries must be increased. All countries now realized that there was no escape from the growing interdependence between political and economic developments. Deep mutual understanding, improved co-operation and common action to achieve the objectives set in multilateral forums remained essential in

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

order to promote a healthy world economy and preserve an open system of trade.

13. Mr. DATCOU (Romania) said that all countries, whatever their level of development or their economic and social system, felt the effects of the world economic crisis, and the international community must reflect on how to take concerted and effective international action. The rates of growth of production and world trade had fallen noticeably in 1985 in comparison with the levels of 1984, while forecasts for 1986 and 1987 showed lower rates than those of the 1970s. The uneven economic recovery in some developed countries had stood in the way of a solution to the fundamental problems of the developing countries, whose economies continued to be unstable—particularly in Africa, but also in Latin America. Those countries had to face such insurmountable obstacles as the enormous burden imposed on them by external-debt servicing, high interest rates, exchange-rate fluctuations and the reverse transfer of financial resources. To that should be added the slump in commodity prices, the deterioration in the terms of trade, the increase in protectionism in the developed countries and the decline in ODA.

14. Romania had seen its export earnings decline by \$5 billion to \$6 billion over the past five years. Of course, each country had primary responsibility for its own development and must mobilize all its material and human resources for that purpose. As a result of a high rate of domestic investment, Romania's new five-year plan for the period 1986-1990 provided for intensive development of industry, agriculture and other economic sectors on the basis of the attainments of the new technological and scientific revolution.

15. Concerted measures must be taken at the international level to assist the developing countries in achieving their objectives. It was only through international co-operation based on the principles of equity and equality that the complex problems posed by the world economic crisis could be solved. Thus, a reduction of military expenditure would release a large volume of resources for the benefit of the developing countries. It was most regrettable that so far no real progress had been made in the areas of money, finance, debt and the transfer of resources. The trend towards abandoning multilateral co-operation in favour of bilateral approaches was a matter of particular concern. Global problems required global solutions in which all States must participate. An international conference on monetary and financial problems should be held, chiefly for the purpose of adopting principles to guide Governments, the banks of the creditor countries, the international financial institutions and the debtor countries in their negotiations. In addition, it was necessary to remit some countries' debts, to reduce the debts of other countries, proceed to longer-term rescheduling and limit debt servicing to 10 or 15 per cent of export earnings. Lastly, the international monetary and financial system must be reformed.

16. He was concerned that some developed countries were resorting to new protectionist measures and

bilateralism and sectoralization with a view to restricting imports from developing countries, particularly manufactured goods. Romania hoped that the countries which accorded it preferential treatment would improve and enlarge their national schemes within the framework of the generalized system of preferences and ensure that discriminatory measures were not introduced into those schemes.

17. The developing countries too should have access to modern technology. The United Nations and the relevant specialized agencies should seek ways of intensifying the transfer of technology to those countries, thus enabling them to accelerate the development of their economic potential. If international economic relations were to be provided with a new, sound, productive basis, radical changes that met the requirements of the contemporary world must be made.

Mr. P.M.S. Malik (India), Vice-President, took the Chair.

18. Mr. DIETZE (German Democratic Republic) said that international co-operation under the auspices of the United Nations remained the best means of solving the problems facing mankind. The Economic and Social Council should devote itself, firstly, to seeking a real solution to the current serious economic difficulties, secondly, to promoting a restructuring of international economic relations and the establishment of a new economic order in a democratic manner; thirdly, to defining objectives and principles for negotiations designed to develop mutually beneficial economic co-operation and, fourthly, to facilitating the organization of various rounds of negotiations that would lead to the adoption of binding resolutions.

19. The solution of economic problems was closely linked to international peace and security. Many proposals had been made on the subject, particularly by the non-aligned countries, the Group of 77, CMEA and the States parties to the Warsaw Treaty. It was essential to avert the threat of nuclear war, which was why there was such interest in the programme for phased nuclear disarmament proposed by Mr. Gorbachev, which his country, itself an active proponent of the abolition of chemical and nuclear weapons in Europe, wholeheartedly endorsed. The proclamation by the United Nations of the International Year of Peace had been a commendable step in that direction, but that end could be achieved only if all States, large and small, committed themselves firmly to rational and realistic peaceful co-operation.

20. According to various analyses, including the *World Economic Survey 1986* (E/1986/59), the downward economic trend in the capitalist countries had continued. In 1985, the growth of world output and of world trade had declined by nearly one third against 1984, and unemployment remained critically high. For the fifth consecutive year, the combined *per capita* income of the developing countries had shown signs of stagnation, or had even declined; their debt burden had grown even heavier and interest rates had remained

quite high in real terms, causing a veritable flood of capital to Western creditor countries.

21. His country supported the proposals for solving the debt problem submitted by the Group of 77 to the fortieth session of the General Assembly. It must be noted, however, that no progress had been made in that area, despite the efforts of the socialist countries, and the Council should recommend that the issue be included in the agenda of the forty-first session of the General Assembly. It should also recommend that preparations for an international conference on money and finance begin without delay.

22. Developments in international trade continued to be cause for concern. Some 50 per cent of world trade was still subject to protectionist measures and 30 per cent of developing countries' exports to capitalist industrial nations faced restrictions, a situation which seriously affected their foreign exchange earnings. Protectionism, which, despite assurances, continued to increase, was also increasingly hampering trade with socialist States. The latter were therefore proposing, as a first step, a moratorium on the establishment of new trade barriers until the seventh session of the United Nations Conference on Trade and Development, which would then decide on further measures. It should be said in passing that his country was one of the 96 States which, at the fortieth session of the General Assembly, had voted in favour of the resolution calling for the immediate revocation of the United States trade embargo against Nicaragua. That country should be given a chance to proceed on its chosen road without having to fear external threats. In the interest of economic security, the Western countries that had proved reluctant to do so should reconsider their positions.

23. At the thirteenth special session of the United Nations General Assembly, on the critical economic situation in Africa, the socialist countries had done all they could to contribute to solving the serious problems facing that continent. While certain results had been achieved, there had unfortunately been no decisive progress on some issues, particularly with respect to the acute payment and financial problems and the restructuring of international economic relations. It was thus clear that the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 required the implementation of United Nations resolutions on the establishment of a new international economic order.

24. His country would continue its assistance to Africa, which had totalled 1.5 billion marks from 1983 to 1985, and would henceforth provide UNICEF with an additional annual voluntary contribution of 500,000 marks for that continent. It renewed its request to the UNDP Administrator to use the accumulated sum of about 10 million marks of its voluntary contributions for the benefit of Africa. Under the auspices of WHO and UNICEF, his country would convene in 1987, primarily for the African countries, a conference on immunization against the six most dangerous childhood diseases. It also intended to host United Nations

seminars on problems of African agriculture and on tropical forestry for the countries of the Sudano-Sahelian region. His country would continue to provide financial and material aid to developing countries and national liberation movements. That aid had exceeded 2 billion marks (0.86 per cent of the national product) for 1985, of which 283 million marks (0.12 per cent of the national product) had gone to the least developed countries. His country had been able to be so generous because its economic growth had been dynamic and its national product had increased by 4.8 per cent in 1985 over 1984, as a result primarily of increased productivity. The long-term economic co-operation and integration programmes of the CMEA formed the basis of that economic strength and gave a strong impetus to international economic exchanges.

25. At the preceding meeting, the representative of one country had seen fit to give participants a lesson on the so-called "market-economy". Everyone was aware that that country did not use persuasion alone to bring its economic system home to others. One could not but be astonished at such effrontery, particularly when one compared the deficiencies of that system with the economic results achieved by the socialist States. That representative would also have done better to avoid citing the example of the German Democratic Republic which, as international statistics showed, was among the few countries in the world to have recorded a high rate of economic growth over a considerable number of years, thanks to the creative activity of its entire population which, unlike the millions of people in the capitalist industrial States, had full scope for developing its creative potential. Instead of displaying missionary zeal, the United States representative should have made proposals for solving the problems under consideration, but had not made a single one.

26. Concerning the question of the role of science and technology and whether it was a boon or a curse to humanity, the CMEA countries had answered that question in their comprehensive programme for scientific and technical progress until the year 2000, which pursued humane and peaceful objectives, did not run counter to the interests of any State and was open to anyone wishing to co-operate. All States realized that the future of economic development and co-operation depended to a large extent on the development and application of science and technology. His delegation would return to that question later but wished to stress that the development of human resources was the precondition for economic, scientific and technical progress. The specialized agencies and UNDP were already dealing with those issues, but the General Assembly must also devote itself to that important question. The Secretary-General should therefore be requested to submit a report on human resources development to the forty-second session of the General Assembly and the whole issue must be discussed as a major item at that session.

27. His delegation, which had sponsored General Assembly resolution 38/179, of 19 December 1983, had

noted with interest the report of the Secretary-General on a unified approach to development analysis and planning (E/1986/77 and Add.1). The German Democratic Republic welcomed the assessment made in the report but believed that for the forty-first session of the General Assembly it would be useful to prepare another addendum containing subsequent observations by Member States and to give a more balanced picture of the experience gained in analysis and planning in all regions of the world.

28. In conclusion, dialogue was not an end in itself, but rather should lead to specific measures. At the eleventh Congress of the Socialist Unity Party of the German Democratic Republic, Mr. Honecker, General Secretary of the SUP Central Committee and Chairman of the Council of State, had reaffirmed his country's willingness to encourage constructive dialogue and to participate in fruitful negotiations. That was fully consistent with General Assembly resolution 40/178 of 17 December 1985, on strengthening the role of the United Nations in the field of international economic, scientific-technological and social co-operation, and with the proposals put forward by the delegation of the German Democratic Republic.

29. Mr. HAMEED (Sri Lanka) said that he wished to stress the economic interdependence of States and the vulnerability of the developing countries to their external environment, which was largely responsible for the serious difficulties confronting those countries—stagnating growth, declining investment, increased unemployment, accelerating inflation, lower living standards and deteriorating health conditions. The outlook was bleak for the third world: commodity prices had never been so low since the post-war years, interest rates remained high in real terms, protectionism continued to gain ground, and bank lending and export credits remained insufficient. In contrast, ODA and loans from multilateral development banks were increasing very slowly. All those trends reflected inherent weaknesses in the international trade and payments system.

30. The developing countries had adjusted at great sacrifice. They had re-ordered their priorities and attempted to right their external accounts, with all the social and political consequences that that entailed. However they had exhausted all their possibilities and an improvement in external conditions was their only hope.

31. In that grim context, currency realignments and interest-rate reductions stood out as favourable developments. In industrial and financial circles there was a growing awareness of the need to strengthen international co-operation and to take the international situation into account in decision-making.

32. The vagaries of the commodity market were such that the exporters among the developing countries lacked any indicators to give direction to their development process. According to the *World Economic Survey 1986* (E/1986/59), growth in Asia was slower, mainly because of slipping commodity prices. That was particu-

larly unfortunate because Asia had through its own efforts greatly increased its agricultural production. For Sri Lanka, the decline in tea and coconut prices had been especially serious, despite higher production, and the outlook was not encouraging.

33. The proposals put forward by the Committee for Development Planning should be given serious consideration with a view to solving the tremendous problem of the flow of resources to developing countries. The establishment by the IMF of the structural adjustment facility was a first step towards helping developing countries, but it was urgent to issue more SDRs. Naturally, expanded lending by the World Bank depended on an increase in the Bank's capital, and IDA assistance should also be stepped up. The industrialized countries, meanwhile, must adopt policies to encourage the transfer of resources in the interest of the world economy.

34. The international community was increasingly aware of the need to promote human rights and fundamental freedoms. In that connection, credit was due to the various United Nations bodies under the Economic and Social Council which had worked hard over the years to codify those rights and promote respect for them. Member States should demonstrate their willingness to continue to co-operate with the bodies in question.

35. The year 1987 would be the International Year of Shelter for the Homeless. At the thirty-fifth session of the General Assembly, Sri Lanka had argued that provision of adequate shelter was an integral part of socio-economic development and should be central to global and national strategies to eliminate poverty. In adopting resolution 37/221, of 20 December 1982, the General Assembly had embraced that point of view. It would be a fitting celebration of the Year of Shelter if political and ideological controversies were to be set aside.

36. Sri Lanka, which was in favour of the proclamation of a world decade for cultural development under United Nations and UNESCO auspices, approved the four major objectives proposed in the draft programme of action submitted in that connection (E/1986/L.30, annex). The interdisciplinary approach suggested in the document in question, according to which all the relevant United Nations bodies would join together in a common task, merited earnest consideration.

37. December 1985 had seen the establishment of the South Asian Association for Regional Co-operation, of which Sri Lanka had been a founder member. The member countries of the Association, whose population accounted for one fifth of humanity and who were bound by common values, felt that regional co-operation was a logical response to the problems facing them all. Under the umbrella of the Association, they would strive to shape their own destiny and to take their rightful place in the community of nations.

38. The task before the Council was arduous; it had to agree on new directions and take coherent initiatives with a view to stimulating economic activity in all coun-

tries and generating a flow of capital to all developing countries. In short, it had to revive the development process, by re-attributing to multilateralism and international economic co-operation the importance they deserved and by encouraging the emergence of a new political will.

39. The Council should not allow itself to be sidetracked by partisan polemics. Only the Council and the General Assembly could adopt the essential comprehensive approach, as had been demonstrated by the response of the United Nations system to the African crisis. A similar strategy must prevail in the face of the deteriorating international economic situation.

40. Mr. KOENTARSO (Indonesia) said that contrary to what had been expected, the world economic situation had worsened; growth and investment rates had slackened drastically, as had international trade, and living standards in the developing countries had deteriorated even further. The key economic parameters remained highly unstable, and the eagerly awaited recovery following the recession in the early 1980s had not been sufficient to stimulate lasting economic growth.

41. It was clearly the developing countries which suffered most from that state of affairs. Half of them had experienced zero or negative economic growth. Their share of world markets had diminished and their capital inflows fallen, and if the social and political strains thus created were to continue, they might prove too difficult to contain.

42. In Latin America, economic growth seemed to be slowing down just when the region was showing signs of emerging from its deep recession. Africa's long-term viability was threatened by economic stagnation and declining incomes. The thirteenth special session of the General Assembly on the critical situation in Africa had underscored the urgent need to address the root causes of the problem if recurrent tragedies were to be averted.

43. In Asia and the Pacific, despite undeniable economic dynamism, there were numerous problems, foremost among which was the fact that millions of people there were living below the poverty line. The volume of world trade had declined, largely as a result of protectionist policies and the stagnation of activity in developed market economies, which in turn had far-reaching effects on developing economies in Asia, where growth had generally been at a standstill. Any serious economic reversal in the region could result in a tragedy of catastrophic proportions for millions of people. With particular reference to the countries of ASEAN, economic indicators had not been bright, economic activity had tended to slacken, and the prospects were somewhat bleak.

44. Indonesia had been relatively successful in withstanding external pressures, to a large extent as a result of its policy of fiscal reform, import cutbacks and devaluation. More recently, however, despite the introduction of additional adjustment measures, external factors—particularly the plunge in oil prices—had as-

sailed the economy. The drive to stimulate other exports had been severely hampered by the price collapse of many primary products and by protectionist measures against manufactured articles. As a result, the growth of Indonesia's GDP had slowed from 6.6 per cent in 1984 to 1.1 per cent in 1985, while its debt service ratio had risen from 21.6 per cent to 25 per cent. Such a performance would make it difficult for Indonesia to cope with its problems, particularly that of dealing with the massive increase in its work force.

45. The persistent difficulties confronting all developing countries reflected the asymmetrical nature of their relationship with the developed countries. Those imbalances were largely due to plummeting commodity prices and to the state of disorder in the commodity markets. The sharp fall in the price of oil had resulted in a massive shift in income from oil-exporting developing countries to developed countries. It was thus understandable that the ministers of the non-aligned countries should have expressed concern over the impact on the economies of oil-exporting developing countries and on their capacity to sustain development. The severe impairment of their ability to import and to continue their financial assistance efforts would have further adverse consequences on other developing countries.

46. International trade remained sluggish and the international trading system had been eroded by the imposition of protectionist measures and trade barriers, in violation of the contractual obligations of GATT. The role of international trade as an engine for growth and an instrument for development was in decline.

47. Development finance was also in a state of crisis, as a result of the contraction in both official and private contributions. Developed countries were now enjoying a net inflow of capital from the developing countries, and the ODA target of 0.7 per cent of GNP was growing ever more elusive. Furthermore, the current international monetary system had proved incapable of responding to the requirements of the international economy and to development needs.

48. No action had been taken to resolve the external debt crisis. Nevertheless, more and more debtor countries, including those in Asia, were finding their capacity for development undermined by the excessive debt-servicing burden.

49. The crisis, which had developed at the beginning of the decade, was therefore growing ever more serious. Only collective action jointly undertaken by both developing and industrialized countries could restore growth and development in the developing countries, and it was incumbent upon the international community to seize those opportunities which would shortly be presented. The United Nations Conference on Trade and Development should strive at its seventh session to increase the effectiveness of international instruments such as the Integrated Programme for Commodities, individual commodity agreements and the Common Fund, as well as promote the diversification of products

and the participation of developing countries in processing, marketing and distribution activities.

50. The dismantling of protectionism was also a priority, and the liberalization of international trade should take into account the principle of differential and favourable treatment for the developing countries. In that context, it was essential that the work initiated at the Tokyo Round should be completed, and the industrialized countries should meanwhile implement the commitments they had made at the 1982 Ministerial Meeting of GATT and later at the sixth session of the Conference.

51. The inclusion of a new item entitled "External debt crisis and development" on the agenda of the forty-first session of the General Assembly would provide the international community with an opportunity to address that critical problem in an appropriate manner. The magnitude and ramifications of the issue made *ad hoc* or piecemeal solutions impossible. On the contrary, the issue must be considered in a comprehensive manner, taking into account the interrelationship between the issues of money and finance, debt, trade and

commodities and recognizing the principle of shared responsibility.

52. Co-operation on financial and monetary matters must also be reactivated. Efforts should be made to achieve the agreed target for official development assistance, which should be provided on an assured, continuous and predictable basis. The net outflow of resources from developing to industrialized countries should also be halted and measures should be taken to lower interest rates and revive private sector lending. On monetary matters, an attempt should be made to stabilize exchange rates and to secure a level of liquidity which was adequate for development. In that connection, the developed countries should respond positively to the idea of an international conference on money and finance for development.

53. In conclusion, he emphasized that, in view of the formidable problems, the Council should guard against lapsing into complacency or cynicism. Its prime task, on the contrary, was to reverse the fatalism which was threatening to overtake the international community.

The meeting rose at 12.20 p.m.

31st meeting

Wednesday, 9 July 1986, at 3.10 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.31

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments *(continued)*

1. Mr. EL GHAOUTH (Observer for Mauritania), introducing the draft decision on the inclusion of Kiribati, Mauritania and Tuvalu in the list of the least developed countries (E/1986/L.32), sponsored by Australia, Mauritania and Tunisia, explained that the purpose of the draft decision was to confirm the Committee for Development Planning's recommendation that the General Assembly, in accordance with its established practice, should approve that inclusion. All three countries were afflicted by natural disasters—hurricanes in the case of Kiribati, cyclones in that of Tuvalu, and desertification and drought in that of Mauritania.

2. Kiribati suffered from several handicaps: territorial fragmentation, isolation, smallness, a lack of natural resources, a rudimentary infrastructure, and an almost complete absence of industry. Its small population of 65,000 was dispersed among 21 far-flung islands, making the cost of public administration, social services and transport extremely high. The exhaustion, in 1979, of

the only phosphate mine had dealt a heavy blow to exports and to the standards of living. Transfers from expatriate workers constituted the largest item in the national income. The country was heavily dependent on external assistance.

3. Tuvalu, with a land surface of only 24 square kilometres, had a population of 8,400. Fragmented and isolated, it suffered from the same handicaps as Kiribati. Cyclones disrupted the exploitation of copra, which accounted for a large proportion of its export earnings. It was heavily dependent on transfers from nationals working abroad and on outside assistance.

4. He had already referred to the effects of natural disasters in Mauritania in his statements in the First (Economic) Committee and the Third (Programme and Co-ordination) Committee. Since its accession to independence, Mauritania had slowly but surely been building a modern State. In the 1960s the economy had expanded rapidly, but since then it had stagnated and had become heavily dependent on external resources. The main factors responsible for that situation were unprecedented desertification throughout the country, an exceptional drought which had lasted since 1969, and a short but costly war. The country's investment pro-

gramme and its management of the economy had not been above criticism. Thus Mauritania was currently confronted with a complex set of very serious social, economic and financial problems which could greatly hamper the efforts made to counter natural disasters and could bear heavily on the development drive unless appropriate countermeasures were taken. The effects of the drought were particularly severe because of Mauritania's traditionally large rural population. Agriculture and animal husbandry, which had accounted for over 60 per cent of the country's GDP, now accounted for less than 20 per cent. Thus mankind was faced with a challenge. The sponsors hoped that the draft decision would be adopted by consensus.

5. The PRESIDENT said that the Council would take action on the draft decision at a later stage.¹

6. Mr. NALLET (President of the World Food Council) said that discussion at the twelfth Ministerial Session of the World Food Council, held in Rome from 16 to 19 June 1986, had centred essentially on the urgent measures needed for the economic recovery of Africa; the food, economic and financial difficulties faced by Latin America and the Caribbean countries; and the lessons to be learned from the efforts made by Asian countries to meet their food requirements. The Ministers had also discussed the instability in international agricultural trade and its resulting tensions. Finally, WFC had adopted measures to strengthen its role as the United Nations political forum for food and hunger issues.

7. The current world food situation was giving rise to satisfaction, since food supplies had increased to record levels in many regions, and concern, because in many developing countries food production continued to fall. In addition to international tensions, domestic and regional conflicts were further undermining the already precarious food supply. WFC had recognized that while the food situation in Africa had improved somewhat, the continent's problems were due to internal and external causes which would not be overcome rapidly. It had also noted that the countries directly concerned could meet their national food objectives only if there was increased international solidarity and co-operation, as well as lasting peace. Several delegations had suggested that a disarmament policy—in both developed and developing countries—could release the financial resources needed to solve food problems.

8. WFC had welcomed the General Assembly's adoption of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.² It hoped that the measures required to set the Programme in motion would be rapidly forthcoming in order to be able to complete implementation within its five-year time-frame, and it called upon recipient and donor countries to launch initiatives to that end. It intended to report to the Secretary-General and to the General Assembly on progress made.

9. WFC recognized the importance of regional and interregional co-operation. It had adopted the recommendations of the regional consultations organized during the first half of 1986, calling for the strengthening of interregional co-operation. It had recommended, in particular, that activities promoting trade and economic co-operation should focus initially on the harmonization of food and agriculture policies, particularly price policies, and policies designed to protect regional markets, and the creation of preferential trade mechanisms to increase trade in agricultural commodities and inputs within Africa. A restructuring of regional institutions to secure better co-ordination would, however, be necessary if co-operation was to be strengthened.

10. WFC had also emphasized the considerable potential of South-South co-operation in helping to achieve food development objectives. Priority sectors in such co-operation had been included in the Programme of Action for Africa and focused on a continued exchange of experience in agricultural policies and strategies, the transfer of technology, especially in irrigation, and other issues related primarily to food production. In view of the positive results achieved in 1986, WFC had requested the international community to facilitate such co-operation between Africa and other developing regions.

11. Regional co-operation could also be applied to trade and to food security. WFC had been asked to follow up the Ministerial Consultation on Food Policies and Strategies in Latin America and the Caribbean. The Presidents of Argentina and Uruguay had made a proposal for a regional assistance treaty to meet any food crisis. Efforts to maintain the food and nutrition level of low-income groups during the difficult economic adjustment period remained a priority for those countries.

12. Countries from Latin America and the Caribbean had requested WFC to bring to the attention of industrialized countries and of international financing or credit institutions the critical problems afflicting the region's agricultural economy. It had also been asked to point out the destructive effects which the excessive protectionist measures taken by industrialized countries were having on the productive capacity of developing countries and to advocate the readjustment of agricultural policies which undermined and threatened agricultural development and international trade.

13. WFC had reviewed the problems currently affecting the international agricultural commodity markets. It had expressed its concern that present trends in agricultural trade were not, in the long term, in the interest of either developed or developing countries. Such a situation hampered the efforts being made by third world countries to achieve their food and development objectives. WFC could only take note of the diverging views concerning solutions to those problems. It had, however, been requested, in co-operation with the interested parties, to keep the issue under review, while taking into account the close links among trade problems, agricultural development, debt payments and adjustment policies. During the debate it had become

¹ See 34th meeting, paras. 1 and 2.

² General Assembly resolution S-13/2, of 1 June 1986, annex.

apparent that trade negotiations would not by themselves solve the many problems currently affecting agricultural production and trade in agricultural commodities. WFC could thus serve as a useful forum for further discussion of the question.

14. The functions of WFC had also been discussed at length during the Ministerial Consultation, on the basis of the report of the Advisory Group appointed by the Secretary-General of the United Nations in consultation with the President of the Council. Its unique political role at the ministerial level within the United Nations, in the context of its present mandate, and its function as a forum for reviewing ideas and recommendations concerning food policies had been reiterated. The Council ministers had accordingly requested that the Council should be strengthened through improvements in its organization, programmes and methods of work. While WFC should maintain its own identity, it must none the less improve its co-operation with other United Nations organs and institutions, and should therefore be more active within the United Nations system; it had been specifically suggested that the Council President might report directly to the General Assembly. The Council President and Bureau should ensure the continuity and dynamism of the Council's activities between annual sessions. The members of the Bureau had been requested to promote initiatives and meetings in their respective regions, in accordance with the Council's programme of work.

15. WFC had selected a number of major areas for its future programme of work: in support of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, it would continue to promote national and regional food strategies; it would intensify its efforts to mobilize political and financial support for the food and agriculture components of the Programme of Action; it would also seek to promote progress in investment, research, food policies and programme management and in the building of physical or institutional infrastructures. It would review the recommendations made by regional meetings for the purpose of identifying specific action to be taken, particularly in the context of regional co-operation and South-South co-operation. The secretariat had been requested to report on recommendations and observations concerning the consequences of economic adjustment measures for the food and nutrition levels of low-income groups. It had also been asked to follow up studies undertaken by the United Nations Centre and Commission on Transnational Corporations and other interested bodies on the activities of transnational corporations in the food sector.

16. Mr. AGUILAR (Venezuela) noted that the General Assembly had recognized the importance of giving coherent, integrated, simultaneous and systematic treatment to the different areas of international economic relations some years earlier; it had not, however, been possible thus far to implement General Assembly resolution 34/138, of 14 December 1979, concerning the launching of a round of global negotiations.

17. Although the informal working paper annexed to document E/1986/L.28 was somewhat imprecise and did not deal in sufficient detail with the measures that would have to be taken in order to achieve structural changes in the system of international economic relations, which alone would make it possible to introduce order and justice into the system, it constituted a sound basis for further work. The Group of 77 had shown great flexibility in its treatment of the matters concerned, and it was to be hoped that the developed countries would adopt a similar attitude, since no consensus could be reached if they insisted on "diluting" those aspects of the document in which the most urgently required co-operative measures were set forth with greater clarity.

18. The *World Economic Survey 1986* (E/1986/59) contained a wealth of information accompanied by a rigorous analysis and supplemented by impressive but disturbing projections. The survey showed the measures that needed to be taken to solve the problems arising from increasing trade protectionism, the collapse or deterioration and general instability of world prices of raw materials, large imbalances in the industrialized countries' trade accounts, fiscal deficits and fluctuating exchange rates. It also showed that flows of international resources, with their financial, monetary and debt variables, had assumed incredible proportions hardly foreseeable a few years previously.

19. More specifically, table IV.4 in the *Survey* showed that the total net flow of resources from developing countries to developed countries had increased to the scandalous amount of \$31 billion annually. Thus the developing countries as a whole were helping to finance the "recovery" taking place in the industrialized countries. The flow of new official and private credit to the developing countries had fallen to \$13 billion a year, while the interest paid on the external debt was \$54 billion. Concessional aid had increased slightly, but not enough to offset even a third of the shortfall. Moreover, repatriated profits on foreign investment accounted for 50 per cent more than the inflow of new direct investments.

20. Such a situation could only be described as a "South-North subsidy", indefensible from any point of view—economic, social or political. The question facing the international community was therefore whether solutions were to be found jointly, in a real spirit of co-operation, or whether things would be left to follow their present course, dragging the world into crisis after crisis and finally, perhaps, into a debacle from which no one could be sure of emerging unscathed.

21. The Committee for Development Planning had also considered that very serious aspect of the situation and had called for at least double the flow of financial resources from North to South in the next few years. Ironically, it was possible that even that modest goal might not be achieved unless the developed countries displayed greater political will.

22. The position of the developing countries in general, and of the countries of Latin America in par-

tical, on the question of the external debt was well known. The heads of State of the countries of the Cartagena Consensus had transmitted a communication containing their views to the heads of Government of the States represented at the Tokyo Economic Summit meeting and the twenty-first session of ECLAC had adopted an important resolution (478 (XXI)) on the subject which his delegation hoped would be taken into account by both the Economic and Social Council and the General Assembly. In essence, his delegation still maintained that the solution to the problem of external indebtedness was to be found in a political dialogue between the Governments of debtor and creditor countries which, in the framework of an integrated approach and with respect for the principle of "shared responsibility", would establish a fair distribution of the costs of the adjustment process and ensure that the aspirations and development needs of the developing countries, which should have priority over any other consideration, were not adversely affected. It was gratifying to note that at its 72nd session, the International Labour Conference had adopted resolution III, of 24 June 1986, on the subject.

23. The *World Economic Survey 1986* had shown that a continued fall in the price of oil would not only entail an even greater transfer of real resources from the developing countries to the developed countries, but would also harm the industrialized countries themselves by making them more dependent on imported oil, so that their "oil bill" would remain at more or less the present level. If, however, through closer co-operation among producer countries, production could be reduced and prices rationalized at levels more in keeping with the other variables in the world economy, harmful fluctuations would be avoided and the outcome would be more beneficial for everyone in the medium and long terms.

24. The calculations in the *Survey* refuted the argument than an increasingly cheap supply of oil was good for the world economy. Oil, like the other primary commodities on which many developing countries depended, must have a price level that was fair to producers, having regard to the ever increasing cost of imported manufactures and to the fact that oil was a precious non-renewable natural resource which could not be wasted. The evils suffered by the world economy in the 1970s had not been due to the 1973 and 1979 oil price adjustments; world inflation had already existed, having been generated by the economies of the major industrialized countries themselves. The current low prices for oil did not provide an opportunity to solve all the problems of international economic relations. That could only be achieved by implementing the structural reforms envisaged in the new international economic order.

25. In view of the financial austerity into which the Organization had been plunged and of the obvious crisis in multilateralism that underlay it, it was more important than ever before to show the world that the Council still had its *raison d'être* as a fundamental organ of

the United Nations in which specific agreements, leading to really effective international co-operation, could be reached.

26. Mr. GREKOV (Byelorussian Soviet Socialist Republic) said that the most important problem facing the international community was how to prevent a nuclear war. Ignoring the lessons of history, forces representing the interests of the military and industrial complex were refusing to recognize the realities of the contemporary world and were continuing to conduct nuclear tests, to develop new types of weapons and offensive strategic forces, seeking to achieve military superiority through the utilization of outer space. Whipping up the arms race in every possible way, imperialism was also engaged in the neo-colonial exploitation of the developing countries and interfering in the internal affairs of States. As a result, political and economic ties, and the international situation as a whole, were becoming more complicated.

27. The maintenance of international peace and the development of international co-operation depended on the capacity of peoples of different ideological views to engage in a dialogue and to reach mutual understanding on the key issues of war and peace. The Soviet Union, in its statement of 15 January 1986, had put forward a programme for the elimination of nuclear weapons by the end of the century and had taken a number of important unilateral steps to display its goodwill, including an extension of its unilateral moratorium on nuclear tests until 6 August 1986. If the proposed stage-by-stage plan for the elimination of nuclear weapons was implemented, mankind would reach the twenty-first century, saved from the threat of self-extinction. A logical supplement to the plan was the Soviet proposal for a significant reduction of conventional weapons and armed forces in Europe. In the interests of peace, the Soviet Union was proposing the creation of an all-embracing system of international security. An integral part of such a system was international economic security, which envisaged the exclusion from international practice of all forms of discrimination, a renunciation of economic sanctions, the establishment of a new international economic order and a solution to other international economic problems.

28. The General Assembly had supported the USSR's initiative by adopting resolution 40/173 on 17 December 1985, to which his delegation hoped that Member States would respond. The Soviet Union had also submitted a memorandum (A/41/118, appendix) in which it set forth its approach to the problems of international economic security, which was one of the basic pre-conditions for the normalization of international economic life. In his delegation's view, the concept of international economic security entailed, above all, a renunciation of the threat or use of force, the safeguarding of the legal rights and interests of States, and the establishment of reliable guarantees that they would not be violated.

29. There could be great practical benefits from a world congress on problems of economic security, at

which all factors impeding the development of international economic relations were jointly considered. The prevailing situation gave grounds for deep concern, as statements by many delegations indicated. Unfortunately, the Second Committee at the resumed fortieth session of the General Assembly had not succeeded in adopting a single resolution on the vital problem of the interrelationship between monetary and financial problems, debt, resource flows, trade and development, and, at the thirteenth special session, the leading capitalist countries had prevented the adoption of a resolution fully reflecting the interests of the African peoples. The final document of the session did not take into account the essential demands of the young African States, whose economies were in a situation of crisis, and, consequently, did not make any contribution to the establishment of genuinely equitable international economic relations.

30. His delegation supported the proposal by the Group of 77 to include in the agenda of the forty-first session of the General Assembly an item on the external debt crisis of the developing countries and development. A comprehensive study by the United Nations was needed on the problem of net outflows of financial resources from the developing countries and their influence on the growth of external indebtedness. It should cover the scale and forms of the outflow of resources and such factors as unfavourable terms of trade, the manipulation of exchange rates, and resource drains via transnational corporations. The urgency of the problem was undeserved by the fact that the financial resources extracted from the developing countries by developed capitalist countries stood at over \$200 billion per year. The relation between the development crisis in the countries of Asia, Africa and Latin America and the machinery for bleeding them white, financially speaking, was obvious. General Assembly resolution 40/207, of 17 December 1985, on long-term trends in economic development, had recognized the necessity for attention to be given to the impact on economic and social development of the outflow of resources from the developing to the developed countries. Such a massive extraction of resources was undermining the economic development of newly independent States and was serving to finance the budget deficits and military programmes of the West. The references made in the debate to the role of private capital looked like a device for evading the obligations of Governments to improve their policies towards the developing countries. It must not be forgotten that private capital was a major channel for the outflow of capital from the developing countries and served as an instrument of neo-colonialism.

31. It was obvious that the developing countries were unable to pay their debts, and it was clear that there would have to be a joint search for ways and means to achieve a just settlement of the problem of indebtedness. In his delegation's view, the essential measures should include: cuts in interest rates on loans and credits, the stabilization of exchange rates, abandonment of trade protectionism, and restructuring of the international monetary and financial system, com-

binated with a democratization of financial institutions. The practice of using the monetary and financial difficulties of particular countries in order to exert political pressure on them and to interfere in the internal affairs of sovereign States must be ended. It was essential that General Assembly resolution 40/185, of 17 December 1985, on economic measures as a means of political and economic coercion against developing countries, should be implemented. In that connection, mention must be made of such high-handed acts in international relations as the bombing by militarists of the United States of America of the Libyan Arab Jamahiriya, the continuing hostilities against Nicaragua, and the raids by the Pretoria racists into neighbouring African countries. The communiqué on the meeting of the Political Consultative Committee of the Member States of the Warsaw Treaty (Budapest, 10-11 June 1986) (A/41/411, annex I) referred to the socialist countries' approach to the solution of problems of international economic relations. It indicated that the comprehensive problems of the world economy could not be tackled in an isolated manner by any single group of countries; it expressed support for the restructuring of the entire system of international economic relations on a democratic basis, establishing a new international economic order that would ensure equal economic security for all countries, eliminating the underdevelopment of countries, and for a just and worldwide settlement of the problem of external indebtedness. It also called for removing from international practice all forms of discrimination, the policy of boycotts and sanctions, high interest rates, and the setting up of artificial barriers in the field of scientific-technical and technological exchanges.

32. His country was vitally interested in the preservation of peace, and improvements in international economic relations. Peace was an essential requirement for the implementation of its plans of socio-economic development, as adopted at the twenty-seventh Congress of the Communist Party of the Soviet Union and the thirtieth Congress of the Communist Party of the Byelorussian SSR. Significant growth in the economic potential of the Byelorussian SSR had been achieved during the eleventh five-year planning period (1981-1985): national income had increased by 32.5 per cent, and the average annual rate of growth had been 5.8 per cent. Industrial activity comprised modern machine building and instrument manufacture, petrochemicals and electronics, the production of mineral fertilizers and synthetic fibres, and highly developed light and food-producing industries. During the twelfth five-year planning period it was intended to increase both the national income and the output of manufacturing industry by 26 per cent—the entire increase in industrial and agricultural production, and in transport and building activities to be achieved by higher labour productivity. The annual increase in agricultural production during the eleventh five-year planning period had been 8.3 per cent; in the twelfth period it was intended to increase the total figure by some 12 to 14 per cent. Developments in the scientific field were proceeding successfully; approximately

41,000 scientific workers were engaged in fundamental and applied research in Byelorussia, and contributions in the fields of mathematics, physics, nuclear energy, chemistry and biology had received widespread recognition.

33. The current session of the Council was being held in The Year of International Peace, and he was convinced that nations should endeavour to ensure that the Year came to be regarded in the history of mankind as marking the initiation of a general system of international security, and that each succeeding year until the end of the century became a landmark on the road to full freedom for mankind from nuclear weapons and to the elimination of the threat of universal destruction. His delegation attached great importance to the celebration of the Year, and it was prepared to co-operate with all others in ensuring that the Council contributed to the achievement of the goals of the Year.

34. Mr. CHARRY SAMPER (Colombia), said that, while he did not wish in any way to disparage the Council's role, its performance must be realistically evaluated. He felt bound to admit that he did not always find its summer sessions in Geneva to be useful and it sometimes seemed to him that statements made in previous years might be repeated almost without change. It was unthinkable that the developing countries should be reduced to the role of mere trades-union spokesman voicing complaints and making demands. Admittedly, there were a few new developments within recurrent situations, which might hold some glimmer of hope. The United Nations was, however, at the very heart of the international crisis and one could not fail to observe the unacceptable repetition of situations, of problems and of shortcomings noted, and the lack of effective will to make changes.

35. The Council continued to be faced with a variety of problems, some of which lay within its specific competence and others more properly belonged to the United Nations as a whole. The Council's agenda seemed disproportionate in relation to the time and possibilities for action available. The Council should not be regarded as a mere "think-tank", but should focus on priority areas, and put an end to the existing dissipation of effort, which could at times be described as "Byzantine". Members of the Council did not attend its sessions merely to converse but to unite in a common search for means of action; modern multilateral diplomacy should not be reduced to a mere talk-shop but should aim to achieve concerted decisions for action, to devise machinery, to engage in genuine negotiations—which presupposed a will to negotiate adequate and viable instruments.

36. The Council was not fulfilling the role envisaged by those who had drafted Chapter X of the Charter of the United Nations. It was not enough to apply cosmetic remedies and to reword texts; the Council must become an effective co-ordinator of the broad policies and specific contributions of the specialized agencies in the economic and social fields which were its special competence. There was at present a vacuum in international

co-operation, and a tendency to divert co-operation into bilateral channels. In his view, international co-operation was not merely a task committed to the Council by the Charter but a contemporary imperative. It involved not merely easing of trade relations among nations, or groups of nations, but preventing some countries from benefiting at the expense of others and ensuring that scientific and technical progress did not become one more instrument of privilege. It was difficult to arrive at a clear conception of what the role of the Council should be at the present day, amid the proliferation of meetings and forums, and the overlapping and demarcation disputes between UNCTAD, GATT, UNIDO, and indeed the General Assembly itself and its various committees. There was a clear need to strike a balance between the relations of the various bodies within the United Nations system and to seek to foster an atmosphere of understanding and collaboration not one of pugnacity or conflict, in which to arrive at agreements methodically by concrete measures properly co-ordinated. Side by side with the agreements reached between the major economic Powers, the medium-sized and small nations could then find expression. International solidarity, between the developed and developing countries, between North and South and, indeed, between the nations of the South themselves, must be the objective to be achieved in spite of ideological differences.

37. Turning to the so-called "crisis of multilateralism", he could not but reflect on the developing countries' own mistakes and responsibilities; the United Nations needed strong leadership based on consent, and radical restructuring based on consensus if it was to meet the challenge of contemporary problems. At times the picture seemed closer to a phantasmagoric vision described by Jose Luis Borges, than the familiar world of the economists. The thick shadows over the developing countries contrasted with the shafts of optimism discernible in statements about recovery in the industrial countries and the tendency on the part of the socialist countries to distance themselves from such problems on the grounds that they were not responsible for the crisis. The crisis required, however, the participation of all, and a shared assumption of responsibilities. Latin America could not be content with vestigial and peripheral benefits. The theory that the growth of the economies of the industrialized countries would improve the position of the developing countries by the so-called "trickle-down" effect had been exploded. Some forms at least of prosperity fed on the poverty of the developing countries, whether through protectionism or long-standing inequities. The net transfer of resources from the developed to the developing countries had reached the level of \$31 million in 1985. The situation was so serious that even the workers in the creditor countries, uniting with other workers throughout the world, had called for, in resolution III, of 24 June 1986, adopted by the International Labour Conference at its seventy-second session, a just solution, taking into account the legitimate demands of the debtor countries, in order to avoid a world economic catastrophe. The Latin

American countries had proposed possible solutions in a number of texts, including those of the Cartagena Consensus³ and the Montevideo Declaration, which was adopted at the Ministerial Meeting under the Consultation and Follow-up Machinery of the States parties to the Cartagena Consensus (E/1986/61, annex).

38. For Colombia, the problem of the external debt required a political dialogue between the Governments of creditor and debtor countries to establish the guidelines for a solution taking into account all economic aspects of the problem, instead of the most powerful nations simply urging further adjustments in the economies of the developing countries, which involved grave, political and social risks, especially cuts in real wages, investments, consumption and jobs. In Latin America the process of democratization would be seriously imperilled if existing tendencies persisted with regard to debt. Developing countries had in fact carried out policies of internal adjustment. Colombia had traditionally followed an economic policy of austerity, close to that recommended by creditor countries, and it had recently further intensified that policy. But such efforts on the part of the developing countries had not been matched by internal adjustments, such as the opening up of markets on fair terms of trade, and extension of credit, in the most highly developed countries. Bilateral and multilateral co-operation instruments were needed to remedy the injustices in systems of preferences applied to the developing countries and to control restrictive trading practices that were damaging the developing countries, including those of the transnational corporations, which were at present the largest investors in the third world. Colombia believed in the necessity of such instruments because the abuses of market freedom were wreaking damage on the poorest countries and endangering the survival of the system itself, especially in countries where large sectors of the population had no access to the benefits and the exercise of that freedom.

39. In view of the interdependence between the economic system and the international monetary and financial systems, Colombia believed that the opening up of the markets of developed countries would contribute to the solution of the problem of external indebtedness, which, in its turn, would serve to reactivate international trade by increasing the import capacity of developing countries. His delegation recognized the importance of multilateral, and indeed national, efforts aimed at enhancing international market freedom, as exemplified by GATT. An effort was, however, clearly required on the part of the developed countries to achieve justice and stability in the international monetary system. There must be greater fluidity of credit, at lower interest rates, for development finance in the case of the poorest countries, and the establishment of remunerative prices for the primary commodities of the developing countries in general. The transfer of technology must be improved, as UNCTAD was endeavouring to do by drafting a code of conduct to avoid unfair restrictions on such transfers.

³ E/1984/126, annex.

40. Trade negotiations must go hand in hand with a review and reordering of the international situation in other fields, first and foremost the monetary and financial systems, perhaps by a special conference in the near future. His delegation considered that the proposed new round of multilateral trade negotiations in GATT were necessary in order to consolidate the struggle against protectionism and as a means of preserving the multilateral system of trade represented by GATT. His delegation was not, however, prepared to enter into negotiations, irrespective of their nature. In particular there could be no question of initiating them without prior agreement on the dismantling of restrictive measures against exports from developing countries. There must also be assurances that sectors of special importance for each particular country—in the case of Colombia agriculture and tropical products—would receive priority consideration. The developed countries should bear in mind that the course taken by negotiations currently proceeding on textiles and on the possible extension of the multifibre agreement would be bound to carry considerable weight with textile-exporting countries when deciding whether to participate in the new GATT round. If a more liberal régime for textiles was not forthcoming, the countries concerned would find it hard to believe in the existence of a will to liberalize other trade sectors of interest to the developing countries. Prices of coffee, which had been mentioned in the ECLAC report for 1985 as a primary commodity that had increased in price, were tumbling once again—further evidence of the extreme vulnerability of the commodity area.

41. Although delegations from the developed countries had argued that the fall in oil prices had benefited many countries, including developing ones, the improvement was conjunctural rather than structural and could be damaging to countries like Colombia which, having been importers, had invested heavily, with participation of capital from developing countries, in order to become producers. The management of energy could not be left exclusively in the hands of the major producers and consumers or large State cartels.

42. Colombia considered that it had achieved the targets that it had set itself, but unfortunately the international development strategy and the regional action programme had been seriously damaged by failures in multilateral co-operation for development. The developing countries were being injured in their efforts and sacrifices by policies which had contributed to aggravate the regional economic crisis. Coherent answers must be found to problems of regional economies. New forms of co-operation must be devised, eliminating external-sector restrictions and expanding interregional co-operation between developing countries, which, as a form of South-South co-operation, should provide the necessary complement to that between North and South.

43. He wished to repeat his Government's thanks to the United Nations system for the assistance provided at the time of the Nevado del Ruiz disaster, and in par-

ticular by UNDRO, UNESCO, UNICEF and other international agencies as well as by some 53 countries.

44. It had been said that the Council was an institution in search of a role, and that continued to be the case in 1986. The major problems did not appear to find a solution in the present forum, and some countries even preferred to discuss them in other bodies. There was no formulation of an international economic strategy, and operational measures did not provide the needed follow-up to sectoral analyses. Nevertheless, the developing countries persisted on the path of multilateralism because there was no better alternative, and his delegation, which had attended the session as an act of faith in the Council rather than with any positive expectations, was ready to enter without dogmatism into genuine dialogue for common action.

45. Mr. KARHIN (Council for Mutual Economic Assistance) remarked that the agenda of major international bodies, such as the Council, reflected the complexity of the existing world economic situation. CMEA member countries were making a substantial contribution to the improvement of that situation, to the development of equal trade, and to technological co-operation. Between 1981 and 1985 a stage in their economic growth and scientific, technical and cultural potential had been completed. They were entering upon a qualitatively new stage in their dynamic economic development and co-operation, which would enable them to carry out a number of major socio-economic tasks. Their basic conviction was that it was possible, by the joint efforts of governments and peoples, and of all realistically-minded forces, to effect a change for the better in European and world affairs, and a revival of the policy of détente and constructive co-operation.

46. He drew attention to the pamphlet entitled "Social and economic development of the CMEA member countries in 1981-1985 and perspectives for 1986-1990", which had been distributed to members of the Council. In the new phase of development the CMEA member countries would aim at a further advance towards social justice. The congresses of communist and workers' parties were of fundamental importance in determining the strategy for the overall strengthening of national economies and the raising of living standards to the year 2000. The Twenty-seventh Congress of the Communist Party of the Soviet Union had approved the acceleration of socio-economic development on the basis of technical re-equipment and the restructuring of production, improvements in management systems, and a switch over of the economy to all-round intensification. The efforts of the socialist countries were directed to the implementation of the decisions taken at the high-level Economic Conference of June 1984 by the CMEA member countries for extending co-operation and socialist economic integration. In the Declaration adopted by that meeting, entitled "The preservation of Peace and International Economic Co-operation",⁴ a programme of activities have been laid down for improving international

economic relations, achieving economic security and strengthening confidence in the extremely important sphere of inter-State relations. Its main objective was to rid intergovernmental economic co-operation of artificial obstacles and discrimination, to prohibit the use of international economic organizations for the pursuit of the ideological, political and economic interests of individual countries, and to reinforce the principles of justice and equality in economic relations between States. During the two years since adoption of the programme, the CMEA member countries had spared no effort to implement it, including action within the framework of the United Nations. On their initiative, or with their active support, a number of important resolutions had been adopted, such as the strengthening of confidence submitted by Poland, the condemnation of economic coercion in relations with developing and other countries by Cuba; and on 17 December 1985 the General Assembly, on the initiative of the German Democratic Republic, had adopted resolution 40/178 on strengthening the role of the United Nations in the field of international economic, scientific-technological and social co-operation, and, on the initiative of the Soviet Union, resolution 40/173 on international economic security; on the proposal of Poland, the General Assembly had adopted resolution 40/207 on long-term trends in economic development.

47. At the meeting of the Political Consultative Committee of the Member States of the Warsaw Treaty (Budapest, 10-11 June 1986) (A/41/411), the conviction had been expressed that the friendship and cohesion of fraternal socialist countries would contribute to the further enhancement of international co-operation for peace and progress. The participants had adopted an appeal to all European countries for a programmed reduction of military forces and conventional arms in Europe, from the Atlantic to the Urals. There was no rational alternative to peaceful coexistence. It was necessary, more than ever, to observe the principles of national independence and sovereignty, avoidance of the use or threat of force, respect for territorial integrity, peaceful settlement of disputes, non-interference in internal affairs and other generally accepted norms of international relations. The member countries reiterated their recognition of the duty to strive for an end to the nuclear threat, a return to progress in European and world affairs and the development of fruitful international co-operation. They supported the creation of a comprehensive system of international security embracing military, political, economic and humanitarian aspects.

48. The CMEA countries shared the sentiment expressed on behalf of the EEC (23rd meeting), for enhanced economic co-operation in Europe; they too hoped that not only the European States but those of other regions could benefit from such an approach.

49. The forthcoming five-year period would be decisive in the socio-economic development of the CMEA member countries and would enhance their collaboration. Meetings would be held in all of them for

⁴ A/39/323, annex II.

the purpose of applying the development strategy and strengthening mutual ties, and for fostering economic relations with the developing countries and the developed capitalist nations. One step towards attaining the goals of the five-year plan would be the co-ordination, on a bilateral basis, of member countries' national economic plans between 1986 and 1990, in order to enhance economic development, improve effectiveness and foster mutual economic ties. As a result of co-ordinating plans, most of the members had been able to meet demand for imports in energy and raw materials, improve the supply of goods for national consumption, and in particular improve trade exchange in goods, machinery and equipment.

50. The Comprehensive Programme of Scientific and Technological Progress of the CMEA Member Countries up to the year 2000 aimed at bringing the socialist countries to the forefront in science and technology. Pursuant to that Programme, each member country undertook to share in the five-year plan. Resources would be allocated and leading scientific, technological and production institutions appointed for the task, which was expected to enhance scientific and technological collaboration with all States. In particular, it should play a major role in strengthening such ties with the developing countries for the latter's scientific and technological progress.

51. The national economies of all the member countries reflected important structural reforms in production as a result of investment reorientation for reconstruction in the engineering and mining industries, further development of new production and automated planning systems and greater economies in construction and resources. Under improved planning mechanisms, the member countries were undertaking reconstruction and improvements in industrial and agricultural production, transport and infrastructure development, as well as radical reforms to establish a planning system commensurate with new economic targets, and develop initiative and social activity to the utmost. Central planning was being enhanced; the economic independence of production enterprises was being considerably broadened, for that purpose, and management bodies were being reorganized accordingly.

52. In order to foster mutual ties, it was intended to heighten specialization and to co-operate widely in output of new products, which meant the development of direct production links between member nations, including joint scientific and production establishments. Likewise, multilateral co-operation activities and the increasingly complex forms of CMEA activity would be enhanced. The member countries would collaborate further in developing fuel and energy ties with non-member socialist countries and developing nations, in support of their efforts towards economic and social transformation.

53. The member countries supported a restructuring of international economic relations on a democratic basis, the establishment of a new international economic order, the securing of equitable economic

security for all States, the elimination of underdevelopment, and a just, global solution to external indebtedness. They called for the removal, in international dealings, of all forms of discrimination, boycott and sanctions, high interest rates and artificial barriers in scientific, technical and technological exchange. They endorsed the call for a world-wide forum in which to consider such problems in an integrated manner, enhance co-operation in trade-science and technology and tackle all obstacles to peaceful economic relations. And they stood ready to broaden economic relations with the developed capitalist countries on the basis of mutual advantage and good-neighbourliness. Their official statements had consistently stressed that well-founded, wholehearted economic ties with States having different social systems would benefit all mankind and promote peace and détente—provided there was a decisive rejection of all discriminatory efforts and of any prohibitions and restrictions.

54. The large-scale measures envisaged by the CMEA member countries to develop and restructure production would broaden the prospects for external economic relations, in which all interested States could share.

55. Mr. VRATUŠA (International Centre for Public Enterprises in Developing Countries) said that ICPE was pleased to be able to assist its members and other developing countries in their efforts to strengthen national economic and social development and international co-operation. Over 35 countries were full members of the Centre, a number of specialized agencies had signed special co-operation agreements with it, and some countries had been co-financing its programme of work for several years. The Centre had thus been able to develop successfully. Foremost among its priorities were the needs of its members and LDCs. The number of countries benefiting from its efforts was three times the number of member countries; only a minority of third world countries were not included, in some way, in its activity.

56. The year 1986 had a special bearing for the Centre, which would complete the four-year plan adopted by its member States in 1982. Its successful performance had enhanced its professional capacity. Nuclei of researchers had been established in a number of developing countries; a network of contact points with government bodies and agencies in member countries had expanded and there was direct co-operation with public enterprises and their associations. Research and training activities had resulted in useful studies, manuals and guides embracing virtually all relevant fields of management, for use in public administration. In the consultancy sector, the Centre had promoted its Optimal Performance Through International Management Action (OPTIMA) model, a co-operative interdisciplinary undertaking involving ICPE work teams, local experts, managers, government officials and management specialists. Such exercises were usually at the invitation of interested Governments or agencies and involved comparative analysis of a situation in selective public enterprises, followed by a training and consultancy

seminar on the spot, resulting usually in conclusions or recommendations.

57. The creation in 1984 of an Association of State Trading Organizations of Developing Countries (ASTRO) had been a major breakthrough. The outcome of joint action by UNCTAD, the International Trade Centre UNCTAD/GATT and ICPE, supported by UNDP, ASTRO functioned as a non-governmental co-operative institution belonging to, managed by and mainly financed by State trading organizations. During its first two years, 35 such trading organizations from 25 developing countries, with a yearly turnover of \$50-\$60 billion, had joined the Association, whose importance could be appreciated in the light of the current negotiations on the global system of trade preferences and the new round of multilateral trade negotiations in GATT.

58. The year 1986 was also important because of preparations for an integrated four-year plan 1987-1990 commensurate with the Centre's increased capacity and the developing world's needs. The latter made improved public-sector performance an issue of highest priority, and ICPE had a special responsibility in that regard. Its Council had already formulated guidelines to reflect those needs fully in its next four-year plan, to be submitted for adoption by the Assembly of member countries in November 1986. However, the acuteness of some developing countries' national economic problems and the Centre's limited resources dictated a selective, integrated approach, speedier infrastructure development, a higher level of international interaction and broader sources of finance. The Centre should concentrate on a smaller number of co-ordinated integrated programmes, giving priority to the relationship between public enterprise and Government in developing countries in its future programmes and formulating methodologies accordingly; in that way it could best serve the developing countries in their efforts to improve national economic efficiency and undertake necessary reforms, whilst respecting each country's sovereign right to decide freely upon the size and scope of the public sector.

59. The Centre would also be open, within its capacity, to specific activities consistent with its statute. For example, it had prepared, at the invitation of the Seventh Conference of Heads of State or Government of Non-Aligned Countries (New Delhi, March 1983), a comprehensive study on the role of women in developing countries within the Programme of Action for the Second Half of the United Nations Decade for Women. The Centre would carry on research in that field as an integral part of its own work programme. Two years previously it had also taken part in an IDB assistance programme for Bolivia to strengthen the public enterprise sector, with a view to establishing an information system to monitor that sector. A similar project had been in preparation relating to international action for assistance to Africa.

60. Such an expansion of work should also help to strengthen the Centre's material basis and diversify its

sources of finance—although members' regular contributions should remain the future major source of financing, since the Centre was their joint institution, to serve their needs. Its membership must expand, and regular member-country contribution flows would be needed to ensure programme execution, together with continued voluntary contributions to the Centre's Endowment Fund. The most important factors would remain its programme of work and an increased capacity to match the developing world's needs. The Centre was confident of the Council's continued support to that end.

61. Mr. LAURIJSEN (International Confederation of Free Trade Unions) said that ICFTU again expressed its grave concern about the recession's increasingly devastating consequences for workers in developing and industrialized countries alike. Despite some initial signs of recovery in a few industrialized nations, 1985 had been no different from previous years. The political will needed to tackle mankind's most pressing problems had not emerged. The adjustment advocated over the previous five years had become synonymous with austerity. Adjustment policies had focused on exchange rates, inflation, export earnings, money supply, Government deficits and balance of payments; although that approach had some logic in regard to individual countries, on a global level it meant that many nations were striving for a bigger share of a sluggish or stagnant world market. And although the burden of adjustment had fallen primarily on workers, the cost of rising poverty and unemployment was rarely measured.

62. The key factor, interdependence, not only among nations but among the world economy's components, especially the economic and social sectors, remained neglected, except when it came to attempts at explaining inaction—something which trade unions in the ICFTU were strongly committed to combat, through campaigns for job creation and concentration on questions of international monetary instability and the debt crisis.

63. The developing world's debt burden threatened the stability of world international finance and the socio-political structure of many indebted nations, which entailed a poverty crisis of tragic proportions. Enormous adjustment measures had severely affected national economies, having led to sharp falls in living standards, increased unemployment and underemployment, rising inflation and severe cuts in important social programmes. Populations had been further impoverished and social and political tensions aggravated.

64. Trade unions had often criticized development policies prior to the crisis, and were certainly anxious to discuss with Governments overall strategy as well as specific programmes and projects. Most countries faced a need to increase savings rates and channel resources into small-scale labour-intensive projects, for which there was great scope in fields such as health, education, housing and infrastructure, to reform taxation and tax collection so as to spread both the revenue base and the burden of Government spending, and to take vital decisions on public expenditure, promoting policies which

would husband domestic resources and foreign exchange, increase employment and ensure that higher output was matched by higher purchasing power for the poor.

65. Trade unions were prepared to play their part in promoting and implementing national and regional development policies. Dialogue between Governments, industry and unions was essential to greater economic efficiency and social justice. But participation must be on the basis of negotiated change, on the clear understanding that progress could not be achieved by increasing insecurity for large sections of the population. The aim was to improve the living and working conditions of workers and their families and to ensure workers' full participation in economic and social progress, through freely organized trade unions.

66. The painfully slow reappraisal of current problems would surely lead Governments to realize once again that full employment, low inflation, a stable foreign trade balance and steady growth in living standards could be achieved together only on the basis of policy consensus arrived at through tripartite consultations and constructive international co-operation.

67. Mr. LABRUNE (World Federation of Trade Unions) said that the reports before the current session of the Council emphasized the gravity of the situation and the major risks it entailed for many countries and the entire world unless speedy, energetic measures were taken. His organization, representing trade unions in countries of differing economic and social systems throughout the world, had striven resolutely for many years to promote the establishment of a new world economic order and structural changes to overcome the crisis. But the major steps mooted within the United Nations had not yet been put into effect, due to lack of political will on the part of those Powers that were in a position to implement them. Those Powers, instead of taking steps aimed at balanced development for the benefit of all, preferred to act through their transnational corporations so as to maintain world economic domination at the expense of the economic and social progress of peoples. Such an attitude was at the root of the current crisis, which was widening the gap between rich and poor. Millions were unemployed in the industrialized nations; entire economic sectors were being abandoned, and the loss of many accrued benefits had greatly eroded workers' purchasing power; deregulation, aimed at destabilizing the trade-union movement,

had become the rule. In the developing countries, the effects of the crisis were magnified drastically; mass unemployment, inflation, famine and illiteracy were rife and millions lived below the poverty threshold. The activities of the large financial monopolies, far from aiding recovery, only made the situation worse.

68. Therefore, WFTU advocated debt renegotiation, the major part of the cost to be assumed by the creditors—which meant not the workers in the capitalist countries but the multinational groups, banks and large institutions, since it was to them that the profits from pillaging the developing countries' natural resources had accrued.

69. WFTU was fully engaged in international action to that end. During the seventy-second session of the International Labour Conference, international trade unions had submitted, for the first time in ILO's history, a resolution aligned with one submitted by several Latin American countries; it had been given widespread approval at the Conference, and subsequent ILO action on it was awaited.

70. The liquidity crisis was often cited as a reason for lack of action to help those worst hit; WFTU shared the bitter disappointment voiced about the postponement of the International Conference on the Relationship between Disarmament and Development—the more so since 1986 had been declared the International Year of Peace by the General Assembly. WFTU was already firmly committed to efforts aimed at the success of that year.

71. The current international situation and all its implications would again be considered by the world trade union movement during the eleventh World Trade Union Congress, to be held at Berlin in September 1986.

72. At a time when closer international co-operation was required, certain Powers, for selfish reasons, were belittling and even limiting the role of institutions for joint action. Because of its nature, WFTU appreciated the value of exchange of views and compromise; therefore, whilst noting certain shortcomings in such institutions, it recognized their irreplaceable role. The Secretary-General (21st meeting), had expressed appreciation of the part NGOs could play in United Nations actions; WFTU assured the Council of its readiness to continue and strengthen its co-operation.

The meeting rose at 5.55 p.m.

32nd meeting

Thursday, 10 July 1986, at 10.40 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.32

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. BRILLANTES (Philippines) said that the pessimistic overview of the situation appearing in the *World Economic Survey 1986* (E/1986/59) was, unfortunately, an astute one, particularly in relation to the developing countries. The recession in the developed countries, an unprecedented rise in interest rates, a steep drop in prices of primary commodities, and increasing protectionism had characterized the world economy since the late 1970s. With regard to commodities, a recent UNCTAD report estimated that the developing countries as a group had suffered a cumulative loss of \$38 billion between 1982 and 1984 as a result of the fall in prices—which amounted to roughly 10 per cent of their GNP. The ASEAN countries had suffered particularly seriously from that situation, their total losses, excluding oil exports, amounting to \$15.3 billion.
2. Even six or seven years ago, it was expected that declining commodity prices and rising interest rates were a temporary phenomenon, hence the increase in lending, particularly private bank lending, to the developing countries, at a rate that had outstripped the growth in their productive capacity. Subsequently, as the pace of lending fell off, due mainly to their failure to generate sufficient growth to warrant further lending, their debt servicing difficulties increased, and banks had become more and more unwilling to provide support. The upshot was a drying up of development finance as far as developing countries were concerned.
3. As a result of their increasing debt burden and unfavourable economic environment, the developing countries had had to adopt adjustment policies characterized by drastic cuts in imports, mainly from developed countries, leading to a fall in output and growth, a vicious circle which had led to a steady fall in GDP and *per capita* income, whose effects on social and political stability could easily be imagined. Furthermore, the cost of adjustment was being met primarily from the internal resources of the developing countries, whose growth in many cases required stable and increasing foreign-exchange earnings: since the international environment did not allow them to earn such resources, they were obliged to divert resources intended for social and productive investment to servicing debt. That situation had resulted in a net transfer of resources from developing to developed countries. Moreover, the developing countries, which were devoting an increasingly high proportion of their earnings to debt servicing, could no longer be considered viable markets, and it was clear that adjustment policies, without any prospect of growth, could only lead, in the short term, to an overall decrease in world economic prosperity. The interdependence of nations and peoples was a patent fact, and measures to stimulate growth and development, particularly in developing countries, could only be beneficial to all.
4. With regard to interdependence, the time had come to move on from concepts and theories to the formulation of multilateral policies, and, where appropriate, to institutions for the management of interdependence. It was high time to reap the benefits of interdependence, rather than hindering the process by invoking national sovereignty, and advocating national solutions for international problems that called for multilateral approaches. It would be a mistake to think that national policies would automatically converge: they were necessary, but not sufficient for stability and growth, and the need for complementary national, regional, and international action could not be over-emphasized.
5. Coherent and sustainable multilateral action must address the three basic issues of the 1980s: trade, commodities, and financial and monetary matters. As far as commodities were concerned, the aim was to stabilize export earnings, and co-ordinated international action was needed urgently to halt the decline in prices, and encourage exporting countries to process and distribute their commodities themselves. At the same time, efforts must be made to improve compensatory financing facilities for export earnings shortfalls, and the Council should give close attention to the work of the Intergovernmental Group of Experts of UNCTAD currently studying that question.
6. In the area of trade, multilateral solutions should aim at resolving the contradiction inherent in urging the developing countries to generate trade surpluses—mainly for the purpose of servicing their debts—while denying them access to their main markets for their exports: trade liberalization measures were therefore needed to check discriminatory policies, halt protectionist trends, and guarantee access for exports from developing countries to the markets of their industrial trading partners. Multilateral institutions existed in which trade relations were discussed, primarily GATT, UNCTAD and the Council itself. Under Article 62, paragraph 1 of the Charter of the United Nations, the Council might make studies and reports with respect to international economic matters and might make recommendations with respect to any such matters to the General Assembly, to the Members of the United

Nations, and to the specialized agencies concerned. As the Secretary-General (21st meeting) had recently recalled there would be no doubt as to the Council's competence in matters of international economic co-operation. Its role, clearly laid down in the Charter, was to co-ordinate the activities of the United Nations and related bodies in the economic, social, humanitarian and cultural fields.

7. Monetary and financial issues, particularly the debt issue, required a global response to increase the flow of financial resources to developing countries and reverse the net transfer of capital resources to the rich countries—a phenomenon which had been described as the most important area of failure in multilateral economic co-operation. The measures adopted must reconcile the needs of debt servicing with the requirements of development. They must be long-term and growth-oriented, provide resources on concessional terms, and, more importantly, must take into account the problems of developing countries and their capacity to earn the foreign exchange required to service their debt.

8. In conclusion, he reiterated the importance of breaking the current North-South stalemate; the forthcoming round of multilateral trade negotiations in GATT and at the seventh session of the United Nations Conference on Trade and Development provided such an opportunity and could make it possible to move away from the present system, which was too unjust to be acceptable and too unstable to be safe.

9. Mr. GBEHO (Observer for Ghana) said that he shared the concern expressed by the Yugoslav representative (22nd meeting), speaking on behalf of the Group of 77, about the lack of progress in the dialogue with developed countries, which did not reciprocate the spirit of compromise shown by the countries belonging to the Group of 77.

10. The institutions entrusted with overseeing international peace and security and economic, financial and trade relations, had been thrown into crisis by the unilateral actions of a few powerful countries which, disregarding the principles of democracy and universality had arrogated to themselves the right to consult among themselves and decide on matters affecting the rest of the world, while the greater part of the world's population awaited in vain an international, economic and trade system in which they could realize their potential for development.

11. Against that sombre background, his delegation welcomed the decision to give priority consideration to the interrelated issues of money, finance, debt, resource flows, trade, raw materials and development, because those were the core areas where action was urgently needed for the benefit of developing and developed countries alike. The interrelationship of those issues was obvious, and his delegation failed to understand the insistence that each issue should be discussed separately in different forums. It might be an attempt to suppress the questions that must of necessity be addressed if lasting solutions were to be found. Both the United Nations and the specialized agencies had a specific role to play.

12. The report of the ACC Task Force on Long-term Development Objectives (E/1986/84, annex) conveyed some idea of the extent of the economic and social difficulties faced by many developing countries. The rate of real GDP growth for the first half of the 1980s had declined considerably as compared with the preceding two decades, and, in a sample of 83 developing countries, no less than 48 had experienced zero or negative growth rates of *per capita* GDP. Commodity prices had fallen by 20 per cent early in 1986, compared to 1980. Unemployment and underemployment had increased in Africa and Latin America, and the provision of already inadequate basic social services had been further affected by insufficient funding.

13. In the first half of the 1980s, many developing countries had embarked upon far-reaching structural reforms aimed at promoting development. Those policies had not on the whole yielded the results expected, and the developing countries were entitled to question the prescriptions held out as the panacea for their economic problems. It was true that, in many cases, especially in Africa, internal constraints, aggravated by the effects of drought and other calamities, had impeded the reforms, but it was equally true that the international economic environment, including the economic, fiscal and trade policies of industrial countries, had not been conducive to them.

14. His delegation was, however, pleased to note the recent increasing emphasis placed upon adjustment with growth which might mean that the vogue for adjustment through demand management might be coming to an end. Growth did, however, require an increased inflow of resources, since an expansion in domestic and world demand was necessary to absorb the increased output. The developing countries could not achieve those objectives unaided, and the active support of the international community, particularly the industrial countries, was also essential. Through growth, the developing countries could improve their capacity to service their debts, but the debt burden must also be lightened. There should also be an increased flow of ODA on concessional terms, especially to the least developed and low-income countries. His delegation wished to commend the countries that had reached the ODA target of 0.7 and 0.15 per cent of GNP as well as those that had converted ODA debts into grants and hoped that other countries would follow their example.

15. The challenges facing the world monetary and financial systems could only be met through concerted action by the international community. The problem of international liquidity had not yet been solved, and the floating exchange rate system, which was a veritable nightmare for developing countries, made financial transactions extremely uncertain. The establishment of target zones, reserve-asset creation and allocation, development financing and the surveillance of economic and financial policies were issues which could not be settled by a select group of countries.

16. The trading system, far from promoting free trade and general well-being, was yielding to the protectionist

onslaught. Everywhere, both tariff and non-tariff barriers were being erected in a vain attempt to protect domestic producers, and exports from developing countries had, unfortunately, suffered most. The new round of multilateral trade negotiations should, accordingly, seek to restore comparative advantage to its proper place and to grant such concessions as would enable the developed countries to gain free access to the markets of the developed countries.

17. The decline in commodity prices had resulted in shortfalls in the foreign exchange earnings of many developing countries and had reduced their capacity to promote their economic and social progress. According to the *World Economic Survey 1986* (E/1986/59), between 1980 and 1985, Africa had experienced a loss of the order of \$11 billion due to the unfavourable terms of trade. There was therefore an urgent need to ensure fair and remunerative prices for the products of developing countries, mainly by strengthening existing commodity agreements and compensatory financing facilities as well as the Stabex and Sysmin systems, established by the EEC. One could only conclude that the efforts to establish an Integrated Programme for Commodities had not yet produced tangible results, and the countries that had not yet signed or ratified the Agreement establishing the Common Fund should lose no time in doing so.

18. The thirteenth special session of the General Assembly, on the critical economic crisis in Africa, had enabled the international community to form a clear understanding of the nature and magnitude of its problems, and the measures needed to overcome them. While the United Nations Programme of Action for African Economic Recovery and Development 1986-1990¹ did not fully meet the aspirations of the African countries, it did demonstrate the will of the international community to make fresh efforts to help Africa to emerge from the crisis. At the special session, the developed countries had placed great emphasis on the need for international policy reform on the part of the African countries. In Ghana, the economic recovery programme was beginning to have effect; the continuing priority given to agriculture, particularly foodstuffs production, had made the country self-sufficient in corn, rice and palm oil, and some of those products were starting to be exported. With the assistance of the EEC and the World Bank, his Government was also carrying out improvements in the transport system to ensure that food could reach all parts of the country and to simplify the movement of goods and people. Although Ghana had received more resources in the last 12 months, they still fell short of what was required to enable the country to achieve a breakthrough. The debt burden was a particularly heavy constraint on the economy and was absorbing a high proportion of export earnings.

19. He therefore appealed to the developed countries and international financial institutions to increase their

assistance and grant debt relief. Three years previously, his country had asked the international community for special economic assistance to meet the emergency situation resulting from the return of some 2 million of its citizens who had taken refuge in Nigeria. Governments, bilateral institutions, and in particular the United Nations, had responded extremely generously to that appeal, and thanks to their assistance, Ghana had succeeded in overcoming the crisis. The international community should make every effort to give effect to the commitments entered into at the thirteenth special session of the General Assembly and thus vindicate the trust placed in it by Africa.

20. Mr. ZLATANOV (Observer for Bulgaria) said that the political events of the last 12 months had further underscored the differing approaches taken by the East and the West to the conduct of international affairs. The Soviet Union and the other socialist countries, including the People's Republic of Bulgaria, had made a number of specific proposals in order to maintain peace, achieve progress in disarmament and establish economic co-operation and equitable relations among States, in the interests of all. Regrettably, the major developed capitalist countries, and first and foremost the United States, declined to consider those proposals and continued to exacerbate the tension in the world, with the purpose of achieving global domination. Such an approach could only undermine international relations and jeopardize the settlement of the fundamental economic issues in the Council's agenda.

21. An improvement in the international situation, the preservation of peace and the restoration of confidence among States, including economic confidence, were urgent tasks. The member countries of the CMEA had frequently asserted their willingness to establish a system of international security encompassing economic relations. In that connection, General Assembly resolution 40/173, on international economic security, and resolution 40/178, on strengthening the role of the United Nations in the field of international economic, scientific, technological and social co-operation, adopted on 17 December 1985, were of particular importance.

22. The *World Economic Survey 1986* (E/1986/59) showed that the crisis in the capitalist economic system had not been overcome. In many countries, economic performances were unsatisfactory, the growth of the various sectors was uneven and unemployment continued to be very high. International trade had risen by only 3 per cent in 1985, against 9 per cent in 1984, international financial markets were increasingly unstable, the prices of the commodities exported by developing countries continued to decline, tariff and non-tariff barriers were proliferating while companies and States were locked in bitter competition. All those factors led to an upsurge of protectionism and an increasing use of sanctions and unacceptable methods of economic and political pressure, at a time when the large deficits in the budgets of certain capitalist countries continued to have

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

a destabilizing effect on economic and international relations.

23. In 1985 and early 1986, developing countries had continued to feel the backlash of the crisis that had occurred in the capitalist countries in the early 1980s. They were also the target of a new form of neo-colonialism, whereby the imperialist States sought to impose on them "models of development" and "programmes to stabilize the economy" in order to relegate the State sector to the background and thus secure control of their economies, in defiance of the sovereign right of countries to select their own mode of development. Neo-colonialist exploitation was glaringly obvious in the realm of monetary and financial relations. The debt burden imposed on the majority of developing countries seriously jeopardized the implementation of their long-term development programmes and the normal working of their economies. At the fortieth session of the General Assembly, the Second Committee had taken up the question of external debt and development, but the intransigence of the Western countries had prevented the adoption of a decision. The prescriptions suggested by the United States and other Western countries, modelled on the "Baker initiative", were simply intended to maintain an unjust and undemocratic economic and financial system. The Tokyo Economic Summit meeting, held from 4 to 6 May 1986, had produced no new proposals or ideas and had shown that the seven major capitalist developed countries intended to continue to take advantage of their position of strength in order to impose solutions weighted in favour of the creditors. The thirteenth special session of the General Assembly, on the critical economic crisis in Africa, had been sabotaged by the Western countries which had refused to take a constructive attitude. Bulgaria, faithful to its position of principle, therefore supported the developing countries' proposal to organize, as early as possible, within the framework of the United Nations, an international conference on monetary and financial issues, with the participation of all interested countries.

24. The question was how the activities of the forces of neo-colonialism which were opposed to the development of the countries of the third world could be thwarted. The first priority was to strengthen the role of the State and the planned development of resources. All States must be allowed to take part in international economic relations on an equal footing, in conformity with the principles laid down in the Charter of Economic Rights and Duties of States,² the Declaration and Programme of Action on the Establishment of a New International Economic Order³ and the International Development Strategy for the Third United Nations Development Decade.⁴ However, not content with contravening those fundamental instruments and thus impeding the process of restructuring international

economic relations, certain countries were violently critical of the activities of the United Nations and its organs in the social and economic fields, accusing them of inefficiency. If the United Nations was not always equal to its task, it was mainly because of lack of goodwill on the part of those States. If the Organization was to discharge its mission effectively, the problem should therefore be tackled as a matter of priority.

25. In 1985, his country's economy had suffered a severe setback as a result of an unusually harsh winter and an unprecedented drought. Agriculture, cattle breeding and the food industry had been hit particularly hard. The Government had therefore been compelled to take measures to boost production in other economic sectors in order to provide additional resources for the domestic market and for export. In 1985, the growth in national income had been only 1.8 per cent, the lowest in the post-war period. Nevertheless, the basic objectives of the eighth Five-Year Plan, 1981-1985, had been attained. During that period, national income had climbed by 20 per cent, labour productivity by 18.3 per cent and the real income of the population by 19.5 per cent.

26. The People's Republic of Bulgaria would continue to maintain close economic ties with the USSR and other socialist countries and to participate actively in the integration process within CMEA. In 1985, it had extended its co-operation with the developing countries which it had assisted to lay the foundations for a multisectoral economy. It maintained active trade and economic relations with more than 70 countries in Asia, Africa and Latin America, and in 1985, the volume of its trade with them had increased by 9.9 per cent over 1984, while its imports from those countries had soared by 34 per cent. Bulgaria provided the developing countries with considerable assistance in the training of cadres. Although 1985 had not been a good year, Bulgaria had furnished the developing countries with economic aid worth some 338.9 million leva, or 1.35 per cent of its national income for that year, almost two thirds of which was destined for the countries of Africa.

27. Mr. CHLUMSKY (Observer for Czechoslovakia) said that the deterioration in international relations, for which the imperialist circles were responsible, called for the rapid adoption of specific measures to halt the arms race, to begin the process of genuine disarmament and to eliminate the danger of a nuclear conflict.

28. The Political Consultative Committee of the member States of the Warsaw Treaty, which had met in Budapest on 10 and 11 June 1986, had appealed to the member States of NATO and all European countries for a reduction in the numbers of armed forces and conventional weapons in Europe (A/41/411, annex II). An affirmative response by the Western countries would restore confidence and help to create a climate of security conducive to the solution of contemporary economic problems. There was a close interdependence between political factors and economic factors, and a policy of détente could exert a favourable impact on international economic relations.

² General Assembly resolution 3281 (XXIX), of 12 December 1974.

³ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI), of 1 May 1974.

⁴ General Assembly resolution 35/56, of 5 December 1980.

29. The refusal of the United States of America and certain other leading capitalist countries to participate, on the pretext of insufficient preparation, in the International Conference on the Relationship between Disarmament and Development, which had been scheduled to take place in July in Paris, was a good example of how those countries were working to undermine the activities of the United Nations. The socialist countries and the developing countries were of the opinion that such a conference should be convened as soon as possible. The imperialist States were also responsible for the deadlock in the negotiations on the establishment of a new economic order, on the adoption of a code of conduct for transnational corporations and on a fair solution to the debt problem of the developing countries.

30. The severe economic crisis currently affecting the capitalist countries was having adverse repercussions on the economies of the developing countries. The developed countries were trying to resolve their difficulties at the expense of the latter, by striving to perpetuate their former relationships of exploitation. Transnational corporations established in developing countries and private banks that invested in them put their own interests far ahead of the development of those countries. The growing debt burden in the developing countries could be attributed mainly to the methods employed by the capitalist credit system, the upsurge of protectionism and the instability of currencies. It was not enough to reschedule debt-servicing or reduce interest rates. Other problems, such as access to the markets of developed countries and the stabilization of international relations in the trade, financial and monetary fields, must be tackled at the same time. That was not the view of the capitalist countries which were trying to settle the debt problem on a case-by-case basis with the assistance of the IMF and the World Bank, imposing on developing countries "programmes of economic stabilization" aimed at eliminating the role of the State in developing the national economy and easing the way for the introduction of private capital. The foreign debt must not be used as the basis for a new system of exploitation.

31. It was in the interest of mankind as a whole to consolidate international co-operation in the fields of science and technology. However, an increasing variety of obstacles—embargoes, sanctions and the unilateral repudiation of treaties—were being placed in the way of such co-operation, with the sole objective of securing military and economic superiority. The contemporary

world must adjust to new advances in science and adopt a philosophy of peace rather than war. Accordingly, Czechoslovakia associated itself with the Declaration of the Socialist Countries on International Scientific and Technological Co-operation and Utilization of Scientific and Technological Results for Exclusively Peaceful Purposes. His Government was willing to contribute effectively to the elaboration and implementation of a global programme and scientific and technological co-operation.

32. Despite the unfavourable international economic situation, Czechoslovakia had succeeded in creating conditions favourable to the development of its economy. Its gross national income had increased by 3.3 per cent compared with 1984 and labour productivity had increased by 2.6 per cent. The conditions had therefore been conducive for the launching of Czechoslovakia's eighth Five-Year Plan (1986-1990) which laid special stress on accelerating economic development, increasing investments, doubling the growth rate of personal consumption and the resources spent on environmental protection. Special attention was given to speeding up scientific and technological progress, its application to the economy and to consolidating the links between science and production.

33. Czechoslovakia attached particular importance to the development of co-operation with the developing countries, on a basis of fairness and equity, mutual advantage and non-interference in the domestic affairs of States. In 1985, as in 1984, its assistance to those countries had reached a level of Kcs. 4.8 billion or 0.9 per cent of its national income.

34. Czechoslovakia would continue to work for the restructuring of international economic relations on a just and democratic basis. The position of the Government of Czechoslovakia in respect of General Assembly resolution 40/173 on international economic security was stated in a letter dated May 1986 from the Czech Minister for Foreign Affairs to the Secretary-General of the United Nations.

35. He believed that the convening of an international conference to consider the question of economic security, the establishment of a new economic order and the development of commercial, scientific and technological co-operation would help to improve and normalize international economic relations.

The meeting rose at 12.15 p.m.

33rd meeting

Thursday, 10 July 1986, at 3.20 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.33

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. NGUYEN THUONG (Observer for Viet Nam) said that his delegation, representing as it did a developing country, supported the substance of the declaration made by the representative of Yugoslavia (22nd meeting) on behalf of the Group of 77.
2. As previous speakers had emphasized, the world economic situation continued to give cause for concern. Apart from the unemployment problem, payment imbalances and unprecedented trade tensions between developed countries, the situation of the majority of developing countries remained extremely grave. A continuing deterioration in commodity prices, including a sharp fall in oil prices; a slow-down of exportations resulting from increasing protectionism; an intolerable increase in the debt and debt service burden, with the threat of a second crisis a bare three years after the first; and the disastrous impact of tensions and instabilities in the world environment were resulting in growth stagnation, and even negative growth, especially for the least advanced countries. In addition, there were the natural disasters which rendered the situation in Africa particularly critical. A global, integrated approach to such interrelated problems, aimed at finding effective remedies could not neglect the first-priority task of all: the restoration of economic security. In the present International Year of Peace, emphasis should be placed upon the organic link between peace and international security on the one hand, and the economic security and growth of States, on the other, which paralleled the link between disarmament and development. One could only regret the postponement of the International Conference on the Relationship between Disarmament and Development, perhaps *sine die*, in order not to displease a certain great Power. All countries interested in strengthening the link between disarmament and development, including the developing countries, should unite their efforts, in liaison with the Secretariat, in support of the holding of the Conference, and to work for practical measures to promote that twofold objective.
3. From the strictly economic point of view, and in line with the hoped-for reduction in political tensions generated by global and regional problems, normal and secure economic relations between North and South, and East and West should be restored, and the climate of confidence necessary for sound trade and economic co-operation between States re-established. An end

must be made of policies and practices involving the use of economic pressure, such as arbitrary boycotts and sanctions, constraints and discriminations, and, even worse, taking advantage of the difficulties of some developing countries in order to interfere in their internal affairs, and dictate "adjustments" with a view to economic and political penetration detrimental to the independence of newly liberated countries. The cessation of such practices and the re-establishment of security and confidence in economic relations would greatly assist in the solution of the most urgent contemporary problems.

4. With regard to the alarming situation in Africa, his delegation hoped that effective measures, particularly in the form of significant contributions of resources, would lead to the rapid implementation of the Programme of Action for African Recovery and Development 1986-1990.¹ Such action was a matter of international solidarity incumbent on all countries, especially those associated with the origins of the situation and in a position to assist. Short-term measures must fit in with longer-term recovery and development activities, in such a way as to eradicate the underlying causes for the situation that had arisen. With regard to the debt problem, his delegation considered that, over and above declarations and plans, appropriate action was needed, as a matter of priority. The developing countries, which were making praiseworthy efforts, were entitled to expect creditor countries and banks to take a more realistic view of interdependence. The lightening of the debt burden, perhaps even a cancellation of debt for the LDCs and most seriously affected countries, and assistance in the resumption of growth in debtor countries were matters of the utmost importance. A global and lasting solution to the problem of debt hinged on improvements in the world economic environment, and readjustments in trade, monetary and financial policies by the developed countries. For the immediate future, his delegation supported the CDP's appeal for a major increase in transfers of financial resources to the developing countries, particularly Africa. The first measure should be to halt the reverse flow. While the problem of debt was a source of concern for all groups of countries and its solution must equally devolve on all, the developing countries would do well to present a common front, combining their efforts to achieve a fair outcome conducive to their development. His delegation considered that such realistic and practical measures would help in settling the hazardous problem of debt and simultaneously in putting relations between the North and the South on a sounder basis.

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

5. The present disorder prevailing in the international trade, monetary, and financial systems, also called for urgent remedial measures. While the dollar rate had stabilized at a lower level, exchange rates in general remained volatile, and interest rates stood relatively high. In spite of declarations of intent, restrictive and discriminatory practices were bringing about tensions and arbitrary distortions and limitations in international trade, and they often led to veritable economic wars between the major Powers, the first victims of which were the developing countries. Confidence-building called for supportive measures such as the reaffirmation of generally accepted principles, norms and instruments, the revival of international co-operation for growth, stabilization of financial and monetary relations, the expansion of trade and of scientific and technical exchanges, the acceleration of the development process in the developing countries, and progress in the reduction of military expenditures. To the same end, his delegation supported the joint declaration by the socialist countries entitled "Contribution of the Economic Organs of the United Nations to the International Year of Peace" (E/1986/118).

6. There were signs in a number of developed countries of a sounder, more realistic perception of interdependence between different groups of countries in solving economic problems, whose global dimension was increasing. In the final analysis, it would be neither reasonable nor effective for a single great Power or a restricted group of Powers, however economically developed, to attempt to solve them. Meetings between countries concerned in order to discuss, and even to work out a common position, were understandable; but it would be a violation of the principle of the sovereign equality of States to attempt to impose ready-made solutions on the international community, and to deprive other States, including the developing countries, of their right to participate in the solution of global problems, including economic problems. His delegation steadfastly supported the appeal by the Movement of Non-aligned States and the Group of 77 for global negotiations, particularly between North and South, on all interrelated subjects of the world economy, and for the convening of a world monetary and financial conference. His delegation appreciated the support of the Soviet Union, the socialist countries and China, and indeed a number of Group B countries for the views of the Group of 77, and it was opposed to all attempts to reduce the role of the United Nations as a central, universal and democratic forum for debate and negotiation on all global economic problems. In particular, financial and monetary problems, including debt, should continue to be regarded as within the competence of the Council, UNCTAD and other members of the United Nations system. His delegation also opposed the manoeuvres of a certain Power aimed at delaying the holding of the seventh session of the United Nations Conference on Trade and Development and limiting its agenda.

7. Solutions to the urgent problems mentioned should come within the framework of the establishment of a

new international economic order; his delegation, together with the Movement of Non-aligned States, continued to work tirelessly towards that end. The developing countries were learning to manage their economies more efficiently and to become economically independent, while opening up to a greater degree of external, intelligently diversified economic relations.

8. Economic co-operation among the developing countries was becoming more effective, increasing their confidence in their strength and reinforcing their bargaining positions. Their East-South relations and their relations with the socialist countries were increasing in both quantity and quality. The combined efforts of all those countries and others would, in the long-run, move international economic relations on to bases of democracy, equality and mutual advantage, and would guarantee equal security for all States, whether large or small, developed or developing.

9. If all countries, and groups of countries showed the necessary political will, the current session of the Council could begin, as the Secretary-General hoped, to find courageous solutions in a new and bold vision of the economic needs of the time, and set about devising practical and effective measures to deal with present urgent problems. His delegation hoped that the session would achieve full success in that direction and it pledged its best efforts to contribute to that outcome.

10. Mr. SENE (Senegal) observed that the report of the ACC Task Force on Long-term Development Objectives (E/1986/84, annex) provided an excellent foundation for concerted action to safeguard conditions for stable and better balanced growth. The low economic growth rate of the past five years gave grounds for alarm, in view of its social implications. The crucial question was whether the situation merely reflected a temporary slow-down or amounted to a major downward trend that could lead to increased unemployment and poverty. Again, supposing that growth in the industrialized countries in the coming year or two proved to be less than currently projected, the consequences would be even more alarming. The efforts of the international community must be directed not simply to avoiding a world-wide recession but also to promoting a better balanced recovery than had been evident during the past two years. Growth in world trade had sharply increased in 1984, reaching a level of 8.5 per cent before falling to approximately 3 per cent in 1985, and it was probable that it would hover somewhere between 4 and 5 per cent in 1986. At the beginning of 1986, commodity prices had been approximately 20 per cent lower than in 1980, and out of a sample of 80 developing countries, more than half were experiencing zero or even negative growth of *per capita* GDP. In the greater part of sub-Saharan Africa, income levels were no higher than in 1960, and, when demographic increases and the stagnation of social service payments, together with external debt problems and large budget deficits, were taken into account, an extension of absolute poverty in the years ahead seemed likely. The slow-down in growth in the OECD industrialized countries,

compared with the post-war period, had caused analysts of the Schumpeter school to pose the question of whether the world economy was not passing through a phase of major technological revolution, in which the present period was merely a process of creative change, and relatively protracted adjustment. Alternatively, it might be the end of an unprecedented cycle of growth, which was unlikely to recur in the foreseeable future. However that might be, according to the GATT report *International trade in 1984/85*,² growth was losing its impetus, and there was a risk that the world would soon relapse into the "economic asthenia" from which it had been suffering for more than a decade. Notable successes had indeed been scored in respect of inflation in the industrialized countries—the trend for lower nominal interest rates continued, and the structure of exchange rates of the major currencies was undergoing modification—but strenuous efforts were still required to deal with budgetary deficits, balance-of-payments difficulties and indebtedness.

11. The growth of oil-importing countries was at present benefiting from the fall in oil prices, while oil-exporting countries were facing unforeseen financing difficulties from tumbling export earnings. World growth and trade expansion were macro-economic indicators of demand, and strongly influenced the evolution of the world economic situation. The structure of trade, current account deficits, net transfers of resources from debtor to creditor countries, the fall in commodity prices, and the contraction in international market liquidities were combining to cast a shadow over future prospects. The consequences for the developing countries at the macro-economic level could have an important influence on the real price of commodities, on international interest rates and capital movements, which were mechanisms for the transmission of growth or recession. Relations between developed and developing countries regarding trade, investments, transfers of technologies and the labour market raised basic problems of the interactions arising from interdependence.

12. UNCTAD, in its *Trade and development report, 1985*,³ showed how a fall in the volume of imports of developing countries had worsened the unemployment situation in developed countries. It should be remembered that it had been possible to lessen the effects of the first economic crisis because the developing countries had maintained their import levels, thus sustaining world trade at a time when demand in developed countries was at a very low level. The developing countries could undoubtedly play a positive role in strengthening recovery if they were enabled to achieve a reasonable level of growth and investment through adjusted financing, including rescheduling of their debts, to support their structuring and recovery programmes. Most developing countries had only limited access to international financial markets, and appropriate forms of conditionality would have to be established for debtor

countries so as to improve the adjustment-financing mix and ensure recovery in investment and growth. The objective of adjustment measures must be to create the necessary conditions for sustained growth, combined with price stability and a viable balance of payments, so as to promote long-term development and social progress. A balance had to be struck if growth was to be maintained between adjustment measures and the financing of developments, by providing for a transfer of financial resources to the developing countries on favourable terms. It was obvious that there was an economic, social and political price to pay for adjustment, and it was essential to avoid an excessively abstract approach to growth strategies.

13. Against that background, the United Nations had a major role to play in the promotion of growth-oriented adjustment in a context of international co-operation, that took account of social aspects. Measures were required to increase resource flows, whether or not on favourable terms, and whether bilaterally or multilaterally, to low- or medium-income countries; the former of which needed both ODA and, at the multilateral level, access to replenished IDA resources. An increase in World Bank resources, the replenishment of IDA and IFAD resources, the achievement of the aid target, restructuring of the debt of low-income countries, the elimination of protectionist barriers, and the establishment of mechanisms for stabilizing export earnings should be given priority in any growth-oriented adjustment programme. According to a recent World Bank assessment, African low-income countries would require concessionary flows of at least \$11 billion per year between 1986 and 1990 if they were to continue the process of economic adjustment, which, in the light of probable and promised pledges, meant that a yearly deficit of \$2.5 billion would have to be made up. Most low-income African countries faced increasing debt-servicing difficulties despite commendable efforts of adjustment. Between 1980 and 1984 debt repayment had risen from 18 to 26 per cent of export earnings and for some countries it exceeded 30 per cent; without rescheduling in some cases, debt servicing would have accounted for 30 per cent of such earnings in 1984.

14. The low export earnings were creating two problems; they slowed down economic growth, and increased the external debt burden when export earnings failed to keep pace with interest rates.

15. Agreement on rescheduling had only made matters worse because of heightened uncertainty. A clear view of mobilizable resources, however, would be conducive to investment and credit and enable enterprises to play a more effective part in stimulating growth. Medium-term growth-oriented adjustment programmes required concerted action with lenders, who should indicate how they were prepared to assist.

16. The world community appeared to recognize the need for more concessional aid for low-income African countries that were implementing medium-term macro-economic and structural adjustments. Thus, greater co-

² Sales No. GATT/1985-4.

³ United Nations publication, Sales No. E.85.II.D.16.

operation involving the World Bank, IMF and regional banks was needed for the evaluation and follow-up of investment programmes, sectoral and structural measures, pricing policies, balance-of-payments financing and other measures. The external debt problem called for a realistic, equitable and consistent attitude, based on mutual trust and co-responsibility. A dialogue between debtor and creditor countries, commercial banks and international financial institutions could produce a constructive attitude to easing the debt burden; with that end in view, the OAU Heads of State and Government had suggested an international conference on Africa's external debt.

17. The debtor nations should meanwhile be helped to promote faster growth through structural policies to ensure a climate of financial stability and provide incentives to boost exports, saving, investment and improved economic efficiency. The industrialized countries too should adopt structural reforms to remove obstacles in the way of overcoming the crisis; they could thus make a decisive contribution to easing the foreign debt of the developing countries through economic policies compatible with a fall in interest rates and healthy non-inflationary growth. But it was now accepted, particularly in Africa, that any viable growth strategy must of necessity involve improved agricultural productivity, not only for export but for domestic consumption—which meant sizeable investment in infrastructure, human resources and technology, and a vertical diversification in production.

18. The public sector had a clear role to play; but the private sector, whose potential in a number of vital areas had been underestimated, must be encouraged. Although the debate between the public and private sectors was of topical interest and had ideological repercussions, it made good sense to take a constructive, pragmatic look at how the two sectors could complement one another and interact in development in order to speed up growth, create jobs and make for greater prosperity. Development depended on the participation of all sectors and on freedom to foster individual and communal initiative. The State's role in the developing countries was to encourage the pace of development in co-operation with private enterprise, international organizations, donors, non-governmental organizations and the entire world community.

19. It was in that light that the Assembly of Heads of State and Government of OAU had adopted, at its twenty-first ordinary session, the priority Programme of Action for African Recovery and Development 1986-1990,⁴ the Programme stressed the vital role of agriculture and its ancillary sectors and the need to strive relentlessly against drought and desertification and develop human resources. The General Assembly, having studied the Programme at its thirteenth special session, had proposed that donors should help by supporting the priority programmes selected by the African countries, avoiding intersecting conditionality,

increasing concessional and non-project aid, avoiding situations in which a donor became a net beneficiary of an African country's official capital in the implementation of a 1986-1990 recovery programme, and providing multilateral development agencies with funds commensurate to the African countries' assistance needs. Such action would reflect the international community's commitment, pursuant to the Programme of Action of the United Nations, to spare no effort in providing sufficient resources to support and complete Africa's development efforts.

20. As the President of Senegal and current President of the OAU had said, when addressing the 72nd session of the International Labour Conference, the measures agreed upon were courageous, generous and promising, and it now remained for the commitments undertaken on both sides to be implemented scrupulously and fairly; the impetus given at New York would genuinely stimulate the African economies as well as the social progress of Africa's peoples; it fitted in with the measures described by the Secretary-General in his report entitled "Confidence-building in international economic relations" (E/1986/73 and Add.1), which explored the Organization's role in international economic co-operation through multilateral measures and negotiations on development problems. In addition to Member States' replies, his delegation had noted how UNCTAD, UNDP, GATT, UNESCO, WHO and IFAD were actively assisting in their respective fields. It also noted the prospects for co-operation in science and technology and the opportunities provided by the celebration, in 1987, of the International Year of Shelter for the Homeless. It welcomed the statements of the regional economic commissions. The Secretary-General's report entitled "Unified approach to development analysis and planning" (E/1986/77 and Add.1) would make available to all States the national and international experience gained in United Nations economic and social organs.

21. His delegation attached great importance to the preparations for the seventh session of the United Nations Conference on Trade and Development, in view of its key role in international development activities designed to build up confidence in trade and economic co-operation. It also attached considerable importance to the special conference of ECLAC to be held in Mexico City at the end of 1986 to explore alternative strategies to sustain future development, topics which reflected African and Latin American solidarity and fraternity in the context of South-South co-operation.

22. It was right that the Council should discuss the question of the proclamation of the world decade for cultural development, under item 20 of its agenda. Development involved more than economic growth mechanisms and imitation of external models; it was the application of science to culture.

23. The Council was a unique forum in which to broach development problems and their interdependence, and to promote joint action towards

⁴ A/40/666, annex I.

common aims. Economic, social and cultural progress, and the upholding of human rights, were inseparable from the goal of mankind's prosperity and dignity. It was fitting that the Council's deliberations should focus on seeking integrated solutions to economic problems on a more just and equitable basis with a view to overcoming the world economic crisis.

24. Mrs. ISAK BIHI (Somalia) said that the Council's discussions and recommendations had seldom had greater significance, especially for the developing world, and more especially the least developed countries. All countries inhabited one world and the industrialized nations must recognize that all developing countries had made great strides, in absolute terms, since recovering independence; but, one after another, successes had been negated by adverse terms of trade, inflated prices for industrial goods, scarcity of capital, steadily rising interest rates on loans and sharply-declining commodity prices, as well as an atmosphere of increasing protectionism.

25. The economic crisis of the 1980s was not the creation of the least developed countries. Her own country, Somalia, one of those most affected by drought and other natural and man-made disasters, including the need to host and safeguard unprecedented refugee flows, was deeply concerned by the general patterns being studied by the Council. Its Government had welcomed the General Assembly's thirteenth special session, on the critical economic situation in Africa, as it had welcomed previous meetings, including the International Conference on Assistance to Refugees in Africa (Geneva, 9-10 April 1981), and the Second International Conference on Assistance to Refugees in Africa (Geneva, 9-11 July 1984). But a study of the underlying causes of the emergency which had provided the background to such meetings made painfully clear the interrelationship and urgency of all modern economic and social development patterns. No developing country, however committed, could even begin to cope alone with the problems. The decline in commodity prices and the rise in interest rates would have undermined the most determined development strategy. Even the much talked of market mechanisms were not universal. But the concerted programme of action aimed at the economic rehabilitation, for example, of Africa, was still awaited. There was urgent need for what the Secretary-General had called "a new partnership" between the developed nations and those which represented a majority of the world's peoples.

26. The Under-Secretary-General for International Economic and Social Affairs (23rd meeting) had properly drawn attention to the devastating effects of more than three years of adjustment to stringent external financial constraints, and to the ensuing disturbing poverty-inducing trend; as he had observed, the cost of many missed opportunities resulting from the failure to reactivate development was just beginning to emerge. Her Government welcomed the efforts to focus on the urgent need to mobilize financial and technological resources to increase food and agricultural production

in Africa, including the probable designation of 1991 as an international year; but that alone could be too little and too late, and the question was where to obtain the considerable capital inputs required. It made no sense to exhort developing countries to export more, especially when population growth presented new challenges and when those countries were confronted with a fall-off in trade, tariffs and other forms of protection, often contrary to the spirit, if not the letter, of the General Agreement on Tariffs and Trade. In the report of its sixth session,⁵ the Intergovernmental Group on the Least Developed Countries had noted with distress the international community's failure to live up to its commitments to help the developing countries even to help themselves. Further, certain restrictive practices employed by some transnational corporations were quite negative.

27. Africa was not unique in the developing world in that its surpluses, if any, were consumed by interest and debt payments whose fluctuations were manifestly beyond its control. Developing countries could barely, if at all, meet annual service payments, let alone pay off the capital of earlier loans. The existence of a current and far from negligible net capital outflow to the industrial world was a fact: to permit such a situation was far from wise. More and more countries were unable even to meet the interest due, let alone repay the debt. Yet history showed that mankind never accepted bondage in perpetuity. The ramifications of the debt crisis were thus not only economic but strategic and political, concerning mankind as a whole. It was time for a new, inspired programme, waiving many escalating and debt charges or, at least, lightening the debt burden substantially. Such a programme would not be charity but, conceived globally, enlightened self-interest; there had been first glimmerings at the General Assembly's thirteenth special session of an understanding of that fact.

28. It was no longer possible to feed on platitudes about individual initiative or better deployment of existing resources. The poorest of people could not be denied the basic needs for survival. At times the suggested remedies seemed little more than slogans thinly disguising a desire to limit rather than expand international economic assistance.

29. Like charity, economic reform began at home. The developing countries themselves must ask what steps they had taken or had yet to take to put their own houses in order. They were profoundly conscious of living on—and sometimes over—the brink of economic and social catastrophe. Broadly speaking, they were agreed upon increased public spending on agriculture and on the need to develop infrastructures, conserve natural resources and ecological balance, and improve training, research and management, production and distribution techniques. But when all was said and done, they came back to a vicious circle of underdevelopment, in which lack of savings and capital meant that pro-

⁵ *Official Records of the Trade and Development Board, Thirty-second Session, Annexes, document TD/B/1078.*

grammes could not be initiated and sustained. Despite the LDCs' support for various decades and programmes, investment had invariably been inadequate.

30. Where, then, could the necessary capital come from other than from the developed economies' public and private sectors, either bilaterally or through agencies such as the World Bank and IMF. The developed world's response to the call of the President of OAU for aid for Africa to be doubled, in recognition of Africa's own efforts, had been none too clear.

31. It was apparent that the problems which she had touched on had indeed been almost universally recognized, but it was time for action, not mere words. At the General Assembly's thirteenth special session, the industrialized countries had undertaken to do everything possible to help; however, with notable exceptions, ODA from those countries amounted to only three parts per thousand of their GNP, and only 3 per cent of private investment was directed to the developing world. Such levels were quite inadequate.

32. Although the rains appeared to be returning, drought and famine emergencies were by no means over; in recent years nature had been unkind to Africa. Even so, public appeals, though necessary, often failed to give a true picture of Africa, which, ever culturally rich, had not always been economically poor. It was blessed with a large proportion of the world's mineral wealth, for example, although at present its people derived little benefit therefrom. Nor could Africa claim to be unique in the poverty many of its peoples faced.

33. What the least developed and all developing countries needed was a new, just economic order, and the means to help themselves to recover, in which all people could live in freedom and dignity. The whole world would benefit. She hoped that international economic and social policies would soon reflect the development needs in all the sectors and regions covered by the Council's discussion.

34. Mr. ANDRES (Observer for Switzerland) said that the current situation was characterized by a continuing moderate, but stable and non-inflationary recovery in the developed countries. The downward trend in dollar and interest rates seemed to have levelled off. The developing countries' increased efforts to put their economies on a sound basis and resume steady development deserved recognition; particularly important in that regard had been the General Assembly's thirteenth special session, on Africa which, as previous speakers had said, should be duly followed up. Nevertheless, efforts in that direction were hampered by a climate which had worsened since 1985 because of the continued fall in commodity prices, the drop in oil-exporting countries' earnings, although the fall in price had benefited oil-importing developing countries, adjustment fatigue, impoverishment and growing social pressures on many heavily-indebted countries stemming from the burden of adjustment, the slow-down of growth in international trade, the increasing shortage of private financial

flows and the failure to discern any signs of the returning of expatriated capital.

35. The measures of international co-operation that should be taken in order to return to sustained growth and development included measures taken independently in the context of an inter-State dialogue. Economic trends in recent years had clearly shown that each country had a responsibility to apply a balanced and non-inflationary policy. Substantial progress had been made towards the launching of a process of multilateral surveillance in the major industrialized countries—a process that was designed to promote policy convergence on a voluntary basis. Co-operation of that kind would greatly help to make the international economic and monetary environment more stable, and therefore more predictable. A multilateral policy dialogue among industrialized countries should be matched by a similar dialogue with the developing countries in order to encourage them to make difficult structural reforms. ODA was, of course, still very important, especially for the poorest countries. Switzerland would continue its commitment in that field.

36. To cope with the serious problem posed by the over-indebtedness of many countries, individual case-by-case solutions should be sought in the context of an overall view. His country supported the efforts being made to find such solutions in an integrated perspective over a longer term and geared to a recovery of growth and development in the developing countries. The dialogue initiated in that connection within the Bretton Woods institutions was welcome. His country supported the Baker initiative, which recognized that all the parties concerned—developing countries, industrialized countries, multilateral institutions and commercial banks—should share responsibility for improving co-ordination of the joint strategy and for implementing it more resolutely. The time had certainly come for that initiative to begin to yield concrete results. On the success of the efforts made depended the solution of the problem of the negative transfer of financial resources from South to North, in which capital flights were also involved. A key element in rectifying that disturbing imbalance was the re-establishment of the confidence on the part of financial markets and private investors. That would largely depend on the chances of success of the adjustment efforts and of renewed growth in the indebted countries, and on the support in co-ordination and financing which multilateral institutions, particularly IMF and the World Bank, could give to the countries concerned. Another key element in the revival of confidence was the capacity of the industrialized countries to maintain a balance in their own economies and their willingness to open their markets to the products of the developing countries. Furthermore, governments providing ODA should not relax their efforts, the chief beneficiaries of which were the poorest countries.

37. Another series of measures of which mention should be made was concerned with multilateral co-operation in commodities and trade. The technological

transformations in the field of commodities and the fall in commodity prices required great adjustment efforts on the part of producers, which should be supported by the international community. Switzerland intended to continue its efforts to stabilize prices when conditions were ripe and to support UNCTAD's work on supplementary instruments of compensatory financing. The local processing of raw materials should also be supported, although that implied the opening of the markets of consumer countries to the processed products.

38. The open, contractual and multilateral trading system could be saved only by a joint effort. The new round of negotiations in GATT was one of the last chances. Switzerland was ready to make its contribution to the negotiations, which could succeed only if each party agreed to occupy its place and to assume its responsibilities in the system.

39. Experience proved that a multilateral system offered a more favourable framework for small and medium-sized national economies than did bilateral relations. The effective participation of the developing countries in the forthcoming multilateral negotiations would no doubt enable them to defend their interests better. In his delegation's view, the negotiations ought to make it possible to strengthen and adapt the provisions of the General Agreement by extending its field of application to areas which were not yet covered but which were currently of great importance, by enlarging market access through mutual concessions and by attaching sufficient importance to trade policy considerations in the elaboration of international economic policies.

40. His delegation, too, was very interested in the prospects for the seventh session of the United Nations Conference on Trade and Development, since the Conference offered developed and developing countries alike a unique opportunity to take stock of the situation together and to draw the conclusions needed to improve the quality of international co-operation. His delegation hoped that the Conference would deal with the real problems of the developing countries, that it would take account of the structural changes in the world economy, that it would arrive at some conclusions in the field of trade and resources for development, and that it would demonstrate that it was possible for all members of the international community to reach agreement on the problems confronting them.

41. Mr. ADEYEMI (Nigeria) said that agenda item 3 was of cardinal importance to his delegation. The excellent reports submitted by the secretariat were greatly appreciated. Thanks were due to the Secretary-General for his tireless efforts in support of the cause of Africa, as well as to the Director-General for International Economic Co-operation and the Executive Secretary of ECA for their invaluable contributions.

42. The fact that no single item had been given priority status was a reflection of the difficult times, characterized by uncertainties in a generally hostile economic en-

vironment marked by a virtual collapse in the price of commodities, an increasing debt burden and crippling debt servicing, and a disastrous plunge in the price of crude oil.

43. The continuing deplorable economic situation in Africa was a source of serious concern. For instance, the drought, in spite of a concerted response by the international community, had brought about a large influx of refugees into neighbouring countries, entailing harsh economic and social conditions for hosts and refugees alike and creating a further pool of unemployed and under-employed people. In 1985 the rains had returned and agriculture had revived by a modest 2.8 per cent. However, growth in GDP terms had been only 0.5 per cent between 1980 and 1983 and only 1.2 per cent in 1984. In 1985 the average debt servicing burden had been at an all-time high and had continued to rise. The external payments gap had been at its widest in most countries. Fiscal deficits had been the norm, and in most countries there had been no expansion in capital outlays.

44. Debt servicing obligations had undoubtedly created a state of economic uncertainty in many third world countries, particularly in Africa. The situation had not been helped by the imposition of conditionalities by the major multilateral lending institutions. Many developing countries, including Nigeria, had taken painful structural adjustment measures, including the removal of subsidies in the social services, the freezing of wages, the introduction of compulsory savings, and even a severe cutback in the size of the civil service in the hope and belief that their problems would be looked at on their merits, having regard for the peculiar difficulties of each case. Considerable relief could be generated by a co-ordinated combination of new measures, including new lending to debtor nations, the writing off of some debt and the rescheduling of the rest in a manner that would still permit some investment for minimal economic growth. The decline in ODA in real terms and the decline in concessional flows to African countries should be reviewed. Priority attention should be given to supplementary funding for the eighth replenishment of IDA and the necessary support for IFAD, with particular reference to IFAD's new special programme for sub-Saharan Africa.

45. Another aspect of the grim economic situation in the third world was the decline in the volume of trade of the developing countries. In addition to the burden of falling commodity prices, developing countries were confronted by intractable problems such as rising protectionism in the form of tariff and non-tariff barriers, quantitative restrictions and subsidies, all of which had had adverse effects on their trade.

46. When the ministers of the Contracting Parties to the General Agreement on Tariffs and Trade had met in Geneva in 1982, they had diagnosed the ills that had plagued the international trading system and had proceeded to draw up a work programme for the revitalization and strengthening of GATT and, it had been

hoped, of the international trading system as a whole. In that work programme the major trading nations had entered into commitments on the standstill and roll-back of all measures inconsistent with GATT requirements and on the elimination of the measures which had distorted global trade. However, the malpractices which had eroded global trade had persisted, and it was now felt that the debacle could be resolved only in a new round of multilateral trade negotiations. His delegation was in favour of the new round if it would lead to enlarged market access for the developing countries and to the elimination of all malpractices. His delegation was, however, somewhat worried by the attempts to introduce new and extraneous issues for which GATT was ill-suited and lacked the requisite legal competence. Issues such as services and investment were currently handled adequately by other appropriate multilateral institutions. If the intention was to involve all Contracting Parties in the new round to underpin its universal character, and if the central objective was the preservation of the integrity of the GATT system, it was only prudent that negotiators should concentrate on familiar subjects and avoid controversial ones. It was still too early to tell whether a multilateral framework for a subject as complex as services was in fact feasible under the General Agreement.

47. It was gratifying to note that some progress had been made towards a reasonable degree of understanding to allow transnational corporations to make a further effective contribution to development. Nevertheless, the prevailing stalemate on the formulation and adoption of a code of conduct for them was a matter of grave concern.

48. In recent months the continuing weakness of commodity prices had had a decelerating effect on the growth of developing countries that were highly dependent on exports of primary products for survival. The shortfalls in export earnings had reduced the capacity of most developing countries to import essential goods and services in order to maintain present standards of living.

49. Perhaps the most inspiring response to the chain of unending economic crises in Africa had been the thirteenth special session of the General Assembly, which had adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. His delegation believed that it would go a long way towards solving many of the economic problems currently facing the continent and towards accelerating its development.

50. A moderate growth had been perceived in the developed market economy countries, but the trickle-down effect for developing countries had been very weak and in some cases virtually non-existent. If the recent moderate growth was to be beneficial, it was important that the requisite political will should be demonstrated in areas where help was most needed. For instance, discriminatory trade practices and other measures which had undermined commodity prices should be halted. Where political will existed, it should

not be difficult to work out arrangements which would substantially ease the debt burden and allow developing countries to restructure their economies with a view to facilitating non-inflationary and self-sustaining growth. The will and courage of the developing countries, including those in Africa, had been demonstrated through tough belt-tightening based on a series of voluntary or enforced structural adjustments. In that connection his delegation called for support, and for effective complementary action, by the international community. It called upon nations which were obviously better off to respond positively in the belief that all mankind shared the same destiny, so that Africa, which currently lagged behind the other continents, could swiftly become economically virile.

51. Increases in food production had been noted in several parts of Africa, but that should not give rise to any complacency. The factors which had contributed to the limited success recorded were not unconnected with the positive responses already made by recipient and donor countries, which, it was hoped, would soon be broadened to encompass other sectors.

52. In any solution to the problem of economic development it was necessary to strike a balance between co-ordination and better economic performance at the national level on one hand, and an increased flow of external resources on the other. Both elements were critical in the development equation, and no useful purpose would be served when only one of them was given a rather lopsided emphasis. For those who insisted that the problem in Africa was one of misjudgement, inappropriate policy options and inefficient handling of the economy, it should be recalled that a representative of the World Bank had recently stated that even with some very fundamental improvements in domestic management, sub-Saharan Africa would continue to experience a decline in its *per capita* income and that in order to reverse that trend it was necessary to combine domestic policy improvement with increased external assistance, especially concessional flows. The decline in concessional flows to African countries therefore had to be halted and the ODA targets as specified in the International Development Strategy for the Third United Nations Development Decade^a had to be attained.

53. If a level of economic development befitting the African peoples was to be achieved, adequate steps should be taken to stabilize commodity prices at remunerative levels, and to further liberalize access to IMF's compulsory financing facility, and to alleviate the debt and debt-servicing burdens of African countries, whose total external debt currently stood at over \$150 billion and whose debt servicing to export earnings ratio currently averaged 22 per cent, and even reached 50 per cent in some cases. The spirit of understanding and flexibility should be sustained so that the desired goal of economic self-sufficiency in all sectors and regions could be achieved without undue delay.

^a General Assembly resolution 35/56, of 5 December 1980, annex.

54. A critical point had now been reached in the evolution of the African economy. Significantly, 1986 was the first year of Africa's priority Programme for Economic Recovery 1986-1990, adopted by the OAU in July 1985. During the year difficult and urgent choices must be made in order to place the African economy on a firm footing on the road to recovery and long-term growth and development. The goals in the Programme would have to be reflected in operational terms at the national, subregional and continental levels and implemented with single-minded determination.

55. In the food and agriculture sector there was clearly a need to improve government planning capacities, land-use policies and planning systems, and the programmes and strategies of intergovernmental institutions, so that food waste and food losses could be reduced. To that end, African Governments had been called upon to increase the share of public expenditure allotted to agriculture to between 20 and 25 per cent of aggregate public investment by 1989. They had also been called upon to achieve structural transformations in the food and agriculture sector through the application of science and technology, the development of manpower and of physical and social infrastructures, the conservation and rational utilization of natural resources, including forests, the maintenance of ecological balances, and the adoption of appropriate price policies. However, the international community also had a pivotal role to play in that sector, including the obligation to remove restrictive trade practices against African export commodities and to create favourable conditions for their development. That process could be given a new boost by the early commissioning of the Common Fund, in addition to other measures for stabilizing the commodity markets.

56. In 1986 the African peoples, having engaged in a comprehensive self-examination in the face of the multitude of extremely difficult economic and social problems that confronted them, had decided to make a definite break with poverty and underdevelopment and had sought the understanding of the entire international community through the thirteenth special session convened by the General Assembly of the United Nations. It would be a tragedy indeed if the compact forged at the special session was allowed to become just another declaration of intent in the annals of the United Nations. The 1980s were fast becoming a lost decade for international development. Those nations which were in a position to turn things around could still do something to minimize the looming tragedy by a meaningful set of measures to enable Africa to arise from the economic quagmire into which it had been plunged by a combination of negative factors, most of which had not been of its own making.

57. The PRESIDENT invited the representative of the United States of America to make a statement in exercise of his right of reply.

58. Mr. ENGEL (United States of America), speaking in exercise of the right of reply, noted that at the

previous meeting the representatives of Bulgaria and Czechoslovakia had referred to his country and to advanced capitalist States. The representative of Czechoslovakia had also referred to a structural crisis in the Western economies and to a long-term decrease in the rate of economic growth. It should be made clear that the structure concerned, based on economic and political freedom, had been established in the United States of America for approximately 200 years and that there had been no indication that a long-term decrease in the country's economic growth had taken place during that time.

59. The representative of Bulgaria had advised the Council that the road to economic growth and development lay in the enhancement of the role of the State in economic life. The United States Government had made a careful study of the State-run economies of the countries of Eastern Europe and therefore found it difficult to accept that advice. However, as soon as it saw any signs of economic vitality in those economies, it would review its attitude. It had also heeded the words of the General Secretary of the Communist Party of the Soviet Union, Mr. Gorbachev, who had stated that bureaucracy was currently a serious obstacle to the solution of the principal problem—the acceleration of the country's socio-economic development and the fundamental restructuring of the mechanism of the economic management linked to that development. It was therefore difficult to understand how Bulgaria and Czechoslovakia could, with any seriousness, contend that what had proved a successful model in the United States and in many other countries could be the cause of so many economic problems.

60. The representative of Czechoslovakia had been highly critical of the thirteenth special session of the General Assembly, devoted to Africa. It was, of course, for the representatives of the African countries to express their own opinion of the special session. In his delegation's view, however, one of the signal achievements of the concluding document agreed to by all participants had been its focus on the future and its disregard of past rhetoric that had proved to be unworkable. That might be the major difference between the United States, on the one hand, and Czechoslovakia and Bulgaria on the other: the United States looked forward while Czechoslovakia and Bulgaria looked backward.

61. Finally, a few comments were called for on the performance of Bulgaria and Czechoslovakia in the provision of economic aid. It was just possible that, since neither Bulgaria nor Czechoslovakia had contributed anything to United Nations refugee, humanitarian, special economic or disaster relief activities in 1983 or 1984, they had had the extra resources to provide what they had called "manifold assistance" to the developing countries. In his note entitled "Operational activities of the United Nations system",⁷ the Secretary-General in-

⁷ A/40/698 and Corr.1.

licated that the socialist countries of Eastern Europe had contributed a grand total of 1.1 per cent of total contributions to operational activities for development in the United Nations system. That was what meant by

“manifold assistance”. It was an example of a tragically flawed system leading to a tragic disregard for the truth.

The meeting rose at 5.05 p.m.

34th meeting

Friday, 11 July 1986, at 10.20 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.34

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

1. Mr. LINEHAN (Observer for New Zealand) said that in its report (E/1986/26, chap. IV), the Committee for Development Planning mentioned the difficulties facing the countries referred to in the draft decision "Inclusion of Kiribati, Mauritania and Tuvalu in the list of the least developed countries" (E/1986/L.32), submitted to the Council at its 31st meeting. In the case of Kiribati and Tuvalu—both situated in an area of the South Pacific he knew well—their size, isolation, fragmentation, lack of natural resources and their very rudimentary infrastructures constituted major obstacles to development. Nevertheless, the peoples of the two countries had been able to create and develop a distinctive way of life. They had chosen independence and would like, as far as possible, to attain economic self-sufficiency. They deserved the support of the international community, and his delegation accordingly hoped that the Council would adopt the draft decision unanimously.

2. The PRESIDENT invited members of the Council to consider draft decision E/1986/L.32, that had been introduced by Australia, Mauritania and Tunisia, which had subsequently been joined by Bangladesh and the United States of America.

Draft decision E/1986/L.32 was adopted (decision 1986/153).

3. Mr. AL-FAIHANI (Observer for Bahrain) said that the North-South dialogue was necessary to overcome the many complex difficulties encountered in the economic and social field. The present deadlock had to be broken in order to reactivate international cooperation and establish a world economic order on a durable and equitable basis. For some years world trade had been declining and economic growth slowing down. The economic and social situation in many developing countries, and especially the oil-producing countries, had deteriorated, and the levels of living of their peoples had declined.

4. The economic outlook for the developing countries in the Western Asia Region for 1986-1987 was poor. International bodies, particularly ESCWA, and the developed countries should therefore assist those countries which had suffered the most from the fall in oil prices, either by providing them with technical assistance or, in the case of the developed countries, by renouncing protectionist policies. In order to create employment, Bahrain, despite major difficulties, had continued to develop its service sector, which comprised internal and external trade, education, tourism and finance, as well as fishing and agriculture. Nevertheless, if they were to be successful, its efforts must be backed up by external assistance in the form of expert services to provide the technical know-how it lacked.

5. Mr. BENHIMA (Morocco) said that the economic situation of the developing countries could be summarized in a few figures: the developing countries accounted for 75 per cent of the world's population, 17 per cent of its gross product, 8 per cent of its industrial output, 15 per cent of its energy consumption, 11 per cent of its expenditure on education, and 6 per cent of its expenditure on health. Those facts alone should prompt the developed countries to recognize, as a matter of urgency, the need to change the institutional framework of international economic relations.

6. His country's attention was currently focused on two problems of crucial importance: the critical economic situation in Africa, and what had come to be called interrelated issues. As regards the first problem, he considered that the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990,¹ represented a turning-point in the history of the Organization and in North-South relations. Basically, the various commitments assumed by the African continent were the expression of an act of faith in the future which, at first sight, did not appear to be strictly matched by the political support and promises of the international community. It was, however, to be hoped that the international contribution would be in keeping with Africa's commitment in respect of the mobilization of financial resources and supply of

¹ General Assembly resolution S-13/2, of 1 June 1986, annex.

technical assistance, as well as the alleviation of the debt burden and its servicing. It was also to be hoped that bilateral co-operation with the African countries, and particularly those south of the Sahara, would not become unduly selective. Although the critical situation in Africa required urgent action, the continent's development could not be dissociated from the joint platform agreed upon by the developing world as whole. International assistance was necessary, but it could not be a substitute for the establishment of a more just and equitable order in interrelated spheres such as money, finance, debt, resource flows, trade, commodities and development.

7. The developing countries' external debt now exceeded the repayment capacity of their national economies. It had, to a large extent, lost its banking and accounting characteristics to become an essentially political and social problem, since the adjustment policies pursued by many countries often led to impoverishment and instability. It was essential that the developed countries should co-ordinate their economic policies and make them compatible with development objectives. Too much inconsistency hampered the recovery effort: there was no point in rescheduling debts if the cost of doing so was unforeseeably increased by higher interest rates and exchange rate fluctuations, nor in promoting exports when there were protectionist barriers everywhere. How could foreign exchange earnings be increased if the transfers made by migrant workers were subjected to new restrictions? Development financing could not be secured when commodity markets were experiencing the most severe depression since the Second World War. It was illogical that developing countries should live up to their international financial obligations, often at the cost of political and social instability, and at the same time experience the pernicious effects of the reverse transfer of resources. It was not right that international banks should call upon debtor developing countries to service their debts and, at the same time, encourage the recycling of floating capital coming from those countries. A favourable climate for foreign investment could not be created when uncontrollable international factors were undermining the foundations of investor confidence.

8. Until such time as those interrelated issues were settled in a global manner, the action taken by some would constantly be offset by the reactions of others. In point of fact, the resumption of growth depended on three sets of measures. First, transfers of resources to the developing countries must be at least doubled and net flows of official assistance, provided on advantageous terms, substantially increased; Morocco supported the catalytic role which the World Bank could play in that regard. Second, commodity markets must be stabilized at a level that was remunerative for producers and fair for consumers. Third, as 60 per cent of the developing countries' debt would fall due in five years' time, agreement must be reached on new rescheduling formulae, on repayment in local currency, and even on cancellation in the case of the least developed countries.

9. For some years Morocco, which was experiencing the same difficulties as most developing countries, had courageously been pursuing a stabilization policy, the initial results of which were quite encouraging. According to the World Bank, by following the right policies and with the support of the international financial community, Morocco would be capable of overcoming its present difficulties, of resuming its progress towards growth and of emerging, at the end of the 1980s, with a much stronger economy. However, its efforts to bring about a recovery had required major sacrifices, and by opening up its economy it had become exposed to various adverse influences at the international level, which had a direct impact on debt servicing and constituted additional obstacles on the road to adjustment.

10. Morocco hoped that, at its current session, the Council would manage to make a joint and thoughtful analysis of international economic policies in respect of the interrelated issues. It would attain its objective if the developed countries became convinced that their economic policies were incompatible with development goals and were therefore seriously aggravating the crisis experienced by the developing countries, if, in accordance with their commitments, they stabilized exchange rates, and if they agreed that payments made under debt-servicing arrangements should not account for such a large proportion of import earnings as to affect the living conditions of vulnerable groups, to diminish the growth capacity of debtor countries, and even to threaten their political and social stability. There were, of course, competent bodies for dealing with such issues, but the United Nations was the ideal forum where they should be examined in the first instance, so that the decisions taken could reflect the common and lasting interests of mankind as a whole.

11. Mr. DADZIE (Secretary-General, United Nations Conference on Trade and Development) recalled that in 1985 it had been emphasized that the unfavourable international environment affecting developing countries should be considered in conjunction with the uneven recovery taking place in developed market economy countries. The expansion of production in the OECD countries had, in fact, become less uneven, but only because growth rates had been levelled down. The trading position of developing countries, on the other hand, had deteriorated: interest rates had indeed declined by 2.5 per cent, bringing a saving of some \$13 billion on debt servicing, but that figure was insignificant when compared to the \$50 billion loss from the deterioration in their terms of trade, the decline in export growth rates, and the drop in net export earnings—also amounting to \$50 billion in 1986—due to the collapse of oil prices.

12. International trade and financial relations were encountering increasing difficulties: protectionist measures, frequently directed against exports from developing countries, reductions in preferential access for some of them under the GSP, and intensified export-subsidy competition in agricultural trade. The principles and rules of the multilateral trading system

were receiving scant respect; trade retaliation had become more prevalent, and reciprocity was being increasingly practised on a bilateral basis.

13. Relations between certain troubled debtor countries and their creditors had also deteriorated; some of the former had hardened their positions on conditionality, while a few of them had taken unilateral action to limit their debt service payments. The Latin American countries had acted in concert to improve their bargaining position. At the same time, the need to revive growth in debtor countries had come to be accepted, and creditor Governments seemed resolved to expand "involuntary" bank lending. The collapse of oil prices and the fall in the dollar, combined with prospective budget cuts in the United States of America, would change economic performance, although the total impact was unlikely to increase the momentum of growth in the world economy.

14. The inflationary currents moving through the world economy and retarding development had their origins in the policies of the major market economies, which had been framed without proper attention to the high degree of interdependence existing both between countries and between monetary, financial and trading systems (including the world commodity economy). In the early 1980s, there had been a convergence of OECD policies in the direction of restrictiveness, the result of which had been a much more pronounced downturn than any single country had intended; the impact upon the developing countries had been particularly harsh owing to the reinforcement of cyclical movements to which commodity prices, interest payments and bank lending were particularly prone.

15. Such macroeconomic policies had also impinged upon trade policies. The recession had been accompanied by widespread increases in restrictive trade measures and, largely because of the over-valuation of the dollar and the weakness of growth in Western Europe, recovery had failed to roll back protectionism, despite commitments to do so.

16. The recovery in the OECD area had to a certain extent helped to improve the trade balance of the developing countries, but the improvement had been modest, which explained in part why commodity prices had remained depressed, another reason being that developing countries, feeling the financial squeeze, had sought to increase, or at least maintain, the volume of their traditional exports in the face of falling prices. Yet another factor had been that the restrictive anti-inflation policies of the developed market economies owed a considerable part of their success to their depressing effect upon commodity prices, including oil: between 1980 and 1984, more than one half of the decline in the rate of inflation in OECD countries had been attributable to that factor.

17. The slow-down in the growth of the world economy, coming on top of large fluctuations in oil supply and demand, triggered by the price rises of the 1970s, had put severe strains on the oil-pricing systems,

which had previously succeeded in protecting prices from cyclical fluctuations in demand. By the end of 1985, OPEC had stopped trying to manage the market on its own: prices had plummeted, and if current stabilization efforts failed, investment decisions in a number of energy sectors would be adversely affected. Moreover, sharp swings in oil prices might well become the norm rather than the exception, and would have adverse effects on both energy producers and consumers, in both developed and developing countries.

18. Unless global deflationary tendencies were reversed, the development prospects of developing countries would remain bleak. According to the most recent estimates, the prospects of oil-importing countries were improving slightly, whereas the oil exporters of Africa were threatened with an explosive increase in debt—which already bore heavily upon them.

19. There was an unquestionable need for more effective domestic policies in the developing countries if their long-term prospects were to be improved; but it took time to expand savings and promote investment, and the scope for such efforts often depended on external factors. The deterioration evident for some years in terms of trade, the debt burden and increasingly restricted access to capital had led to steep rises in the level of real savings required to finance investment. To protect investment fully from such shocks, developing countries would have had to increase their savings by more than one half within the space of a few years, which was virtually impossible in the best of circumstances.

20. In addition, there was the foreign exchange constraint. Calculations by the UNCTAD secretariat indicated that, if recent trends in OECD growth rates and capital flows continued, the improvements in export penetration and limitations of imports that the developing countries would have to achieve were much too great to be feasible.

21. In the circumstances, growth could not be accelerated by raising the level of savings; what was required was an improvement in the external environment to trigger increased output, and to boost investment and income and, consequently, savings. In short, although there was no substitute for national efforts, the key to releasing the development potential of developing countries lay in changes in the global trading and financial environment. Prospects of achieving that result depended critically on the monetary and fiscal policies of the major market economies, and it was encouraging to see that they had come to recognize the need for policy consistency and intensified co-ordination, and to accept the idea that growth in developing countries was essential to overcome the debt crisis. That new approach was, however, still in the embryonic stage. In particular, not all major market economies had accepted the need to adopt expansionary monetary and fiscal policies, and paradoxically that need was all the greater as a result of the collapse of oil prices because of the contraction of export markets for the oil-exporting countries, which were especially important for Europe. Moreover, the

fall in oil prices may well have resulted in a greater depreciation of the dollar (and, therefore, a contraction of European and Japanese export markets) than had been desired. Unless growth rates improved among the trading partners of the United States of America, the dollar might fall further or, alternatively, restrictive trade measures might be taken. In either case, Western Europe and Japan would suffer. It was also possible that countries would attempt to make up for the competitiveness they had lost as a result of dollar depreciation by seeking a larger share of each other's markets. Accordingly, if world economic activity did not rapidly recover, there was a danger of an intensification of trade conflicts among the developed market economies.

22. If Governments were to avoid being caught up in a spiral of unilateral initiatives and reactions, they might have no choice but to advance much further along the path of policy co-ordination and much lower real interest rates. Increased capital flows would also be required, especially from multilateral development finance institutions, whose net lending must be expanded. Debt relief and substantially increased aid on highly concessional terms should be provided for many countries, particularly the least developed and sub-Saharan African countries. For others, lending on commercial terms, and more flexible approaches to debt, including a more equitable distribution of its burden between creditors and debtors, would be called for. In that connection, financial instruments linking debt service payments to export prices could be in the long-term interest of both debtors and creditors.

23. The present situation might well mark a new turning-point: with inflation brought under control, there was a possibility of adopting collectively-agreed policies to revive growth and create an environment favourable to the adoption of development-oriented adjustment measures by developing countries.

24. In conclusion, he emphasized that while expansionary monetary and fiscal policies were a necessary condition for recovery, they were not sufficient. Many other long-term policy measures were also required, both nationally and internationally. The seventh session of the United Nations Conference on Trade and Development would be in a position to work out a range of approaches, including strengthened international co-operation in the areas of money and finance, commodities and trade and relevant domestic policies in various countries. The Conference could also discuss the special problems of the least developed countries and seek innovative approaches to trade and economic co-operation between countries with different economic and social systems. Only a business-like approach would make it possible to deal with the crucial problems faced by the modern world. There was no time to waste on arid ideological disputes about the Plan or the market or on woolly debates; facts were stubborn, and it was on them that the discussion must bear.

25. Mr. SUN (Observer for the Republic of Korea) said that his country agreed with the Administrator of

UNDP (22nd meeting) that economic and social progress were crucially dependent upon the efficient utilization of human resources; it had, over the past three decades, placed great emphasis on education and training, with a resulting spectacular increase in *per capita* GNP and major advances in industrialization and development.

26. International trade, which also played an essential role in development, was, unfortunately, under increasing pressure from protectionism and the unilateral or bilateral measures taken by some countries during recent years. The developing countries were the first to suffer, and they were being crushed by a growing foreign debt burden. Furthermore, the principle of comparative advantage, upon which the international division of labour should be based, had been increasingly ignored, and structural adjustments were being widely resisted. It was to be hoped that the forthcoming round of multilateral trade negotiations would restore confidence in multilateralism in general and in the GATT system in particular. Priority attention should be given to the step-by-step liberalization of trade in textiles and clothing, which played a vital role in the modernization of many developing countries, and to the strengthening of monetary, financial and trade co-operation.

27. His country supported the establishment of the Global System of Trade Preferences among developing countries, which should supplement rather than weaken North-South co-operation. Economic and technical co-operation between developing countries was also essential, and his country, as a founder member of the Group of 77, had made vigorous efforts to promote it. His Government also supported the establishment of a South-South bank, and was favourably considering financial contributions to it. Finally, his country had signed the Agreement Establishing the Common Fund for Commodities, to which it would contribute as soon as the Fund became operational.

28. Mr. GETACHEW (Observer for Ethiopia) congratulated the secretariat on the *World Economic Survey 1986* (E/1986/59). In spite of a modest expansion of GDP, particularly in the developed countries, world trade had continued to stagnate in 1985 owing to low growth rates since 1980, and the severe import cuts that the developing countries had been obliged to make.

29. Most developing countries continued to face serious economic difficulties. According to the *Survey*, the growth rate of the real *per capita* GDP had been zero or negative in 49 of 83 selected developing countries, and the situation was not expected to improve in the near future. The recovery in the developed countries could not spread to the developing countries until barriers to international trade were removed.

30. The accumulation of the debt burden brought about by a deterioration in the terms of trade, continued to undermine the efforts of the developing countries. The transfer of resources from the developed countries to the developing countries had been moving into reverse since 1983, and the outflow of capital greatly ex-

ceeded flows of ODA. The majority of low-income countries were obliged to spend their meagre export earnings on servicing their sharply rising debt. Unless there was a substantial increase in earnings, and unless debt relief measures were taken, their adjustment policies would be ineffective and they would remain in a parlous situation.

31. In order to achieve real economic growth and raise the living standards of their population, the developing countries urgently required increased investment and additional external resources. Multilateral financial institutions had an important role to play in that process, and his country attached great importance to the negotiations due to take place early in 1987 on a general capital increase for the World Bank to enable it to increase its lending to over \$21 billion a year by 1990, as well as to the replenishment of the resources of IDA.

32. The introduction of the Global System of Trade Preferences among developing countries would open up new possibilities for South-South co-operation: it could make a major contribution to the expansion of trade between developing countries, and thus help to expand world trade and promote more equitable global economic development.

33. The economic performance of African countries continued to be hampered by the effects of drought. Despite some improvements, nearly 20 million people in six seriously affected countries required emergency relief assistance, particularly food aid. According to the report of the ECA (E/1986/33), growth in sub-Saharan African countries had been as low as 2.1 per cent, and the decline in *per capita* income was accelerating. Debt-service payments, which amounted to 30 per cent of the value of exports of goods and services in 1985 as compared with 12 per cent in 1977, weighed very heavily upon the balance of payments of the African countries. According to recent estimates, they would need to borrow at least \$6 billion a year during the period 1986-1990, one third of which should be on concessional terms.

34. The United Nations Programme of Action for African Economic Recovery and Development 1986-1990 provided a unique opportunity for African Governments and the international community to combine their efforts and resources to help Africa out of the economic quagmire. The six African countries most seriously affected by drought, namely Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda, had established a subregional organization to combat

drought and overcome problems of development. He hoped that both Governments and donor organizations would contribute generously to that organization at the pledging conference to be held in November, and thereby enable it to carry out its plan of action.

35. The situation in Ethiopia had improved somewhat over the past two years as a result of favourable weather, the drop in oil prices, and higher coffee prices on the world market. Nevertheless, it still needed a large amount of external assistance to overcome the lingering effects of the drought, to help the approximately 7 million desperately needy people, and to deal with the problems created by the presence of a large number of refugees and repatriated persons. Ethiopia was one of the least developed countries, but the *per capita* external assistance it had received amounted to only \$6 per year, which contrasted with an average of more than \$20 for Africa as a whole. His Government had embarked on an integrated rural development programme aimed at improving the living standards of the majority of the population and minimizing the risks of disaster in the event of future droughts, and it needed the full support of the international community to bring that endeavour to a successful conclusion.

36. Mr. ZLATANOV (Observer for Bulgaria), speaking in exercise of the right of reply, said that, at the previous meeting, the representative of the United States of America had called in question some very real facts. It was not Bulgaria that was the source of current economic problems, that was manipulating interest rates on financial markets and playing about with exchange rates in order to extort billions of dollars from developing and other countries. Nor was it in Bulgaria where market forces, operating through stock and commodity exchanges and unfair prices, were contriving to despoil primary-commodity producers of the fruits of their labour. As to the role of the public sector and State economic planning, with due deference to the United States of America, the example of Bulgaria spoke for itself: 40 years previously, it had been among the poorest countries in Europe, whereas at the present time it was a country with a harmoniously developing economy. With regard to multilateral aid, and particularly aid to Africa, it was common knowledge that when the United States of America and other Western contributors gave a dollar with one hand to the developing countries, they took back three with the other by means of various devices such as interest rates and exchange rates.

The meeting rose at 11.50 a.m.

35th meeting

Thursday, 17 July 1986, at 10.40 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.35

AGENDA ITEM 2

Adoption of the agenda and other organizational matters (*continued*)*

1. Mr. MOUSOURIS (Assistant Secretary-General, Office of Secretariat Services for Economic and Social Matters), recalling Economic and Social Council decision 1986/104 regarding the improvement of secretariat servicing and substantive support services for the Committee on Natural Resources, reported that an Interoffice Group had been established under his chairmanship, composed of staff from the Office of Secretariat Services for Economic and Social Matters, the Office of the Director-General, the Department of International Economic and Social Affairs and the Department of Technical Co-operation for Development.

2. The Group was entrusted with the task of reviewing the preparation of documentation, ensuring its timely submission and taking necessary measures between sessions. It would organize, well before the tenth session, an informal meeting of the Bureau of the Committee in order to discuss the programme of work and its rationalization. It would also be responsible for organizing informal briefings with members of the Committee on documentation and any other substantive matter of interest to them. Any communications which delegations might wish to make concerning the work of the Committee should be addressed to the Chairman of the Interoffice Group.

3. Mr. SCOTT (United States of America) said that the Committee on Natural Resources had a secretariat which operated well, but its role was obviously not to deal with substantive issues. Nevertheless, it was not certain that the establishment of an Interoffice Group would make it possible to solve all problems. He wondered, in particular, whether informal briefings on documentation would be useful, since it was probable that not all of the Committee members would be able to take part in them.

4. The PRESIDENT proposed that the deadline for submitting draft resolutions on that question be set at 3 p.m. on that day.

It was so decided.

AGENDA ITEM 6

United Nations University

5. Mr. KOBAYASHI (Japan) recalled that the United Nations University was an international community of scholars dedicated to researching the most pressing global problems of human survival, development and welfare. The General Assembly had established the University as a link between the United Nations system and the academic communities of the world, in order to assist developing countries. Its post-graduate training activities, one of the University's primary functions, had grown considerably, and a large segment of its resources had been devoted to fellowships and training. During the University's first 10 years, roughly 535 Fellows had completed training in areas such as natural resources, nutrition, modernization of traditional food technologies and communications. Upon returning home, many fellows from developing countries had played a leading role in their respective fields of competence, thanks to the training which they had received.

6. The University had completed the fourth year of its Medium-term Perspective for 1982-1987, and he noted with satisfaction that its activities had focused essentially on theme III, namely hunger, poverty, resources and the environment, areas in which developing countries were in particular need of assistance. In 1985 the Council of the University had decided to establish an evaluation committee which was expected to make constructive proposals with a view to increasing and strengthening the activities of the University for the fullest benefit of developing countries.

7. With regard to institutional development, the World Institute for Development Economics Research (WIDER) had commenced operation in Helsinki in 1985 as the University's first research and training centre among others with the help of the Government of Finland. Progress had been made towards the establishment of the Institute for Natural Resources in Africa (INRA) and a research and training centre in Japan.

8. With regard to the financial situation of the University, it was essential to obtain additional contributions to the Endowment Fund so that the University could fulfil the mission entrusted to it in its charter. The present level of the fund was far below the initial target and would prevent the University from attaining the objectives of the Medium-term Perspective. He therefore urged those Member States which had not yet contributed to the fund to do so. He hoped that the University would make its activities better known throughout the world in order to attract additional funds. The

* Resumed from the 24th meeting.

Government of Japan had striven to bring about the construction of a permanent headquarters for the University at the earliest possible date, which would enable the University to carry out its work more effectively.

9. The PRESIDENT proposed that the Council take note of the report of the Council of the United Nations University (January-December 1985) (A/41/31).

It was so decided (decision 1986/154).

10. The PRESIDENT announced that the Council had completed its consideration of agenda item 6.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

11. Mr. LAZAREVIĆ (Yugoslavia), introducing the draft resolution entitled "Net transfer of resources from developing to developed countries" (E/1986/L.34) on behalf of the members of the Group of 77, said that in recent years that process had reached such proportions as to be a serious concern for developing countries. That process, far from being conjunctural or temporary was a prolonged one which was intensifying. For that reason, the members of the Group of 77 emphasized the need to reverse that trend and requested the Secretary-General to prepare a comprehensive analytical report on the net transfer of resources from developing to developed countries and the measures to be taken in order to halt that massive outflow of capital. He greatly hoped that the draft resolution would be adopted by consensus.

12. Mr. NOVORITA (Poland), introducing the draft resolution entitled "Confidence-building in international economic relations" (E/1986/L.35), said that suitable measures for confidence-building in international economic relations were a vital prerequisite for the development of stable economic co-operation and would strengthen international economic security. He proposed that the Council should adopt the conclusions of the Secretary-General in his report entitled "Confidence-building in international economic relations" (E/1986/73 and Add.1) and drew attention to operative paragraph 2 of the draft resolution in which the Secretary-General was requested to keep the matter under constant review.

13. The general debate had shown that all countries were aware of the need to renew multilateral dialogue and to reverse the unfavourable trends besetting economic development in scores of developing countries. In its draft resolution, his delegation had tried to reflect that consensus; it therefore hoped that the draft would be adopted without a vote and would help to give new impetus to development and international economic relations.

14. Mr. SCOTT (United States of America), introducing the draft resolution entitled "The role of entrepreneurship in promoting economic development" (E/1986/L.36) on behalf of the sponsors, said that dynamic individuals throughout the world who were driven by a creative spirit and were prepared to take risks constituted the key elements of the development process.

15. The purpose of the draft resolution was to involve the United Nations system in efforts to recognize and stimulate entrepreneurship. The sponsors had not attempted to impose an ideology or a specific economic system. On the contrary, they recognized the right of all citizens to choose freely the economic and social system best suited to their needs. Entrepreneurship could be applied in the public or private sector. It was the craft of organizing, managing and assuming responsibilities, but it required a conducive environment in which individuals were rewarded for successful performance. Regardless of their economic and social system, countries were increasingly seeking to encourage individual initiative in order to stimulate economic development and growth.

16. The preamble recalled the importance of mobilizing resources for development and of using human resources fully, as well as the resolutions of the United Nations aimed at promoting the role of the public sector. His delegation had supported the activities of the United Nations in that field, but regretted that there was not yet a parallel programme under way for those countries interested in seeking United Nations assistance to develop private enterprise. In the final paragraphs of the preamble, the sponsors indicated that entrepreneurship could contribute to economic development and that Governments, as well as national and international organizations, had a role to play in promoting it.

17. The first operative paragraph affirmed the importance of promoting entrepreneurship and individual initiative to encourage development. In the second paragraph, UNDP and the other competent United Nations organizations were invited to assist those countries interested in encouraging entrepreneurship. In the third paragraph, the Council would request the Secretary-General to prepare a study on the role of entrepreneurship in promoting economic development. In the fourth operative paragraph, the sponsors called for the statement entitled "The role of entrepreneurship in promoting economic development" to be included in the provisional agenda for the Council's second regular session of 1987. They hoped thus to stimulate interest in a question that was essential to the development process.

18. Mr. ZVEZDIN (Union of Soviet Socialist Republics), introducing the draft resolution entitled "International economic security" (E/1986/L.37), said that because of interdependence, all countries had an interest in the stability of the economic and financial environment. Thought should therefore be given to what should be done to ensure that each country could be

master of its own economy, that external economic relations were not disrupted by domestic economic policy, that interdependence did not harm national interests and that international economic relations were reliable, equitable and predictable. The establishment of a system guaranteeing international economic security was of interest to all countries and required joint efforts on their part. In international economic relations, there were phenomena which affected all countries, regardless of their level of development or economic and social system. To identify those phenomena and co-ordinate international measures that would neutralize them was to contribute to establishing a reliable and predictable international economic situation. The Secretary-General should prepare, for the forty-second session of the General Assembly, a report on the concept of international economic security after requesting each country to enumerate the problems that concerned it most and the solutions which it advocated. The Secretary-General's task was not an easy one, because the approaches of different countries could be extremely divergent, but such divergences should not constitute an insurmountable obstacle.

19. It was possible to envisage the preparation of practical recommendations to solve world economic problems in a spirit of co-operation and for the benefit of all. In that regard, the Committee for Development Planning, which was to study at its twenty-third session means of ensuring international economic co-operation and security, could play an important role. The adoption of resolution 40/173 by the General Assembly on 17 December 1985 showed the interest of most of the States Members of the United Nations in the system contemplated. He believed that the Economic and Social Council should not remain apart from the efforts which were made by the international community to solve the great contemporary problems. By adopting draft resolution E/1986/L.37, it would contribute to the development of harmonious international economic relations and strengthen the spirit of co-operation within the United Nations.

20. The PRESIDENT proposed that the deadline for the submission of draft resolutions under agenda item 5 be set at 3 p.m. on that same day.

It was so decided.

AGENDA ITEM 5

Permanent sovereignty over national resources in the occupied Palestinian and other Arab territories

21. The PRESIDENT drew the attention of the Council to the note by the Secretary-General entitled "Israeli economic practices in the occupied Palestinian and other Arab territories" (E/1986/97) which the General Assembly, by its decision 40/432, of 7 December 1985 had requested him to prepare.

22. Before giving the floor to delegations which, although the report had not yet been prepared, wished

to make statements on the matter, he pointed out that the closure of the list of speakers on agenda item 5 would be that day at noon.

23. Mrs. ABDALLA (Syrian Arab Republic) said that the Palestinian people was experiencing one of the greatest dramas of the current era. That people had to face conditions which were known to all and on which details could be obtained by reading the reports of the Secretary-General and competent bodies of the United Nations. Not only were the Palestinians still not exercising their legitimate rights, but they were hard put to ensure even their subsistence. They were nevertheless struggling courageously to improve their living conditions, but were constantly the butt of a policy which sought to reduce them to misery in order to induce them to leave their country.

24. She expressed her appreciation of the efforts made by the United Nations bodies to assist the victims of Israeli policy, which was virtually indistinguishable from that imposed by the racist régime of Pretoria on the black populations of southern Africa, and constituted a challenge to the international community and an obstacle to the lasting settlement of the Middle East crisis. The affirmation by Israel that its action was aimed at bringing peace to that part of the world was not in line with reality. In the case of the occupied territories, for example, Israel had confiscated the most fertile lands and had left the Arab population the arid lands which had to be irrigated. However, the groundwater resources were controlled and largely monopolized by Israel, which allowed Arab farms only insufficient quantities for viable exploitation of their lands. In the area of industry, the same applied: financial institutions and banks were in the hands of the Israelis who refused all credit to the Arab and Palestinian population and, on the contrary, financed enterprises which competed with Arab industries. On the other hand, the technological level of Israeli industries was much higher than that of Arab businesses whose isolation and lack of means deprived them of access to modern technology. Under those conditions, to say that the Arab population was free to exploit their lands and to establish industries was nonsense. Finally, Arab products from the occupied territories did not have outlets because their own market was extremely limited and Israel was establishing further barriers against access to its market. The best means of aiding the Arab populations in the occupied territories and returning peace to that region was to put an end to the occupation of Palestinian lands.

25. Mr. CHLUMSKY (Observer for Czechoslovakia) said that his delegation resolutely condemned Israeli practices in the occupied territories, practices which violated international law and United Nations resolutions. Israel's objective was to annex the territories, as it had the Golan Heights and Jerusalem. For the past 20 years Israel had been illegally occupying Palestinian lands and preventing the population from exercising its right to self-determination, including its right to an autonomous status as provided for under resolution 181

(11) on the future government of Palestine, adopted by the General Assembly on 29 November 1947. The policy practised by the Israeli Government in the occupied territories was reflected in constant violations of the human rights of the Arab population, which the Israeli Government deprived of the best lands in order to establish illegal settlements and from which the Government was progressively withdrawing all means of subsistence by rationing water. Further, Israel was doing its utmost to prevent the modernization of industry and trade in the occupied territories and, not content with flooding the territories with its own products, opposed access to its own market for Arab products. That situation, which was leading to greater unemployment and poverty in the occupied territories, had obliged almost half of their Palestinian working population to work in Israel.

26. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that Israel continued its deliberate violation of the rights of the Palestinians in the occupied territories, despite United Nations decisions and the position of progressive elements within Israel itself. The Israeli Government, by confiscating Arab lands, exploiting the labour force, paralysing trade and destroying housing and agricultural holdings, was transforming the Palestinian territories into a colony. To attain its ends, it did not hesitate to pillage the resources of the territories and reduce the population to destitution. In that connection the following figures spoke volumes: in the occupied zone of Jerusalem, 2,000 hectares of land, representing approximately \$1 billion, had been confiscated; on the West Bank of Jordan, the Israeli occupation forces had taken over 15,000 hectares of fertile Arab land on which the Israeli Government had established and was continuing to establish settlements, currently more than 160 in number. The international community had condemned the "rampant" colonization, but Israel paid no heed.

27. The Palestinian people and the Arab countries continued to fight heroically for their rights, while Israel sought to drown their just demands in blood. In Lebanon, Israel had made victims of tens of thousands and had caused billions of dollars' worth of damage, while the list of its misdeeds grew ever longer.

28. A solution to the problem of the Near East, including the sovereignty of the Palestinian people over its natural resources, necessarily involved the evacuation of all the occupied territories, respect for the right to self-determination of the Palestinian people, in particular the right to live in a sovereign State, and recognition of the right of all the countries of the region to independent development. To that end an international conference devoted to the Middle East question should be convened, yet despite repeated appeals at the United Nations, the United States of America and Israel had expressed consistent opposition to such a move. The Soviet Union had made constructive proposals in that connection, and noted that the separate agreements which had been concluded to resolve the problem did not provide a suitable basis for the re-establishment of a

just and lasting peace in the region. For its part, the Soviet Union was ready to collaborate with all States in order to reach a definitive solution to the problem.

29. Mr. YONIS (Iraq) said that he could not but support the viewpoint of the previous speakers. The facts were well known, and the many General Assembly resolutions and decisions on the question attested, in the most convincing manner, to the illegality and inhumanity of the practices of the Zionist authorities in the occupied territories.

30. He stressed that no just solution could be found to the Palestinian question until the essence of the problem was tackled, namely the need to restore the national rights of the Arab people of Palestine, to facilitate its self-determination and to establish an independent State on Palestinian soil, under the leadership of the PLO, its sole legitimate representative.

31. Iraq trusted that the report on the financial and trade practices of the Israeli occupation authorities and other occupied Arab territories, which the General Assembly, in its decision 40/432, of 17 December 1985, had requested the Secretary-General to present at its forty-first session, and the study currently under preparation by UNCTAD, would be comprehensive and detailed. It was for that reason that his delegation agreed that consideration of the report, duly completed and issued, should be deferred to the forty-second session of the General Assembly.

32. Ms. BOUAMRANE (Observer for Algeria) said that the study being undertaken by the special economic unit pursuant to resolution 146 (VI) of the Conference, of 2 July 1983, would provide additional evidence of the economic situation in the occupied Arab territories—a situation which presented all the characteristics of colonization, and which persisted despite repeated condemnation by the international community. The different chapters of the study demonstrated that all sectors of economic activity in the occupied Arab territories were suffering more and more from the monopolization of natural resources by the occupier, in particular the most important resource, water. Water resources, of course, were a determining factor in agricultural activity, which had always been of major importance in the economy of the territories, and since the occupier controlled the distribution of water among users, Palestinians were penalized in the event of over-consumption (fines or a reduction in the allocation for the following year): in that way Israel maintained a veritable stranglehold over water resources. Agriculture in the occupied Arab territories was also feeling the effects of the progressive appropriation, to the benefit of the settlers, of lands belonging to the Palestinian population. Thus, dispossessed of their land and with their water supply restricted, the Palestinians were experiencing not only the disruption of their agricultural development but an increase in their dependence on the Israeli economy.

33. Industry, too, was suffering from the constraints imposed by the occupation authorities in order to pro-

mote integration and exclusion. The restrictions imposed on agricultural and industrial activity meant that the labour force in the occupied territories was increasingly dependent on the Israeli economy, making it very vulnerable and resulting in emigration to Israel or other regions.

34. It was apparent that Israel's colonial policy was leading to a continuing deterioration in the economic situation of the occupied Arab territories. The measures taken by the occupation forces were hindering the economic development of the territories and preventing the inhabitants from developing their natural resources. The sovereignty of the Palestinian people over those resources would be re-established only when its right to self-determination had been recognized.

35. It would be desirable for the UNCTAD study to be further developed and expanded, in order to encompass all aspects of the economic situation of the Palestinians in the occupied territories. In any event, all the studies prepared to date on the matter by United Nations organs had merely illuminated different aspects of a single reality, namely the illegal occupation of the Arab territories by the Israeli authorities.

36. Mr. HARAN (Observer for Israel) stressed first of all that his country had neither initiated nor encouraged the current debate on the economic situation in the occupied territories, but since others had deemed it appropriate to do so, reference should be made, in order to guide the discussion, to incontrovertible facts, which he would do by citing not only Israeli sources but external sources, the independence of which was beyond question.

37. Two things were apparent from those facts: the economic situation had improved in the occupied territories, and by more than it had in neighbouring countries, to the point that it had been suggested in jest that to improve living conditions in a country, occupation was desirable ... In any event, the facts stood, and could be verified by anyone. The media and international organizations were present in Israel and in the territories, international agencies such as ILO and WHO sent delegations, and their testimonies agreed: not only was the situation better in the territories, but it was perfectly possible to conduct objective inquiries there.

38. Agenda item 5 was entitled "Permanent sovereignty over national resources in the occupied Palestinian and other Arab territories"; although some speakers had referred to the Secretary-General's report on the financial and trade practices of the Israeli occupation authorities, he wished to point out that the only document submitted to the Council under item 5 was note E/1986/97, in which the Secretary-General suggested deferring consideration of the report—a wise decision, inasmuch as the report did not exist. And the report did not exist because the Secretariat had found that, from a legal point of view, Israel as an occupying Power was not infringing international law. As regards natural resources, article 55 of the Convention (IV) concerning the laws and customs of war on land (The

Hague, 18 October 1907)¹ imposed but a single obligation on an occupying State, to consider itself only the administrator and usufructuary of property belonging to the enemy State; it must protect the substance of that property and administer it in accordance with the rules of usufruct. As the Israeli authorities were very properly respecting the rules of usufruct, an attempt had been made to get round the problem by not asking for a report on permanent sovereignty over national resources in Palestinian lands, but on "Israeli economic practices" there; the same strategy had been tried in the case of human settlements, the report on living conditions in the occupied territories proving favourable to Israel. There, once again, the preparation of a report had been entrusted not to the Secretariat but to experts—Arab experts who could not be objective under any circumstances.

39. In the course of that little game, a number of documents had been issued (E/1986/88, E/1986/97, E/1986/104). The most informative, however, was the one on assistance to Palestinian people (E/1986/72): it revealed that the United Nations bodies, UNDP in particular, which had appealed to all those claiming to be interested in the fate of the Palestinians for contributions towards programmes for their benefit had obtained nothing at all, the only available funding proving to come from UNDP general resources. In other words, the potential donors were readier to help the Palestinians with words than with deeds. Were the countries moved by the situation of the Palestinian people then so poor? According to a report published on 26 June 1986 by the Bank of England and to the latest data, the assets invested or placed abroad by the oil-exporting countries amounted, on 31 December 1985, to the trifling sum of \$423.6 billion. That showed the true feelings of those who, for political reasons, alleged concern at the fate of the Palestinians.

40. Israel had every reason to be proud of the results it had obtained, as the figures—the real ones—amply testified. In a report published in 1981 by ESCWA, with regard to the industrial and economic trends on the West Bank and in the Gaza Strip it was clearly shown that before 1967 those areas had been a veritable industrial desert, and living conditions had been deplorable. Since then some 1,600 factories and workshops had been built in Judaea and Samaria, and 870 new businesses had grown up in Gaza with financial assistance from the Israeli Government. In the agricultural sector, as stated in the Secretary-General's report entitled "Living conditions of the Palestinian people in the occupied Palestinian territories": "Notwithstanding conflicting claims, income originating in agriculture had shown a high rate of growth at an overall average of about 10 per cent during the first decade of the occupation".² The Trade and Development Board stated in its report entitled "Palestine: op-

¹ Carnegie Endowment for International Peace, *The Hague Conventions and Declarations of 1899 and 1907*, New York, Oxford University Press, 1915, p. 100.

² E/1985/99, para. 20.

tions for development”³ that real agricultural GNP on the West Bank had increased by 3.9 per cent yearly between 1974 and 1980, and according to FAO data, between 1968 and 1983 farm production had increased twice as fast in the occupied territories as in the neighbouring countries which could draw on the same water and land resources. The farm census conducted by Jordan also showed that the total area of land cultivated by Israel’s neighbours had fallen from 3.9 million dunam in 1975 to 3.6 million in 1983. There were only 38,000 hectares of land under irrigation in Jordan as against 189,000 in the occupied territories, showing that Israel actively assisted the people living in those territories to benefit from the water resources available.

41. The very same people that ignored the proffered hand were preventing the Palestinian Arabs from exercising rights which Israel recognized. If the Camp David peace accords had been signed by all the parties concerned, the Palestinians would now have full autonomy in all spheres and would be in a much better economic and social position, and the second phase of negotiations, which was supposed to lead to a definitive settlement of the question, would already be beginning. One major country had responded favourably to Israel’s appeal and shown that peace was possible, but all parties now needed to agree to take part in direct negotiations.

42. Mr. ABOUALI (Egypt) pointed out that, in accordance with the terms of paragraph 7 of General Assembly resolution 1803 (XVII), of 14 December 1962, “violation of the rights of people and nations to sovereignty over their natural wealth and resources is contrary to the spirit and principles of the Charter of the United Nations”, as the Assembly had reaffirmed in resolutions 3201 and 3202 (S-VI) on the establishment of a new international economic order⁴ and in the Charter of Economic Rights and Duties of States.⁵ His country endorsed the recommendation made by the Secretary-General in his note (E/1986/97), namely that the Economic and Social Council and the General Assembly should not embark on a discussion of General Assembly decision 40/432 before the substantive study on the financial sector in the occupied Palestinian territories, being carried out by UNCTAD in collaboration with ESCWA, had been issued and taken up by the Trade and Development Board.

³ TD/B/960.

⁴ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI), of 1 May 1974.

⁵ General Assembly resolution 3281 (XXIX), of 12 December 1974.

43. Israel was pursuing its policy of economic integration on the West Bank and in the Gaza Strip for the sole purpose of exploiting and subduing them, with no intention whatsoever of favouring their development or improving declining living standards. The figures given for GNP in the occupied Arab territories were misleading, for it was quite clear that foreign activities accounted for a very large share of the total. Israel was also continuing its policy of colonizing and annexing the Arab territories, imposing multiple administrative restrictions on the inhabitants and giving them very little say in the matter, not to mention its seizures of goods and the restrictions placed on the use of water resources. His delegation therefore hoped that the Secretary-General’s report on the financial and trade practices of the Israeli authorities would go into the matter thoroughly and unmask the abuses perpetrated by Israel in the occupied Arab territories.

44. Mr. DIETZE (German Democratic Republic) said that despite numerous appeals by the General Assembly, and in defiance of the principle of permanent sovereignty over natural resources, Israel was continuing its policy of occupation in the Arab territories, where it was engaging in illegal economic practices. The German Democratic Republic, which had long favoured a just, comprehensive solution to the problems of the Middle East and supported the Palestinian people in their struggle once again called on Israel to withdraw its troops immediately and unconditionally from the lands occupied since 1967 and honour in full the rights of the Palestinians, including their right to set up an independent State. The convening, under United Nations auspices, of an international conference on the Middle East to be attended by all parties concerned, including the PLO, would certainly help to settle the matter. His country welcomed the decision to produce a report and a thorough study of Israeli economic practices in the occupied Palestinian territories, and hoped that those documents could soon be taken up by the General Assembly.

45. Mr. ABU-KOASH (Palestine Liberation Organization) expressed support for the proposal to defer consideration of General Assembly decision 40/432 until 1987. He pointed out that the study now in progress did not encompass the Syrian Golan Heights, an omission that must be rectified if decision 40/432 was to be fully effective.

The meeting rose at 12.55 p.m.

36th meeting

Friday, 18 July 1986, at 10.15 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.36

AGENDA ITEM 5

Permanent sovereignty over national resources in the occupied Palestinian and other Arab territories (*concluded*)

1. The PRESIDENT suggested that the Council should adopt the following draft decision:

“At its 36th plenary meeting, on 18 July 1986, the Economic and Social Council, having considered the note by the Secretary-General concerning the report on the financial and trade practices of the Israeli occupation authorities in the occupied Palestinian and other Arab territories requested by the General Assembly in its decision 40/432 of 17 December 1985, decided that that report should be submitted for consideration to the General Assembly at its forty-second session, through the Council at its second regular session of 1987.”

The suggestion was adopted without objection (decision 1986/155).

2. Mr. KASRAWI (Observer for Jordan), speaking in exercise of the right of reply, said he wished to re-establish the facts about the economic situation in the occupied Arab territories, invoking two trustworthy sources in support of his arguments. In his report entitled “Living conditions of the Palestinian people in the occupied Palestinian territories”, the Secretary-General referred to

the systematic effort of the occupying authorities to integrate the economy of the West Bank and the Gaza Strip with that of Israel through such measures as monetary and taxation policies, employment, production in agriculture and industry and trade practices. The policies adopted and implemented by Israel have resulted in a high level of economic dependency of the occupied territories on the Israeli economy, including its inflationary trends, thus preventing the generation of conditions which, in the long run, could benefit the indigenous population.¹

3. Moreover, *The Economist*, which could hardly be thought pro-Arab, had reported that by imposing countless restrictions, and in particular by refusing to authorize the sinking of wells vital to agriculture, the Israeli authorities were doing all they could to prevent the development of agriculture and industry in the occupied territories except when it could help to sustain the Israeli economy.

4. In the industrial sector, Israel favoured small businesses employing unskilled Palestinian labour, but systematically opposed efforts to manufacture more sophisticated products—products with a higher value

added—by preventing the labour force from receiving training.

5. Mr. HARAN (Observer for Israel) quoted a passage from a report issued in 1984 by UNIDO on the subject of manufacturing industry in the West Bank and the Gaza Strip, indicating that GNP per inhabitant in the occupied territories was approximately twice as high as in Jordan.

6. The PRESIDENT announced that the Council had concluded its consideration of agenda item 5.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (*continued*)

7. Mr. ZVEZDIN (Union of Soviet Socialist Republics), exercising his right of reply following the statement made by the representative of the United States of America (35th meeting, paras. 14-17) as he introduced draft resolution E/1986/L.36, said that the Soviet Union had indeed long been striving to promote a spirit of enterprise and individual initiative, thanks to which it was now a modern economic power. That was the result of a desire to increase general prosperity and improve living conditions, not to promote the accumulation of wealth by private businesses at the expense of a large part of the population as in the United States. Mr. Scott, moreover, had been careful not to say that, every year, thousands of American businesses were driven into bankruptcy and dismissed their employees, who swelled the ranks of the jobless and dispossessed.

8. Mr. SCOTT (United States of America), speaking in exercise of the right of reply, said he applauded the statements made by the Central Committee of the Communist Party of the Soviet Union which had recently advocated a stronger spirit of enterprise and individual initiative to increase productivity, an attitude entirely in keeping with the spirit of draft resolution E/1986/L.36. An article published on 8 June 1986 in Moscow, in *Sotsialisticheskaya Industriya*, also attested to Hungary's willingness to make its businesses profitable by giving them room to manoeuvre and increased responsibility, a development that should be welcomed.

9. The Soviet representative had said that many businesses went bankrupt in the United States. That was true, but bankruptcy was an occupational hazard and the fact remained that, over the past three years, 10 million jobs had been created in the United States; the same did not seem to be true of the Soviet Union.

¹ E/1983/77, para. 44.

Mr. Zvezdin had also insinuated that businessmen, motivated only by the lure of profits, sought to amass riches to the detriment of general prosperity. He preferred to leave the Council to reflect on the different standards of living in the two countries: comment would be superfluous.

10. Mr. ZVEZDIN (Union of Soviet Socialist Republics) emphasized that the spirit of enterprise did not mean the same thing in the Soviet Union as in the United States. There was neither unemployment nor penury in his country. Not everything was perfect, of course, but the country was trying to rectify shortcomings, among other things by improving labour productivity, in order to ensure that the wealth which belonged to all was evenly distributed.

11. Mr. SCOTT (United States of America) said he was willing to collaborate with the Soviet delegation in reaching consensus on draft resolution E/1986/L.36.

12. The PRESIDENT said that after informal consultations held under the chairmanship of Mr. Malik, it had been decided to transmit the revised informal working paper entitled "Interrelated issues of money, finance, debt, resource flows, trade and development" (E/1986/L.28, annex) to the General Assembly for consideration and negotiation at its forty-first session, together with the comments made at the Council's second regular session of 1986.

13. Mr. GOLOB (Yugoslavia), speaking on behalf of the Group of 77, said he deeply regretted that the negotiations on the matters under study had barely progressed since 1985. The word "compromise" had been much used, but it must be clear that there could be no compromise worthy of the name if countries were not all truly willing to help find concrete solutions, contenting themselves instead with simple declarations of intent.

14. The paper discussed at the informal consultations (E/1986/L.28, annex) barely hinted at the leading role the United Nations needed to play in the negotiations in order to settle economic and social problems to the advantage of all members of the international community. It offered no solution in the field of raw materials, no firm commitment to combat protectionism, nor any other specific measure on monetary and financial issues, resource flows, trade or development. It did say (*Ibid.*, par. 10) that the General Assembly should continue to consider the "progress made" in different areas; but he wondered what progress had been made, particularly in "approaches to the debt problems of different groups of countries" and "international commodity policy issues and solutions to the problems of commodity exporting countries". Where, moreover, was such progress expected to take place? If in a restricted gathering outside the framework of the United Nations, it was a strong bet that it would not last. Or was it to be in the specialized agencies or other United Nations bodies, whose real function was not to guide the work but, rather, to follow the instructions of the main United Nations bodies.

15. The Group of 77 had made many proposals for resolving the international problems under consideration and was willing to entertain any suggestions by other countries which began to contribute to a genuine solution. It was regrettable that agreement had not been reached during the informal consultations, and he hoped that a more constructive atmosphere would prevail at the forty-first session of the General Assembly, for otherwise the world economy, and in particular the economy of the developing countries, would continue to decline.

16. Mr. NOWORYTA (Poland), speaking on behalf of the Byelorussian SSR, Czechoslovakia, the German Democratic Republic, Mongolia and the Soviet Union, said that, at the time of the first reading of the informal working paper (E/1986/L.28, annex), important differences of opinion had emerged over the provisions which had previously been accepted in New York. The group of developed market-economy countries had expressed numerous reservations over the very substance of most of the paragraphs. The Group of 77 and the group of socialist countries had done their utmost in an attempt to improve the paper and to draw up a mutually acceptable version. Thus a new version of the text, which disregarded most of the modifications put forward by the Group of 77 and the socialist countries, had been circulated on 16 July as a so-called compromise text.

17. The countries on behalf of which he was speaking shared the regrets and disappointment of the developing countries over the outcome of negotiations to which they had devoted such great efforts. However, it could hardly have been imagined that the socialist countries would accept a weakening of the initial text. The inter-related issues addressed in that document were of vital importance for the growth and development of the developing countries, as well as for the world economy in general, and it was impossible to accept a text of which the substance had been altered and the balance upset, even if it was an unofficial document. He had therefore supported the proposal by the Group of 77 that the question should be resubmitted to the General Assembly for consideration, taking into account the points of view expressed in the Council, by all those countries whose interests should be duly noted.

18. Mr. DUN (United Kingdom) said that the States members of the EEC considered it regrettable that it had not been possible to continue the discussion so as to reach a consensus. The United Kingdom delegation had made some detailed observations on the annex to document E/1986/L.28 on 15 July and was grateful to the Secretariat for having submitted, on 16 July, during the informal consultations, a revised text which could have served as a basis from which to seek out such a consensus. It would have been useful, prior to closing the debate, for the Council, as the primary organ responsible for consideration of the world economic situation, to devote some additional days to discussion of that document. His delegation did not oppose the idea that consideration of the question should be referred to the

forty-second session of the General Assembly. If such was to be the case, it would be advisable for the Assembly to have before it the Secretariat's text as well and to consider the points of view expressed by the States members of the European Communities and other delegations. While regretting that the debate in the Council had been cut short, his delegation was ready to continue discussion of the subject whenever the Council or the General Assembly should deem it appropriate.

19. With regard to the remarks made by the representative of Yugoslavia on behalf of the Group of 77 concerning the attitude of the developed countries, he wished to reiterate what he had previously said, namely that the Communities were totally committed to multilateralism.

20. Mr. LABERGE (Canada) said that he too regretted the decision by the Group of 77 to break off the informal consultations on document E/1986/L.28, as he had hoped that it would be possible to reach a compromise. He wished to thank the members of the Secretariat for having put forward, in the paper submitted on 16 July, a new synthesis which, in his opinion, could help to bring about some progress. Although the Canadian delegation did not give its unreserved approval to that paper, it nevertheless supported the proposal that the paper should be referred to the forty-second session of the General Assembly.

21. Mr. SCOTT (United States of America) said that it was regrettable that the Council should have been prevented, at the current stage of the debate, from continuing discussion of a question of such high priority that it deserved to be allocated more time. It had doubtless been presumptuous to suppose that it would be easy to reach a consensus on that question. It was only following a period of arduous and exhaustive work that there could have been any hope of achieving what should have been an agreement at least over where opinions differed. Such would be the normal working procedure for anyone who believed in multilateralism. He believed that the debate should continue, and it was for that reason that he, like the representative of the United Kingdom, proposed that the Secretariat's text should also be referred to the forty-second session of the General Assembly. It was obvious that the document would not totally satisfy anyone, but it did reflect the observations made in the course of the discussions and, furthermore, constituted a remarkable effort on the part of the Secretariat.

22. Mr. WANG Baoli (China) said that he regretted that the members of the Council had not managed to agree on a compromise text. In the circumstances, it seemed acceptable to him that document E/1986/L.28 should be referred to the forty-second session of the General Assembly, since the questions addressed therein were of particular interest to the international community in general. He hoped that all countries, particularly the major developed countries, would participate in the reopening of the debate in the General Assembly and demonstrate sufficient political will to

adopt solutions which were at the same time constructive, flexible and realistic.

23. Mr. MALIK (India) said that he wished to place on record his thanks to the members of the Secretariat, who had performed an almost impossible task in a remarkable manner. He fully shared the views of the Group of 77, as expressed by the representative of Yugoslavia. There was in the Council a feeling of regret and frustration over the fact that the efforts expended had not produced a positive result. He was in complete agreement with the assessment of the situation made by the representative of the United States, although he did not share his opinion on multilateralism.

24. There was a major difference of opinion between the developed and the developing countries. What was to be regretted was not the existence of such differences but the blindness which prevented countries from reaching a mutual understanding of each other, particularly since mankind was living in an interdependent world and the difficulties of one part of that world inevitably affected the other part. By way of illustration, he wished to quote Senator Bradley, according to whom United States exports to Latin America had fallen by one third in 1983; that appeared to be a very meaningful statistic which demonstrated the full implications of interdependence.

25. The exceptional emphasis given to the market economy or privatization, under the guise of a cure-all, was difficult to understand, since there was no such thing as total non-intervention or total freedom of private enterprise in a development situation. When it was said that developing countries currently had to deal with a very difficult situation, it had to be recalled that they had recently experienced very strong growth during a period which was recognized as being interventionist. The developed countries must understand that intervention by the authorities had been a positive and not a negative factor. He mentioned that fact because he himself came from a country which had an extremely powerful private sector and a public sector which was also very important. India had adopted the model of a mixed economy deliberately and not under pressure from an ideology.

26. He noted that some were unwilling to acknowledge the competence of the United Nations, particularly the General Assembly, to deal with the issues of money, finance and trade. Such a reluctance might be explained by the fact that certain major countries did not wish it to be heard said that their policies had an effect on the rest of the world and that they must therefore assume certain responsibilities. They felt more at ease in a limited framework than in a multilateral one. The situation that presented itself was the following: there was more money available on international markets than there was capital to stimulate growth. Industrial capacity was underused even in the developing countries and in those which had attained a certain level of growth. The development of certain markets was dependent on speculation and thus on a selfish approach.

27. Any observations on the merits and strengthening of multilateralism had to be made in a spirit of understanding and co-operation. If conclusions acceptable to all were to be reached, all the parties concerned must recognize their responsibilities in solving the problems which were posed. He hoped that consideration of the annex to document E/1986/L.28, which had not been concluded at the current session, would be resumed. The Council was the organ where such discussions should take place and continue.
28. The PRESIDENT suggested that the Economic and Social Council transmit to the General Assembly for consideration at its forty-first session document E/1986/L.28, as well as the comments made by delegations on that matter at the second regular session of the Council in 1986.
29. Mr. DUN (United Kingdom) proposed that the informal paper of 16 July should also be transmitted to the General Assembly, together with the relevant comments of the members of the Council.
30. Mr. MALIK (India) said that he wished to make it clear that during the informal consultations no delegation had requested that the informal paper of 16 July should be transmitted to the General Assembly.
31. Mr. LAZAREVIĆ (Yugoslavia) confirmed what the representative of India had just said and, on behalf of the Group of 77, supported the President's draft decision.
32. Mr. FERRER (United States of America) said that his delegation had been surprised by the decision to end the discussion on document E/1986/L.28 because he believed that further debate would have been useful. In any case, the question was not whether during the informal consultations someone had requested that the paper of 16 July should also be transmitted to the General Assembly, but rather to determine whether that text could further discussion and whether it represented views which had been expressed during the consultations. He believed that such was the case and that if, as the representative of India had stated, all points of view had to be taken into consideration, it was also necessary to transmit the paper of 16 July to the General Assembly.
33. Mr. LABERGE (Canada) said that the Council could transmit both document E/1986/L.28 and the 16 July informal paper to the General Assembly; although the informal paper did not represent the point of view of all delegations, it nevertheless reflected the position of a large number of them.
34. Mr. NOWORYTA (Poland) said that he supported the President's draft decision.
35. Mr. LAZAREVIĆ (Yugoslavia), supported by Mr. DIETZE (German Democratic Republic), said that the transmission of the 16 July informal paper might create still more difficulties; he therefore wished to request the representative of the United Kingdom to withdraw his proposal.
36. Mr. KOBAYASHI (Japan) said that he supported the proposal put forward by the United Kingdom. The informal paper of 16 July represented the position of a certain number of delegations and might serve as a basis for future discussions.
37. Mr. ALVARES MACIEL (Brazil) said that the paper of 16 July was an informal one and transmitting it to the General Assembly would make it an official one, which would completely change its nature. He therefore requested the representative of the United Kingdom and the delegations which had supported him to withdraw their proposal. Not transmitting the document would not prevent delegations from referring to it in the relevant debate in the Second Committee, if they wished to do so.
38. Mr. KUMLIN (Sweden) said that he recognized that document E/1986/L.28 had an official character whereas the 16 July text was a working paper. The Council could decide not to transmit the latter but, rather, to request the Secretariat to circulate it to delegations at the forty-first session of the General Assembly within the framework of discussion.
39. Mr. SHAABAN (Egypt) said that at the current session of the Council some very new elements had been introduced for the first time by a few developed countries. Those elements required thorough consideration, which had been impossible for many delegations of the Group of 77 owing to lack of time and staff. The 16 July informal paper reflected the position and concerns of a single group of countries. His delegation therefore fully supported the request of the representative of Yugoslavia on behalf of the Group of 77 to transmit only document E/1986/L.28 to the General Assembly.
40. Mr. PILBEAM (Australia) said that he supported the Swedish proposal. Both of the papers under consideration had originally been informal ones; if one of them was transmitted, the other could be transmitted as well.
41. Mr. FERRER (United States of America) said that his delegation had considered it an untimely decision to transmit document E/1986/L.28 to the General Assembly. With regard to the informal character of the 16 July paper, document E/1986/L.28 had also been an informal paper until the Second Committee had decided to refer it to the Economic and Social Council. He therefore did not see why the Council could not transmit both documents to the General Assembly.
42. Mr. WANG Baoliu (China) said that he supported the position of the spokesman for the Group of 77. He wished to draw attention to the fact that, in accordance with the President's draft decision, the Council would transmit to the General Assembly not only document E/1986/L.28, but also the comments made by delegations on it at the second regular session. Considering that the 16 July paper reflected points of view expressed during the consultations, it could also be transmitted to the General Assembly.

43. The PRESIDENT explained that, given the absence of agreement during the informal consultations, the Bureau had decided to devote a plenary meeting to the issue in question so that delegations might have an opportunity to make their views known, it being understood that those views would then be transmitted to the General Assembly.

44. Mr. PAULSEN (Observer for Norway) proposed that document E/1986/L.28 should be transmitted to the General Assembly at its forty-first session and that in the letter of transmittal a footnote should indicate that the 16 July informal paper would be forwarded to delegations upon request. That procedure had already been followed in the Second Committee.

45. Mr. DUN (United Kingdom) said that it was regrettable that the discussion had taken such a turn, but he believed that delegations must be able to make their points of view known. Moreover, he was indeed speaking on behalf of the countries of the EEC. He was surprised that his proposal had caused astonishment. It was quite fitting and proper that a delegation should make a proposal in a debate in the plenary meeting. It was also perfectly conceivable that other delegations should need time to reach a decision on it. He would therefore agree to the Council's granting a period of reflection.

46. The delegation of the United Kingdom itself had a few reservations to enter about the content of the 16 July paper. It nevertheless believed that the paper represented an important element in the discussion that had taken place during the informal consultations. With regard to the problem which might be created by transmitting an informal paper to the General Assembly, there was no lack of precedents in the Council itself and document E/1986/L.28 had originally been an informal paper.

47. In order to take into account the points of view of all delegations, he suggested transmitting all the relevant documentation to the General Assembly, namely document E/1986/L.28 together with annexes reflecting the points of view of the various delegations, and another annex reproducing the 16 July paper, for which it should not be difficult to find a suitable title.

48. Mr. GROZDANOV (Bulgaria), supported by Mr. GREKOV (Byelorussian Soviet Socialist Republic), said that the 16 July paper reflected the ideas of a single group of countries. He agreed with the spokesman for the Group of 77 and hoped that the President's proposal would be adopted.

49. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that only the President's proposal was acceptable. The Council could not transmit to the General Assembly all the informal texts that had been circulated at the current session and which had not even been discussed. It was regrettable that some officials had considered themselves authorized to draft such a biased text as the one in question; his delegation expected that in the future the Secretariat would show the

competence and impartiality required for drafting documents, whether informal or not.

50. Mr. ALVARES MACIEL (Brazil) said that, while it was true that informal documents had indeed, in the past, been transmitted to the General Assembly, it was under quite different conditions. Document E/1986/L.28, for example, had been drafted by an altogether official organ, the Second Committee. The text of 16 July, on the contrary, had been drafted by a small group of delegations during informal discussions, and it could therefore not, as the United Kingdom delegation had suggested, be treated in the same way. The proposal made by the Observer for Norway, however, appeared more acceptable—if not useful—as long as it contained no reference to a "document", but only to "information" or "data".

51. Mr. HEREDIA (Observer for Cuba) recalled that at the meetings of a committee of the Council, one delegation had stressed, with regard to a proposal made by the Group of 77 concerning transnational corporations, that no decision should be taken which might lead to additional expenditure. The Council should presently be motivated by the same concern; changing an informal text into an official document to be transmitted to the General Assembly would involve such additional costs as translation and reproduction. It would be like opening Pandora's box: the members of the Group of 77 or the Group of Eastern European States could then insist, in turn, out of concern for balance and precision, on expressing their ideas in another document which would then be transmitted as well to the General Assembly.

52. Mr. SEKULIĆ (Yugoslavia), noting that the Council still had the President's proposal before it, emphasized that it must make a decision during the present meeting.

53. Mr. MALIK (India) recalled that the General Assembly had decided to transmit document E/1986/L.28 to the Council "for consideration and negotiations", so that the Council might report to the Assembly at its forty-first session; he noted that when he himself had adjourned the informal consultations, he had made it clear that although the document in question had indeed been considered, it had not in any way been subject to negotiations. The text of 16 July had not been considered during those consultations and there had never even been any question of considering it. The situation was thus the following: the Council was going to send back to the General Assembly, unchanged, a document which the latter had transmitted to it, because the proposed negotiations had not taken place.

54. The present meeting should provide a chance for delegations to make their positions duly known on that question. As for submitting the 16 July text as a document when it had never been considered, that was impossible. Delegations which felt, however, that the text represented their point of view could so state at the present meeting, so that their positions would be reflected in the summary record.

55. Mr. LABERGE (Canada) wished to know exactly how delegations' comments would be transmitted to the General Assembly. Taking up the idea of the representative of India, he noted that a delegation could allude to the 16 July document not necessarily as a reflection of its position but as having been a part of the discussion.

56. Mr. NOWORYTA (Poland) said that the socialist countries urged that the President's proposal, which took everyone's interests into account and made it possible to express all points of view to the General Assembly, should be reconsidered. If some delegations insisted that the 16 July document should be transmitted to the General Assembly, the socialist countries would be forced to demand that another document, reflecting their own position during the informal consultations, should also be sent.

57. Mr. ALZAMORA (Peru) said that for the majority of delegations the 16 July text could not be considered a document, whether official or not; it could therefore not be transmitted to the General Assembly, either directly or indirectly. After all, the text was incomplete and partial, and the Council had nothing to gain by communicating documents on which no agreement had been reached.

58. Mr. PAULSEN (Observer for Norway) stressed that his proposal was not to transmit the 16 July text as a document. The footnote would simply indicate that a text, reproducing the views of some delegations, could be provided to interested delegations.

59. Mr. DUN (United Kingdom) felt that his proposal was as acceptable from the procedural standpoint as it was reasonable in content. He emphasized that the 16 July text did not represent the point of view of the countries of the EEC; it did, however, reflect important aspects of the discussions which had taken place during informal consultations. Consequently, if the viewpoints of other groups of countries were to be the subject of additional documents to be transmitted to the General Assembly, the delegations of the EEC countries would then submit a document which reflected their views on document E/1986/L.28.

60. The PRESIDENT, noting that the Council had before it several proposals, said that it should take some time for reflection. He therefore suggested that Mr. Malik should be entrusted with the task of holding

informal consultations with all interested delegations, so as to find a solution that was acceptable to all.

*It was so decided.*²

61. Mr. DIETZE (German Democratic Republic), speaking also on behalf of the Byelorussian Soviet Socialist Republic, said that those delegations had submitted amendments (E/1986/L.38) to draft resolution E/1986/L.36, submitted at the 35th meeting (paras. 14-17), because they wanted the question to be dealt with more generally. Three basic ideas were behind the amendments: firstly, the importance of full participation by the entire population in the development process; secondly, the central role played by international co-operation in economic development; lastly, the need to emphasize the right of each State and its people to choose its own economic system, by freely determining its objectives, priorities and means of ensuring development without external interference. He would return to those issues during the informal consultations concerning the document.

62. Mr. KITIKITI (Zimbabwe) noted that the purpose of the proposed amendments (E/1986/L.40) to draft resolution E/1986/L.36 was to specify that the programmes set up by United Nations bodies should be sufficiently flexible so that they could fit it with the various socio-economic systems. The idea of entrepreneurship, as used in the draft resolution, was applicable only to liberal economies; however, initiative was also encouraged in countries which had another economic system. Thus, in Zimbabwe, an enterprise could be individual or collective and could, for example, take the form of a co-operative. The population in Zimbabwe was encouraged to participate in development at the local level, and to create enterprises and jobs. The amendments submitted were aimed at encouraging such enterprises to play their role fully in the economy; entrepreneurship must not be an abstract concept.

63. The PRESIDENT said that the delegations of Iceland and Italy had become co-sponsors of draft resolution E/1986/L.36. In addition, he suggested that the Council should establish the deadline for submitting amendments to the proposals presented under item 3 at 3 p.m. that same day.

It was so decided.

The meeting rose at 1 p.m.

² See the 37th meeting, paras. 41 and 42, and the 38th meeting, paras. 55 and ff.

37th meeting

Monday, 21 July 1986, at 3.05 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.37

AGENDA ITEM 2

Adoption of the agenda and other organizational matters (*continued*)*

1. The PRESIDENT invited the Council to take a decision on draft decision E/1986/L.39, entitled "Participation of the Organization of Ibero-American States for Education, Science and Culture in the work of the Economic and Social Council".

The draft decision was adopted (decision 1986/156).

2. The PRESIDENT invited the Council to consider the draft decision on improvement of secretariat servicing and substantive support services for the Committee on Natural Resources, worded as follows:

"At its 37th plenary meeting, on 21 July 1986, the Economic and Social Council took note of the oral report made on 17 July 1986 by the Assistant Secretary-General for Secretariat Services for Economic and Social Matters, in pursuance of its decision 1986/104 of 7 February 1986, on the question of improving the secretariat servicing and substantive support services for the Committee on Natural Resources."

The draft decision was adopted (decision 1986/157).

AGENDA ITEM 10

Food problems

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

3. The PRESIDENT invited the Council to comment on the draft decision entitled "Report of the World Food Council on the work of its twelfth session and eleventh annual report of the Committee on Food Aid Policies and Programmes", contained in paragraph 6 of the report (E/1986/131).

4. Mr. MARKOSOV (Union of Soviet Socialist Republics) said that the Council should not merely take note of the reports but also record the fact that it had noted the opinions expressed by delegations during discussion of the subject.

5. In response to a request for clarification by Mr. ORLANDO (United States of America), he proposed the addition of the words "as well as of the opinions expressed by delegations on those documents" at the end of the text.

6. Mr. PILBEAM (Australia) said that, since the opinions in question had been expressed in meetings of the Committee, he shared the concern of the delegation of the United States of America about how such opinions could be recorded in the proceedings of the Council in plenary session.

7. Mr. WANG Baoliu (China) said he agreed with the representative of Australia.

8. Mr. MARKOSOV (Union of Soviet Socialist Republics) said that his delegation's proposal was based on the view that opinions had been expressed on the reports in question and that it was right for the Council to record its having noted them. His delegation did not insist on any precise textual amendment, although it seemed that the previous speakers had not actually voiced any opposition to the proposal but had merely sensed some possible confusion—which his delegation failed to see.

The draft decision was adopted (decision 1986/158).

9. The PRESIDENT said the Council had completed its consideration of agenda item 10.

AGENDA ITEM 11

Development and utilization of new and renewable sources of energy

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

10. The PRESIDENT invited the Council to take a decision on the draft decision entitled "Development and utilization of new and renewable sources of energy", contained in paragraph 4 of the report (E/1986/132).

The draft decision was adopted (decision 1986/159).

11. The PRESIDENT said the Council had completed its consideration of agenda item 11.

AGENDA ITEM 12

Development of the energy resources of developing countries

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

12. The PRESIDENT invited the Council to take a decision on the draft decision entitled "Report of the Secretary-General on energy exploration and development trends in developing countries", contained in paragraph 6 of the report (E/1986/133).

The draft decision was adopted (decision 1986/160).

* Resumed from the 35th meeting.

13. The PRESIDENT said the Council had completed its consideration of agenda item 12.

AGENDA ITEM 13

Trade and development

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

14. The PRESIDENT invited the Council to take a decision on the draft decision entitled "Report of the Trade and Development Board on its thirty-second session", contained in paragraph 6 of the report (E/1986/134).

15. Mr. MALIK (India) said his delegation wished to place on record, in that connection, that the developing countries continued to have to contend with mass poverty, accumulated indebtedness and the cumulative effect of a prolonged period of adverse terms of trade, sharply declining commodity prices and reduced flows of development capital. Protectionism had continued and increased, and the very credibility of the system was being questioned. Lack of adequate and co-ordinated policy measures in the industrialized countries in the related areas of money and finance had only aggravated protectionist pressures, particularly in sectors of crucial importance to developing countries. The crisis would persist so long as the underlying structural factors, particularly the fundamental weaknesses of the world monetary, financial and trading systems, were not adequately dealt with.

16. The revival of development of developing countries and the fostering of multilateralism must be accorded the highest priority and were the most appropriate major themes and objectives for the seventh session of the United Nations Conference on Trade and Development. It was well recognized that no tangible progress had been made in implementing various commitments either in trade and commodities or in money and finance. Measures taken hitherto by developed countries had been partial and *ad hoc*. Such factors militated against the world economy in general and the developing countries in particular. The need to promote multilateralism and reassert the importance of an integrated framework for action became all the more intensive. It was hoped that the seventh session of the Conference, in keeping with that body's functions and mandate and the developing countries' priorities, would provide an opportunity for purposeful negotiations resulting in concrete action to help achieve the objectives of revitalizing the developing countries' development, accelerating growth and expanding international trade in an equitable environment.

The draft decision was adopted (decision 1986/161).

17. The PRESIDENT said the Council had completed its consideration of agenda item 13.

AGENDA ITEM 14

International co-operation in the field of human settlements

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

18. The PRESIDENT invited the Council to take a decision on draft decision I, entitled "International Year of Shelter for the Homeless", contained in paragraph 9 of the report (E/1986/135).

The draft decision was adopted (decision 1986/162).

19. The PRESIDENT invited the Council to take a decision on draft decision II, entitled "Report of the Commission on Human Settlements on the work of its ninth session", contained in paragraph 9 of the report (E/1986/135).

The draft decision was adopted (E/1986/163).

20. Mr. MALIK (India), referring to the action which the Committee recommended to the Council in draft decisions I and II, said that 10 years had elapsed since the world community had proclaimed, at Habitat: United Nations Conference on Human Settlements (Vancouver, 31 May-11 June 1976), its commitment to provide decent shelter conditions everywhere; that goal had not yet been achieved, and might remain a goal for the next decade and perhaps the one beyond. In that context, his delegation looked forward to a report by the Secretary-General, including recommendations for an agenda for human settlements for the coming decade; the Commission on Human Settlements and the United Nations Centre for Human Settlements (Habitat) could be counted upon to provide leadership and a catalytic role for the tasks involved.

21. The PRESIDENT said the Council had completed its consideration of agenda item 14.

AGENDA ITEM 15

Science and technology for development

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

22. The PRESIDENT invited the Council to take a decision on the draft decision entitled "Report of the Intergovernmental Committee on Science and Technology for Development", contained in paragraph 6 of the report (E/1986/136).

The draft decision was adopted (decision 1986/164).

23. The PRESIDENT said the Council had completed its consideration of agenda item 15.

AGENDA ITEM 16

Countries stricken by desertification and drought

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

24. The PRESIDENT invited the Council to consider the draft resolution entitled "Countries stricken by desertification and drought", contained in paragraph 10 of the report (E/1986/137).

25. Mr. MALIK (India), supported by Mr. LABERGE (Canada), said that, since the draft resolution related to one particular region, the title should read "Sub-Saharan African countries stricken by desertification and drought".

26. Mr. SHAABAN (Egypt) proposed that, if the title was amended, it should read "Countries most seriously affected by desertification and drought".

27. Mr. DELMI (Observer for Algeria) supported the previous speaker.

28. Mr. BAHADIAN (Brazil) said that, in his view, the title was better as it stood.

29. Mr. MALIK (India) said that he had no difficulty with the title as it stood in regard to the Committee's report but felt that the resolution's title should be more specific. Perhaps the Council could agree to the title "Countries stricken by desertification and drought in Africa".

It was so decided.

30. The PRESIDENT, in response to a question by Mr. BRILLANTES (Philippines) concerning a request by Mr. MAYIRA (Rwanda), said that the Rwandese delegation, which had been absent when the Committee had adopted the draft resolution, could not have its name added, at the current plenary meeting, to the list of sponsors; but the record could state that the Rwandese delegation would have co-sponsored the draft resolution had it been present when the text was introduced in the Committee.

31. In reply to a question by Mr. RUDENSKY (Union of Soviet Socialist Republics), he said that, as had been stated earlier by the Secretariat, adoption of the draft resolution had no financial implications.

32. He invited the Council to take a decision on the draft resolution, as amended in the title.

The draft resolution, as amended, was adopted (resolution 1986/44).

33. The PRESIDENT said the Council had completed its consideration of agenda item 16.

The meeting was suspended at 3.45 p.m. and resumed at 4.40 p.m.

AGENDA ITEM 8

Regional co-operation

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

34. The PRESIDENT recalled that, during its consideration of agenda item 8, the First (Economic) Committee had had before it the draft decision entitled "Membership of Israel in the Economic Commission for Europe" (E/1986/C.1/L.7), submitted by the United States of America, as well as the draft resolution entitled "Membership in regional commissions" (E/1986/C.1/L.8), submitted by the Observer for Bulgaria. He had been informed by the Chairman of the First (Economic) Committee that, at its fifteenth meeting, the Committee had decided to refer the draft decision and the draft resolution to the Council for consideration in plenary meeting.

35. Mr. ABU-KOASH (Palestine Liberation Organization) noted that the draft decision and draft resolution in question had been the subject of informal negotiations. The PLO, and many Arab countries, although parties concerned with the issue, had not been adequately consulted and had not been informed in time of the outcome of the consultations. He therefore had some misgivings regarding the way in which the informal consultations had been conducted. Properly structured consultations involving all interested parties were required, not just consultations with a very small number of delegations.

36. Mr. KUMLIN (Sweden) suggested that the time was not yet ripe for the Council to take a decision on the proposals before it. He therefore suggested that, in order to allow time for further consultations, no decision should be taken on the matter until the 38th meeting.

37. Mr. ABU-KOASH (Palestine Liberation Organization) inquired which delegation was to be the focal point of the informal discussions and asked for an assurance that all parties concerned would be consulted.

38. The PRESIDENT replied that no particular delegation had been designated to conduct the informal consultations. In view of the statements made by the previous speaker, the scope of the consultations would obviously need to be enlarged a little so that all interested parties could be involved. He inquired whether the Committee agreed that a decision on the matter should be postponed until the 38th meeting, to allow time for such consultations.

39. Mr. DOWEK (Observer for Israel) expressed the hope that the postponement until the 38th meeting would be the last one, since it was a question of a Member State exercising its right under the Charter.

40. The PRESIDENT said that, as there was no objection, he would take it that the Council wished to

postpone further consideration of agenda item 8 until the 38th meeting.

It was so agreed.¹

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

41. The PRESIDENT invited the Council to resume its consideration of the question of the interrelated issues of money, finance, debt, resource flows, trade

and development (E/1986/L.28). As members would recall, the Council had decided (36th meeting) that further informal consultations on the question should be held under the Chairmanship of the Vice-President of the Council, Mr. Malik (India), whom he invited to report on the results of the consultations.

42. Mr. MALIK (India) said that the further informal consultations were still proceeding. He requested that he should be allowed to report back to the President and to the Council at the 38th meeting.

It was so agreed.²

The meeting rose at 5 p.m.

¹ See the 38th meeting, paras. 115 and ff., and 38th meeting, part III, paras. 1-21 and 52-90.

² See 38th meeting, paras. 55 and ff.

38th meeting

Tuesday, 22 July 1986, at 3.05 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.38

AGENDA ITEM 18

Special economic, humanitarian and disaster relief assistance

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

1. Mr. YUDIN (Acting Secretary of the Council) informed members of two corrections to be made in the text of the report (E/1986/124). Argentina should be deleted from the list of countries in paragraph 27, and "Draft resolution I" in paragraph 31 should read "Draft decision I" in the English text.

2. The PRESIDENT invited the Council to consider draft resolution I, entitled "Assistance to the drought-stricken areas of Djibouti, Ethiopia, Kenya, Somalia, the Sudan and Uganda", contained in paragraph 30 of the report (E/1986/124).

The draft resolution was adopted (resolution 1986/45).

3. The PRESIDENT invited the Council to consider draft resolution II, entitled "Assistance for the reconstruction and development of Lebanon", contained in paragraph 30 of the report (E/1986/124).

The draft resolution was adopted (resolution 1986/46).

4. The PRESIDENT invited the Council to consider draft resolution III, entitled "Office of the United

Nations Disaster Relief Co-ordinator", contained in paragraph 30 of the report (E/1986/124).

The draft resolution was adopted (resolution 1986/47).

5. The PRESIDENT invited the Council to consider draft decision I, entitled "Special economic assistance programmes", contained in paragraph 31 of the report (E/1986/124).

The draft decision was adopted (decision 1986/165).

6. The PRESIDENT invited the Council to consider draft decision II, entitled "Oral reports relating to special economic, humanitarian and disaster relief assistance", contained in paragraph 31 of the report (E/1986/124).

The draft decision was adopted (decision 1986/166).

7. The PRESIDENT said that the Council had concluded its consideration of agenda item 18.

AGENDA ITEM 22

Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

8. The PRESIDENT invited the Council to consider draft resolution I, entitled "Implementation of the

Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations”, contained in paragraph 17 of the report (E/1986/120) and which had been adopted in the Third (Programme and Co-ordination) Committee by a roll-call vote of 38 votes to 1, with 9 abstentions. The Committee had also taken separate votes on the sixth and twelfth preambular paragraphs, as well as on operative paragraph 9. He invited the Council to proceed likewise.

The sixth preambular paragraph was adopted by 36 votes to 2, with 7 abstentions.

The twelfth preambular paragraph was adopted by 33 votes to 1, with 11 abstentions.

Operative paragraph 9 was adopted by 33 votes to 2, with 11 abstentions.

A vote was taken by roll-call on draft resolution I, as a whole.

Costa Rica, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Bangladesh, Brazil, Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Djibouti, Egypt, Finland, Gabon, German Democratic Republic, Iceland, India, Indonesia, Iraq, Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Sweden, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: United States of America.

Abstaining: Australia, Belgium, Canada, France, Germany, Federal Republic of, Italy, Japan, Spain, United Kingdom of Great Britain and Northern Ireland.

The draft resolution was adopted by 38 votes to 1, with 9 abstentions (resolution 1986/48).

9. Mr. LABERGE (Canada), speaking in explanation of vote, regretted that it had not been possible to hold more thorough consultations with a view to reaching a consensus. On many occasions Canada had stated its condemnation of *apartheid* and had taken appropriate measures. It was also committed to the peaceful granting of independence to Namibia. Nevertheless, it considered that paragraph 9 reduced the usefulness of the resolution.

10. Mr. STARACE-JANFOLLA (Italy), speaking also on behalf of the delegations of Belgium, the Federal Republic of Germany, France, Spain and the United Kingdom of Great Britain and Northern Ireland, said that those countries desired the aims of Security Council resolution 435 (1978) concerning the independence of Namibia to be attained without delay. They were also greatly concerned about the deteriorating situation and mounting violence in South Africa. They believed that the present policies of the Government of South Africa could lead only to repression, polarization and bloodshed. The reimposition of

the state of emergency and the indiscriminatory arrest of thousands of South Africans could only further delay the start of a genuine national dialogue on South Africa's future, which was urgently needed if a peaceful solution to its problems was to be found. The countries on whose behalf he spoke reaffirmed that the main goal of their policy was the total abolition of *apartheid*. They were convinced that the commencement, without delay, of a national dialogue with the authentic leaders of the black population was essential to halt a further escalation of violence and to allow negotiations leading to a truly democratic and non-racial South Africa. Such a dialogue could not take place while recognized black leaders were detained and their organizations proscribed.

11. However, the countries on whose behalf he spoke did not consider the situation in South Africa to be a problem of decolonization and did not, therefore, believe that it properly figured under agenda item 22. They had therefore abstained in the vote.

12. They were also unable to associate themselves with preambular paragraph 12 and paragraph 9. They believed that the independence of IMF with regard to its own activities should be respected. In the same way, the references to the World Bank were also unjustified. In addition, the countries on whose behalf he spoke had been unable to support a number of other paragraphs which did not, in their view, accurately reflect the positions of their Governments.

13. Mr. SCOTT (United States of America) said that his country had voted against the resolution because some of its provisions went beyond its current position on South Africa and Namibia. The United States rejected and condemned *apartheid* without reservation. On a unilateral basis and as early as 1963, it had enacted strong measures designed to make clear to Pretoria its dissatisfaction with the pace and scope of reform. Its arms embargo had been enacted fully 14 years before the Security Council had called for a similar, but more limited, embargo. President Reagan's executive order of September 1985 had been another attempt to send a message of dissatisfaction.

14. The United States was also engaged in efforts to bring independence to Namibia under Security Council resolution 435 (1978). It felt that positive efforts by all States in the region, including the removal of foreign troops, would go a long way to bring about that independence.

15. At the present time of crisis in South Africa, it was vital that the United Nations should avoid resolutions which poured fuel on the flames. The adoption of a punitive approach which harmed the innocent and the guilty alike only reduced the Organization's influence in the region. The South African economy, as well as the economies of the region, were progressive anti-*apartheid* forces. They should not be destroyed, but encouraged.

16. The United States position was to work with all parties within and outside the South African Govern-

ment that promoted peaceful change. Ultimately, the South African Government must be prepared to negotiate a new political arrangement with recognized and accepted black leaders. The United States was also willing to work closely with the Group of African States in the United Nations on anti-*apartheid* resolutions which it could support. In that regard, it regretted that the sponsors of the resolution just adopted had not shown a greater willingness to engage in detailed discussions on the resolution.

17. With reference to the paragraphs dealing with IMF, the United States wished to point out that the Fund was barred by its own Charter from engaging in any discussion of, or action based on, a member's political system. The United States attached great importance to the integrity of IMF's Articles of Agreement. In so far as a member of the Fund met its obligations as defined by the Articles—and South Africa did—the Fund had no ground to treat that member differently from any other. That clear definition of IMF's mandate had allowed that organization to function effectively for over 40 years, guiding the international monetary system through a period of change, economic growth and development unprecedented in the history of mankind. Political tampering with the identity of the Fund would have dire consequences for the future prospects of the global economy.

18. Mr. MULLER (Australia), said that his delegation had abstained in the vote on the resolution despite his Government's strong abhorrence and condemnation of the policy of *apartheid*. His delegation's abstention should in no way be seen as a lessening of that longstanding opposition. It regretted that it had been obliged to abstain on a text—much of which it was able to support, as indicated by its vote in favour of the sixth preambular paragraph—largely because of unacceptable references, in some paragraphs, to IMF and other international financial institutions. His delegation had abstained in the vote on General Assembly resolution 40/53, of 2 December 1985, for very similar reasons. It urged the sponsors of the resolution just adopted to consider, in any future texts, that references to IMF and similar institutions did little to advance the possibility of consensus or to ensure that the Economic and Social Council or the General Assembly spoke with one voice on the critical substantive issue dealt with in most paragraphs of the resolution.

19. The PRESIDENT invited the Council to consider draft resolution II, entitled "Assistance to the Palestinian people", contained in paragraph 17 of the report (E/1986/120), which had been adopted by the Committee by 41 votes to 1.

A vote was taken by roll-call on draft resolution II.

The Byelorussian Soviet Socialist Republic, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Australia, Bangladesh, Belgium, Brazil, Byelorussian Soviet Socialist Republic, Canada, China, Colombia, Costa Rica, Djibouti,

Egypt, Finland, France, Gabon, German Democratic Republic, Germany, Federal Republic of, Guinea, Haiti, Iceland, India, Indonesia, Iraq, Italy, Jamaica, Japan, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Spain, Sri Lanka, Sweden, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: United States of America.

Abstaining: None.

The draft resolution was adopted by 51 votes to 1 (resolution 1986/49).

20. Mr. FIELD (United Kingdom) speaking in explanation of vote on behalf of the EEC and its member States, said that the Community and its member States, which had supported the resolution, continued to provide humanitarian assistance to the Palestinian people by various means. That assistance comprised the supply of foodstuffs and emergency assistance, as well as the co-financing, through non-governmental organizations, of projects which would benefit the Palestinian people in the occupied territories and elsewhere. Such assistance would continue to be provided bilaterally and through the Community, as well as through the competent institutions and agencies of the United Nations system, in order to respond in the best possible way to the urgent needs of the Palestinian people.

21. Mr. SCOTT (United States of America) said that his country was still the largest single donor of economic assistance, bilateral and multilateral, to the Palestinians in the occupied territories and to United Nations programmes that assisted Palestinian refugees in the West Bank, Gaza and the neighbouring Arab States. Since 1975, his Government had implemented a direct assistance programme for Palestinians living in the West Bank and Gaza. The programme was administered by one local and five United States private voluntary organizations. It had provided assistance in the fields of education, health, human services, community and rural development, and rehabilitation, along others. The programme had assisted urban and rural populations and provided basic care to mothers and children, as well as scholarships for study in the United States for young intellectuals. Since its inception in 1975, it had provided nearly \$70 million in assistance. In 1985, \$14 million would be committed.

22. As the members of the Council were aware, the United States was the primary contributor to United Nations agencies that sought to assist the Palestinian people. Every year it sponsored the resolution that provided for the continuation of UNRWA, to which it contributed one third of the budget—approximately \$24 million out of approximately \$72 million for the West Bank and Gaza. In 1986 President Reagan had authorized a special supplemental contribution of \$18 million to assist UNRWA in its grave budgetary crisis.

23. The United States contributed 17 per cent of the budget of UNDP and had pledged additional funds for UNDP's Special Programme of Assistance to the Palestinian People.

24. Peace and stability in the Middle East remained a key national interest for the United States. No government was more committed to achieving a just and lasting peace in that troubled region. It regretted, however, that the Council had unnecessarily politicized the debate on the legitimate need to assist the Palestinians and challenged others who talked ceaselessly of assisting the Palestinians to match its efforts and funds.

25. Mr. HARAN (Observer for Israel) said that, when the question of assistance to the Palestinians had been discussed in the Committee, attempts had been made to represent Israel as systematically opposing the extension of such assistance and as hindering, through administrative and other means, the flow of world aid. He wished to make it clear that nothing was further from the truth. Israel welcomed any assistance that could be extended to the Palestinian Arabs for constructive purposes through the proper and legitimate channels. The greater the effort made in that regard, the better it would be for all parties concerned and for the cause of peaceful coexistence between Arabs and Jews.

26. The PRESIDENT invited the Council to take a decision on the draft decision entitled "Report of the Secretary-General on economic development projects in the occupied Palestinian territories", contained in paragraph 18 of the report (E/1986/120).

The draft decision was adopted (decision 1986/167).

27. The PRESIDENT said that the Council had concluded its consideration of agenda item 22.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (continued)

28. Mr. LAZAREVIĆ (Yugoslavia), speaking on behalf of the Group of 77, said that the draft resolution entitled "Net transfer of resources from developing to developed countries" (E/1986/L.34) was based on the figures and conclusions provided in the *World Economic Survey 1986* (E/1986/59) and by the Committee for Development Planning. The Group of 77 had been unsuccessful in its attempts to reach a consensus in informal consultations. It had therefore decided to request a roll-call vote on the draft resolution.

29. The fourth preambular paragraph should read "*Bearing in mind* that this serious distortion impedes the development efforts of developing countries and adversely affects the implementation of the goals and objectives of the International Development Strategy for the Third United Nations Development Decade". Operative paragraph 2 should read "*Emphasizes* the need to reverse this trend, which adversely affects the

development efforts of developing countries and runs counter to the goals and objectives of the International Development Strategy for the Third United Nations Development Decade and international co-operation for development".

30. Mr. SCOTT (United States of America) said that his delegation would vote against the draft resolution because it did not feel that the text reflected a balanced approach to the issue. It regretted that the Group of 77 had chosen to force the issue to a vote without engaging in detailed consultations or negotiations. It further regretted that the concept of the negative transfer of resources had been taken out of its proper context. Too many issues were overlooked for the text to serve as a useful instrument for development discussions. Chiefly, it ignored the \$1,000 billion of inflows to the developing countries over the past decades. What had happened to those funds, and why had the developing countries been unable to turn them into increased production which would help to pay back the debt?

31. The draft resolution also ignored other sources of inflows, such as foreign direct investment and trade flows. It gave an incomplete review of the benefits and costs derived from recent changes in the world economy, such as the fall in the price of oil, and relied upon statistics of questionable validity or perspective.

32. It also failed to address the need for structural adjustment in the developing countries in order to stimulate sustained growth to amortize debts freely and willingly incurred. Where was the emphasis on export enhancement or growth-oriented adjustment? None of those factors were included.

33. Thus the draft resolution did not address responsibly a phenomenon which all agreed was of growing importance in the world economy. His delegation therefore could not help but question the reasoning behind the forcing of the draft resolution to a vote without adequate consultations. When delegations refused even to discuss a matter in the detailed and comprehensive manner such a complex issue required, the commitment to multilateralism which all delegations were present to encourage and reinforce was called into question.

34. However, since the Group of 77 had decided to force the draft resolution through, his delegation expected that the Secretary-General's report on the issue would be consistent with the detailed and comprehensive analyses that it had come to expect from the Secretariat, which would no doubt treat the issue with the care and thoroughness which such a complex issue required.

A vote was taken by roll-call.

Djibouti, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Bangladesh, Brazil, Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Djibouti, Egypt, Gabon, German Democratic Republic, Guinea, Haiti, India, Indonesia, Iraq,

Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: Australia, Belgium, Canada, France, Germany, Federal Republic of, Italy, Spain, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Finland, Iceland, Japan, Sweden.

The draft resolution was adopted by 39 votes to 9, with 4 abstentions (resolution 1986/56).

35. Mr. DUN (United Kingdom), speaking on behalf of the member States of the EEC, said that their commitment to development was unequivocal: they provided more than one third of total ODA, and they were major investors in the developing countries and major traders with them—the developing countries had, in fact, had a trade surplus of \$25 billion with the Community over the past two years. The members of the Community had also adopted a flexible approach to debt rescheduling. The informal consultations had shown the issues involved to be highly complex; some factors, such as the effects of changes in commodity prices were difficult to assess fully; others, such as the downstream benefits of investment, were almost impossible to quantify. Other issues such as structural adjustment and flight of capital were ignored. The members of the Community had therefore had major difficulties with the draft resolution with regard to the concept of net transfer of resources, which they considered to be flawed, as well as with regard to the figures contained in the draft resolution. They had stated their objections during the informal meetings and regretted that their views had not been reflected in the revised text. He hoped that the Secretary-General's report would do justice to the complex issues involved.

36. The failure to reach agreement on the draft resolution had not come as a surprise since the divergence of views on wider issues concerning the world economy had already become apparent during the consultations. Moreover, a thorough discussion of the draft resolution would have required considerably more time. The members of the Community wished, however, to reiterate their readiness to engage in dialogue on all development issues.

37. Mr. KOBAYASHI (Japan) said that his delegation had abstained in the vote. Although the resolution addressed an urgent issue that needed to be solved by international co-operation, it contained a number of points which, in his delegation's view, needed clarification and study: the concept of the "net transfer of resources from developing to developed countries" was a complex one requiring further clarification and the resolution shed light on only part of the overall question; the sources of the figures quoted and the basis on which they had been calculated needed to be specified; finally, the resolution made no reference to self-reliance and

growth-oriented policy adjustment measures to be taken by the developing countries. He wished, however, to assure the Council that his delegation was very willing to work with others in order to clarify the issues involved.

38. Mr. KYRÖLÄINEN (Finland), also speaking on behalf of the delegations of Iceland and Sweden, said that, while those countries recognized that the "net transfer of resources from developing to developed countries" was an important problem, they thought that the terms in which the resolution was couched were too sweeping and found many of its formulations difficult to accept. There had also been insufficient time for the informal consultations necessary for achieving a consensus. They had therefore abstained in the vote.

39. Mr. LABERGE (Canada) expressed the hope that the decision by the Group of 77 to press—in his delegation's view, prematurely—for a vote on the draft resolution would not set a precedent. The Council should seek wherever possible to achieve a consensus, as had been its usual practice; that meant sufficient time must be allowed for informal consultations. His delegation hoped that the advisability of that approach would be borne in mind when the issues raised by the resolution were considered by the General Assembly.

40. Mr. NOWORYTA (Poland) proposed that action on the draft resolution entitled "Confidence-building in international economic relations" (E/1986/L.35) should be postponed till later in the meeting.

It was so decided.¹

41. The PRESIDENT invited the Council to consider the draft resolution entitled "The role of entrepreneurship in promoting economic development" (E/1986/L.36), and the amendments thereto (E/1986/L.38 and E/1986/L.40).

42. Mr. SCOTT (United States of America) said the sponsors' expectation that the draft resolution would require extensive discussion and consultation had proved to be justified. There appeared to be wide support for the basic principles of the draft, but many delegations continued to feel concern about some of its aspects, and it was generally agreed that there had not been sufficient time to explore the detailed issues involved with a view to achieving the consensus which the sponsors very much hoped would eventually emerge. He therefore proposed that the draft resolution should be transmitted to the forty-first session of the General Assembly for further discussion and consultation.

43. Mr. BRAUNEIS (German Democratic Republic) said that the proposal of the United States of America was acceptable to his delegation, which wished, however, to propose that the amendments contained in document E/1986/L.38 should also be transmitted to the General Assembly.

44. The authors of those amendments also wished to insert a new operative paragraph 10 in that document, with consequential renumbering of the existing

¹ See the 38th meeting (part III), paras. 103-114.

paragraphs 10 and 11. The new paragraph would read as follows:

"10. In operative paragraph 2, insert after the word 'invites' the words 'Governments and', and replace the last two lines of the paragraph by the phrase 'full and effective participation by the entire population in the development process'".

The renumbered operative paragraph 12 should read: "Delete operative paragraph 4."

45. Mr. KITIKITI (Zimbabwe) proposed that his delegation's amendments (E/1986/L.40) should likewise be transmitted to the General Assembly.

46. Mr. MALIK (India) said that his delegation had participated as fully as time had permitted in the informal consultations and had suggested a number of amendments to the sponsors and requested them to bear those amendments in mind in a constructive manner. His delegation attached very great importance to the concept underlying the draft resolution, which should, however, be clearly spelt out. National plans and priorities should be taken fully into account. The public sector had an important role to play in promoting economic development, to which the private sector's role was complementary, and the latter should not be regarded as a separate entity.

47. Mr. KHALLAF (Egypt) supported the proposal of the United States of America to transmit the draft resolution to the General Assembly, and agreed that the amendments should also be transmitted. His delegation welcomed any practical and constructive proposal to promote mobilization of human and material resources for the furtherance of national development, provided that such action was compatible with the freedom of countries to choose their own development methods in accordance with their national priorities. In supporting General Assembly resolution 34/137, of 14 December 1979, on the role of the public sector in promoting development Egypt had not done so in order to restrict freedom of action. The constitutional and historical foundations of the Egyptian economy permitted, and even encouraged, individual action and private initiative, provided that they were in line with agreed national objectives. Moreover, a number of recent measures in Egypt had given a more prominent role to the private sector. It would, however, be a grave error to consider such issues from a narrowly ideological or political point of view. The essential point was that any activities in which the United Nations system was involved should be directed to further mobilizing resources and ensuring a more effective use of them to the benefit of developing countries. The studies contemplated should include the constitutional grounds and institutional and financial feasibility of establishing links between United Nations bodies and efforts to promote projects and individual initiatives and to strengthen both private and public sectors of the economy. Consideration should also be given to activities that might be carried out by the International Trade Centre UNCTAD/GATT, UNIDO, and FAO. In the light of such studies, it should be possible to con-

sider any practical suggestions that were in keeping with the general agreed framework. His delegation wished to pay tribute to all the efforts which had been made to find better ways of mobilizing resources to support national development efforts.

48. Mr. THOMPSON (Jamaica) said that his delegation welcomed the initiative taken by the sponsors of the draft resolution. He was pleased to note that many of the concerns in the informal consultations had been taken into account although it had not proved possible, in the limited time available, to reach general agreement on the draft. Many developing countries were promoting entrepreneurship, and they would undoubtedly welcome assistance in that task from the multilateral system. He hoped that, in the interval before the forty-first session of the General Assembly, delegations would have had time to reflect and that they would become less guarded and more accommodating in their approach to the draft resolution. It was also desirable that consultations should continue so as to permit rapid progress on the question when it came before the General Assembly.

49. The PRESIDENT said that, if there was no objection, he would take it that the Council wished draft resolution E/1986/L.36 and the amendments contained in document E/1986/L.38, as orally amended, and the amendments contained in document E/1986/L.40 to be transmitted to the forty-first session of the General Assembly for further consideration and action.

It was so decided (decision 1986/170).

50. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that the draft resolution entitled "International Economic Security" (E/1986/L.37) had been thoroughly discussed in informal consultations, and that the views expressed were reflected in the draft. Its main purpose was to enable the Council to contribute to the preparation of the Secretary-General's report on a concept of international economic security for submission to the General Assembly at its forty-second session. The draft resolution laid down guidelines for the report, mentioning the need to identify the points of existing or potential convergence in the approaches of various countries and groups of countries, and the advisability of taking into account possible early warning measures for the monitoring and assessment of emerging problems in the world economy with a view to analysing them and elaborating recommendations for tackling them. The draft also contained a recommendation that the Committee for Development Planning should submit its views on the concept of international economic security.

51. He noted that some of the delegations that had voted against General Assembly resolution 40/173 of 17 December 1985, continued to have difficulty in accepting the draft resolution under discussion. Those difficulties were clearly inspired by political considerations since the substance of the draft indicated beyond doubt the constructive approach of its sponsors. In view, however, of the continuing failure to reach full agree-

ment at the present stage, his delegation proposed that the draft resolution should be transmitted to the forty-first session of the General Assembly for further consultation and discussion. He hoped that it would eventually prove possible to adopt the draft resolution by consensus.

52. Mr. DIETZE (German Democratic Republic) said that his delegation had been prepared to vote in favour of the draft resolution, which recognized that questions of economic security were acquiring a new dimension in view of the development of new forms of intergovernmental co-operation and the increasing interdependence of world economic problems. In the circumstances, however, he supported the proposal to transmit the draft resolution to the General Assembly for further consideration.

53. The PRESIDENT said that, if there was no objection, he would take it that the Council wished the draft resolution (E/1986/L.37) to be transmitted to the forty-first session of the General Assembly for further consideration and action.

It was so decided (decision 1986/171).

54. The PRESIDENT invited the Council to resume its consideration of the revised informal working paper entitled "Interrelated issues of money, finance, debt, resource flows, trade and development" (E/1986/L.28).

55. Mr. MALIK (India) said that he was gratified to report that the informal consultations had resulted in what could be considered as an agreement, and he wished to thank delegations, including those representing groups of countries, for their pragmatic and co-operative approach.

56. He wished to point out that the agreed text consisted of two parts, the first of which was a factual report while the second embodied a proposed decision by the Council. He wished to make it quite clear that it had been agreed that the first part of the text should be incorporated in the Council's report on the session.² The text read as follows:

"Pursuant to General Assembly decision 40/475 of 20 June 1986, the President of the Economic and Social Council referred document E/1986/L.28 on interrelated issues of money, finance, debt, resource flows, trade and development to informal consultations, suggesting that delegations also take into account the general debate on agenda item 3, which included the priority theme of the interrelated issues of money, finance, resource flows, debt, trade, raw materials and development. At the informal consultations, views were exchanged and the Secretariat circulated an informal paper which was not discussed. Thereafter, there was the proposal that the issue be referred to the General Assembly at its forty-first session for its consideration.

"In the light of the above:

"The Economic and Social Council decides that, no agreed conclusions had been obtained in the consideration of and negotiation on the revised informal working paper entitled 'Interrelated issues of money, finance, debt, resource flows, trade and development' (E/1986/L.28, annex), transmitted to the Council by the General Assembly in its decision 40/475 of 20 June 1986, and to recommend that the General Assembly pursue discussion and negotiation of the issue at its forty-first session."

57. The PRESIDENT said that if there was no objection, he would take it that the Council wished to adopt the text read out by the representative of India, including the draft decision.

It was so decided (decision 1986/172).

58. Mr. KOBAYASHI (Japan) said that, in joining in the consensus decision, his delegation had interpreted the phrase "discussion and negotiation of the issue" as discussion and negotiation on a text or texts for adoption at the General Assembly's session, and not in the sense of negotiations on specific interrelated issues, such as global negotiation.

59. Mr. INGLÉS (Philippines) said that his delegation regretted the Council's inability to adopt a substantive decision on the interrelated issues. In spite of the views expressed by delegations during the general discussion, and the protracted informal consultations, it had not been possible to arrive at any substantive recommendation. In other words, the Council had been unable to progress beyond the point where the General Assembly had left off, and it had not even succeeded in recording the results of its informal consultations. The question, accordingly, arose as to how the Council could effectively address the fundamental economic and social issues of the day. The Secretary-General had reminded it (21st meeting) that the Council was the body ideally suited for the task of strengthening co-operation within the United Nations system, and that it should take up once again the role laid down for it by the Charter of the United Nations. In practice, however, the answer to the question whether the Council had completed the task assigned to it by General Assembly decision 40/475 was obvious.

60. In his delegation's view, the Council should pronounce itself in a formal and substantive way on that item, as individual delegations had done during the general discussion. Their concerns were borne out by United Nations documents, including the *World Economic Survey 1986* (E/1986/59), regional surveys and reports by specialized agencies and expert bodies, such as the Committee on Development Planning. The revised informal working paper (E/1986/L.28, annex) had been intended as a basis for positive action, but in that respect too the Council had failed. How long could the peoples of the developing countries go on waiting for concerted United Nations action, or even a formal recognition by all States Members of the imbalances in the world economy, and the need for multilateral co-

² *Official Records of the General Assembly, Forty-first Session, Supplement No. 3 (A/41/3), chap. II, para. 84.*

operation? Time was running out. What was needed was a comprehensive, action-oriented, multilateral framework to deal with interrelated issues, which bore so crucially on the living standards of the overwhelming majority of people throughout the world. The adoption by vote of resolution 1986/56 on the net transfer of resources from developing to developed countries (see above, paras. 28-34) had been a regrettable example of the necessity to decide to take even meagre action on a major issue by vote. It was to be hoped that in the near future the necessary political will of the countries that had not supported that resolution would be manifested in a positive way, and that such urgent problems could be dealt with by consensus.

61. His Government fully supported the purposes of that resolution, which related to the dilemma of developing countries such as the Philippines in their efforts to achieve recovery and development. They were not only hampered by the burden of debt servicing but also by restrictions on access to markets in the developed countries, and by falling commodity prices. Only effective measures in the interrelated fields referred to in the priority item could reverse the net outflow of their resources and give impetus to development efforts. He trusted that the comprehensive report which the Secretary-General was requested to prepare would fully document the magnitude of the problem and its adverse impact on development. He hoped that it would also show the way for effective measures in the interrelated areas referred to and lead to remedies which would take fully into account the urgent needs of developing countries.

62. He had come to the Council's session to affirm the confidence of the new Philippine Government in the capacity of the international community to take concerted multilateral action. That confidence had never been stronger despite the fact that the Filipino people were grappling not only with the Herculean task of reconstructing their economy but were also transforming their entire socio-political structure in order to ensure that all citizens would benefit from the development process. The improvement of the external economic environment was a necessary step towards that goal.

63. Having successfully restored democracy, the Filipino people were engaged in drafting a new Constitution. They might not, however, succeed in realizing their aspirations unless there was an adequate international response to their development needs. The fundamental principles of his Government's foreign policy included recognition of the interdependence of nations, and it would resolutely pursue policies to strengthen relations with all countries of the world.

64. Mr. WORONIECKI (Poland), speaking on behalf of the socialist countries of Eastern Europe, said that they regretted the lack of progress, despite all efforts, towards greater consensus on the interrelated issues in question. The socialist countries were highly interested in the restructuring of the international monetary system, which adversely affected their economies as well

as those of some capitalist nations. It was only right that due attention should be given to the just call to redress the unfair burden imposed on the developing world by the developed capitalist countries and for the adverse effects of colonialist plundering. The socialist countries, moreover, formed no part of the small circle of nations responsible for the current international currency system and its adverse effects. They and the developing nations had been excluded from discussions on many important questions which affected the world economy; they therefore advocated the establishment of a forum on monetary matters in which all could participate.

65. There were close connections between the current international monetary system and the worsening economic climate. The problem of indebtedness could be resolved only by putting an end to the current unjust international economic order, with its unfair terms of trade, imbalances in international exchange rates and the continued plundering of many nations' economic resources by imperialist Powers to finance their own economic and military programmes. For all those reasons, the socialist countries advocated a comprehensive approach to all the interrelated issues in question, and in particular to the elaboration of a report thereon to the General Assembly at its forty-first session; that was why they had taken an active part in the discussions based on the revised informal working document (E/1986/L.28, annex).

66. Mr. DUN (United Kingdom), speaking on behalf of the member States of the EEC, said that they had been pleased to join the consensus on the text arrived at during the informal consultations, having participated actively in the related discussion. He had already voiced the reservations of those States regarding the procedural aspects; the comments made were still valid. With regard to the substance, his delegation had stated (22nd meeting) the importance it attached to the interrelated issues, and had indicated the role of the various specialized forums and in particular the Council's unique position, which the representative of the Philippines had just mentioned. The member States of the EEC were ready to pursue discussions on the matter at a suitable time.

AGENDA ITEM 20

International co-operation and co-ordination within the United Nations system

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

67. Mr. ALBIN (Observer for Mexico) said that in recent years his delegation had sought to introduce reforms into the United Nations system in order to enable the various bodies to fulfil their mandates more effectively; in 1984 and 1985 particularly, the growing number of sponsors for the draft resolutions tabled by Mexico at the Council's second regular sessions had testified to the growing concern on the subject. The fact

that his delegation had not submitted a draft resolution at the current session did not signify any loss of interest; indeed, because of the importance it attached to the question, his delegation had taken the view that it would be advisable to await the report to be submitted by the Group of High-level Intergovernmental Experts, established by the General Assembly, on the reforms that should be undertaken. His delegation continued to hope for changes that would improve the effectiveness of the Council.

68. The PRESIDENT invited the Council to consider draft resolution I, entitled "Joint Meetings of the Committee for Programme and Co-ordination and the Administrative Committee on Co-ordination", contained in paragraph 17 of part I of the report (E/1986/126).

The draft resolution was adopted (resolution 1986/50).

69. The PRESIDENT invited the Council to take a decision on draft resolution II, entitled "Report of the Committee for Programme and Co-ordination on the work of its twenty-sixth session", contained in paragraph 17 of part I of the report (E/1986/126).

70. Mr. KAMIL (Egypt), speaking as Vice-Chairman of the Third (Programme and Co-ordination) Committee, said that since the Committee had adopted the text of draft resolution II, informal consultations had been held on an amendment to operative paragraph 3 in section II of the text. He understood that, as a result of the consultations, there was agreement within the Council to an amendment which would replace the text from the words "and fully endorses" to the end of the paragraph, by the words "and endorses the recommendations of the Committee on priority setting and urges the Committee to continue to improve priority setting in the United Nations system in accordance with its role, as set out in its mandate".

71. He proposed that the text of draft resolution II should be amended accordingly.

The draft resolution, as amended, was adopted (resolution 1986/51).

72. Mr. ROBERTSON (Australia) said that, following the adoption of that text by the Third (Programme and Co-ordination) Committee, his delegation had expressed Australia's concern that CPC was not currently functioning in a manner which enabled it to fulfil its important mandate, particularly with regard to priority setting. Australia supported a strengthened role for CPC in that area, particularly during the current financial emergency; it therefore welcomed the inclusion, in the text just adopted, of language urging CPC to continue to improve priority setting in the United Nations system pursuant to its mandate. It recognized that priority setting involved political sensitivities and complications in large and diverse organizations such as the United Nations; Australia hoped that the Group of High-level Intergovernmental Experts would put forward specific recommendations in that regard. His country was concerned about the broad and apparently

undefined resource implications of paragraph 5 in part VI of the resolution just adopted. While noting that the text had no programme budget implications, his delegation was not satisfied that, at a time when the Secretariat was facing severe resource and staffing pressures, the task requested of the Secretary-General was an efficient use of limited resources.

73. The PRESIDENT invited the Council to take a decision on draft resolution III, entitled "Duration of the twenty-seventh session of the Committee for Programme and Co-ordination", contained in paragraph 17 of part I of the report (E/1986/126).

74. Mr. LABERGE (Canada) said that his delegation, in a spirit of compromise, had joined in the consensus on the text in question. Nevertheless, bearing in mind the Organization's grave financial straits, it felt that an opportunity to streamline the organization of work had been missed.

75. Mr. SHAPOVALOV (Union of Soviet Socialist Republics) said that although his delegation had no objection to the adoption of draft resolution III without a vote, it assumed that there would be no increase in CPC meetings during the current biennium or a rise in expenditure under the programme budget for that biennium.

76. Miss COURSON (France) pointed out that no French text of part I of the report (E/1986/126) was yet available.

77. Mr. ORLANDO (United States of America) said that his delegation's support, at the General Assembly's forty-first session, for the extension proposed to CPC's twenty-seventh session would depend on the absorption of the additional costs involved, described in the statement submitted by the Secretary-General (E/1986/C.3/L.14). His delegation also hoped there would be no further administrative errors of that kind.

The draft resolution was adopted (resolution 1986/52).

78. The PRESIDENT said that part II of the report of the Third (Programme and Co-ordination) Committee on agenda item 20 (E/1986/126/Add.1) would be considered later.³

AGENDA ITEM 21

Proposed revisions to the medium-term plan for the period 1984-1989

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

The Council took note of the report of the Third Committee (E/1986/127).

79. The PRESIDENT said that the Council had completed its consideration of agenda item 21.

³ See 38th meeting (part II), paras. 23 and ff., and 38th meeting (part III), paras. 22-51.

AGENDA ITEM 9

Transnational corporations

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

80. The PRESIDENT invited the Council to take a decision on draft resolution I, entitled "Work of the United Nations Centre on Transnational Corporations", contained in paragraph 19 of the report (E/1986/130).

The draft resolution was adopted (resolution 1986/53).

81. Mr. WORONIECKI (Poland), speaking on behalf of the socialist States of Eastern Europe, said that they had no objection to the adoption without a vote of draft resolution I, but reiterated their support for the mandate of the Commission on Transnational Corporations, pursuant to Council resolution 1913 (LVII), of 5 December 1974, and their recognition of the useful work it had carried out during the past decade, including its continued focus on the impact of transnational corporations on international relations and on the development of the third world. The adoption of draft resolution I should not prejudice in any way the work to be carried out on drawing up and implementing the relevant code of conduct. The socialist countries continued to stress the vast difference, in the effects on international relations, between the work of socialist organizations and the activities of TNCs. The text just adopted in no way altered the mandate of the Commission or involved any compromise of the socialist States' support for and involvement in the work of the United Nations Centre on Transnational Corporations.

82. The PRESIDENT invited the Council to take a decision on draft resolution II, entitled "Ongoing and future research", contained in paragraph 19 of the report (E/1986/130).

A vote was taken by roll-call.

Panama, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Bangladesh, Brazil, Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Djibouti, Egypt, Gabon, German Democratic Republic, Guinea, Haiti, India, Indonesia, Iraq, Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierre Leone, Somalia, Sri Lanka, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: Australia, Belgium, Canada, Finland, France, Germany, Federal Republic of, Italy, Japan, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Iceland.

The draft resolution was adopted by 39 votes to 12, with 1 abstention (resolution 1986/54).

83. Mr. ORLANDO (United States of America) said that his delegation had voted against draft resolution II, which gave the United Nations Centre on Transnational Corporations a mandate for a major, new research programme on international banking. The United States of America would continue to oppose the Centre's activities in that field; it had strongly criticized them during the twelfth session of the Commission on Transnational Corporations. The Centre was not competent to engage in international financial issues of the sort contemplated in the adopted text; such activity, moreover, would be a direct intrusion into, and an unnecessary duplication of, the activities of specialized international financial institutions.

84. Mr. GONDJOUT (Gabon) said that his delegation had voted in favour of draft resolution II, but had abstained during the earlier vote in the Committee since his delegation had received no instructions at the time.

85. The PRESIDENT invited the Council to take a decision on draft resolution III, entitled "Expert advisers to the Commission on Transnational Corporations", contained in paragraph 19 of the report (E/1986/130).

86. Mr. ORLANDO (United States of America) said that his delegation intended to vote against draft resolution III, which called for additional expenditure of \$121,300 to fund the expert advisers to the Commission on Transnational Corporations in 1987. The United States of America firmly believed that the resources could be found through savings in section 9 of the programme budget for the biennium 1986-1987. It was extremely dissatisfied with the revelation that allotments for first-class travel and excess baggage would amount to an average of \$5,744 for each expert in travel costs alone for two meetings. The Organization could ill afford such extravagance at any time; yet no action to limit the expenditure had even been contemplated by the Council, except by those members opposed to the resolution. The financing of such travel for "experts", at a time when the Organization faced serious problems, was bound to create a bad image of the United Nations.

A vote was taken by roll-call.

Rwanda, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Bangladesh, Brazil, Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Djibouti, Egypt, Finland, Gabon, German Democratic Republic, Guinea, Haiti, Iceland, India, Indonesia, Iraq, Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Sweden, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: Belgium, Canada, France, Germany, Federal Republic of, Italy, Japan, Spain, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Australia.

The draft resolution was adopted by 42 votes to 9, with 1 abstention (resolution 1986/55).

87. Mr. LABERGE (Canada) said that his delegation had been unable to vote in favour of draft resolution III; it could not support, in the current financial situation, action which, instead of using existing financial resources, would have additional budget implications.

88. Mr. FIELD (United Kingdom), speaking on behalf of the member States of the EEC, said that, at a time of unprecedented financial crisis for the Organization, they could not support action which had such budget implications. The decision taken by ACABQ had been to limit the funding to one year in the first instance; it should be left to ACABQ to take a decision in regard to the second year and to deal with the matter, it was to be hoped, within the Centre's existing budget.

89. Mr. ČABRIĆ (Yugoslavia), speaking on behalf of the Group of 77, said that the latter deeply regretted that no consensus had been achieved in regard to draft resolution III, despite the flexibility reflected in its wording. The topic had been unduly politicized, including an attempt to involve ACABQ in a matter outside its mandate. It was the developed countries, after all, that had introduced expert advisers. Their services had been extremely useful and should be maintained beyond 1986.

90. Ms. DANIELSEN (Observer for Norway) said her delegation regretted the failure to achieve consensus on draft resolution III, which involved no additional financial implications in relation to those of previous years. The services of the expert advisers had proved fully satisfactory to all parties concerned.

91. Mr. PILBEAM (Australia) said that his delegation had abstained in the vote in the First (Economic) Committee and in the plenary meeting because no precise definition of the role of the expert advisers had yet been produced; such a definition would be of great assistance in the future, particularly in considering questions of funding.

92. The PRESIDENT invited the Council to take a decision on draft decision I, entitled "Provisional agenda and documentation for the thirteenth session of the Commission on Transnational Corporations", contained in paragraph 20 of the report (E/1986/130).

The draft decision was adopted (decision 1986/168).

93. The PRESIDENT invited the Council to take a decision on draft decision II, entitled "Report of the Commission on Transnational Corporations on its reconvened special session and report of the Secretary-General on the question on expert advisers", contained in paragraph 20 of the report (E/1986/130).

The draft decision was adopted (decision 1986/169).

94. The PRESIDENT said the Council had completed its consideration of agenda item 9.

AGENDA ITEM 8

Regional co-operation (*continued*)

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

95. The PRESIDENT invited the Council to consider draft resolution I, entitled "Amendment of the terms of reference of the Economic and Social Commission for Asia and the Pacific: admission of the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau as associate members of the Commission", contained in paragraph 21 of the report (E/1986/129).

The draft resolution was adopted (resolution 1986/57).

96. The PRESIDENT invited the Council to consider draft resolution II, entitled "Proposals for updating the programme of work of the Economic Commission for Africa for the biennium 1986-1987 in the light of appropriations approved by the General Assembly and the availability of extrabudgetary resources", contained in paragraph 21 of the report (E/1986/129).

The draft resolution was adopted (resolution 1986/58).

97. The PRESIDENT invited the Council to consider draft resolution III, entitled "Financial status of the Economic and Social Commission for Western Asia", contained in paragraph 21 of the report (E/1986/129).

The draft resolution was adopted (resolution 1986/59).

98. The PRESIDENT invited the Council to consider draft resolution IV, entitled "Request for the relocation of the headquarters of the Economic and Social Commission for Western Asia", contained in paragraph 21 of the report (E/1986/129).

The draft resolution was adopted (resolution 1986/60).

99. The PRESIDENT invited the Council to consider draft resolution V, entitled "Strengthening United Nations technical co-operation in the Caribbean region", contained in paragraph 21 of the report (E/1986/129).

The draft resolution was adopted (resolution 1986/61).

100. The PRESIDENT invited the Council to consider draft decision I, entitled "Rule 2 of the rules of procedure of the Economic Commission for Latin America and the Caribbean", contained in paragraph 22 of the report (E/1986/129).

The draft decision was adopted (decision 1986/173).

101. The PRESIDENT invited the Council to consider draft decision II, entitled "Special conference of the Economic Commission for Latin America and the Caribbean", contained in paragraph 22 of the report (E/1986/129).

102. Mr. ORLANDO (United States of America) said that his delegation had abstained on resolution 487 (XXI) of ECLAC because his delegation had been unprepared for the proposal by the President of Mexico and was unable to give it the serious consideration it deserved. His Government was currently studying the offer by the President of Mexico to host a special session of ECLAC to deal with stabilization policies as recommended by international organizations, alternatives in the solution to the external debt problems, the structure of the production process and regional co-operation. Until it had completed its study and understood what the session was intended to accomplish the United States of America could not join in the decision to convene a special session of ECLAC in late 1986, and must therefore call for a vote on draft decision II, in which it would abstain. His delegation nevertheless assured the Council that the proposal made by the President of Mexico would be given serious consideration, and hoped that the special session would be a success.

103. The PRESIDENT invited the Council to vote on draft decision II.

The draft decision was adopted by 50 votes to none, with 1 abstention (decision 1986/174).

104. Mr. ALBIN (Observer for Mexico) said that his delegation was convinced that the special session of ECLAC proposed by the President of Mexico would provide an opportunity for a high level, open debate and for a genuine effort to shed light on the region's economic and social development problems and to consider in depth the regional and international co-operation measures that the current situation called for.

105. In view of the wide support for the initiative, as reflected in the decision just taken by the Council as well as the Secretary-General's observations (21st meeting), his delegation hoped that all States members of ECLAC would work together to improve the groundwork for an understanding of the region's problems.

106. The PRESIDENT invited the Council to take a decision on draft decision III, entitled "Amendments to the terms of reference of the Economic Commission for Latin America and the Caribbean", contained in paragraph 22 of the report (E/1986/129).

The draft decision was adopted (decision 1986/175).

107. The PRESIDENT invited the Council to consider draft resolution I, entitled "Transport and Communications Decade in Africa", contained in paragraph 13 of part II of the report (E/1986/129/Add.1).

The draft resolution was adopted (resolution 1986/62).

108. Mr. BENHIMA (Morocco) recalled the statement made by his delegation after the adoption of draft resolution I by the First (Economic) Committee and urged the Secretary-General to review and update his report entitled "Regional co-operation" (E/1986/98), and in particular paragraph 58 thereof, in the light of the views expressed in the Council and in conformity

with the whole of the resolution just adopted. He hoped that it would not be necessary to re-open the debate on that issue, which should in no way be allowed to distract Africa from its gigantic task of economic recovery and development.

109. Mr. SHAABAN (Egypt) welcomed the adoption of draft resolution I and expressed appreciation of the spirit of understanding and flexibility shown by all the parties concerned in view of the fact that the Transport and Communications Decade in Africa was a symbol of Africa's determination to enhance and strengthen co-operation among African States and that an efficient infrastructural network of transport and communications was a prerequisite for the furtherance of social and economic co-operation among African countries.

110. The PRESIDENT invited the Council to consider draft resolution II, entitled "Industrial Development Decade for Africa", contained in paragraph 13 of part II of the report (E/1986/129/Add.1).

The draft resolution was adopted (resolution 1986/63).

111. Mr. ORLANDO (United States of America) said that his delegation, although pleased to join the consensus on draft resolution II, urged the Programme and Budget Committee and Industrial Development Board to increase the allocation for the Decade in the 1988-1989 programme budget by reallocating resources from lower-priority UNIDO programmes. Additional funding for the 1988-1989 programme budget to accommodate the Industrial Development Decade was not an acceptable alternative.

112. Mr. COLLIS (United Kingdom), speaking on behalf of the member States of the EEC, said that those States had joined the consensus despite certain reservations based on the fact that, while voting on the budget at the UNIDO Governing Council, they had not opposed the inclusion of the Industrial Development Decade for Africa as an exceptional measure for that biennium only. It had not been envisaged as a continuing and growing element in the main budget of UNIDO. At that time, the States of the EEC had also emphasized the principle that operational activities should be financed from voluntary contributions. In fact, UNIDO now had a separate voluntary-funded budget for technical co-operation to which they were contributing. The States of the European Community were opposed to the use of regular budget funds for the purposes of technical co-operation whether in UNIDO or elsewhere. That had been made clear during the vote in the General Assembly on resolution 39/233, of 18 December 1984. The Programme and Budget Committee and the Industrial Development Board had a responsibility to determine the priorities for expenditure of their budgets. Any decision concerning the priority given to the Industrial Development Decade for Africa should not affect the existing size of their budgets.

113. Mr. SHAABAN (Egypt) said that, during the informal consultations on draft resolution II, some delegations, while expressing support for the objectives

of the Decade, had opposed any financial implications resulting from draft resolutions. However, on 1 June 1986, when the General Assembly adopted by consensus, in its resolution S-13/2 the United Nations Programme of Action for African Recovery and Development 1986-1990, the international community had committed itself to providing sufficient resources to support and supplement the African development effort in a spirit of genuine and equal partnership. While recognizing the validity of a request for specific allocations for the Industrial Development Decade, his delegation had negotiated a consensus text of that resolution in order to avoid a set-back to the United Nations Programme of Action and, at the same time, to prove to the developed countries that the developing countries were not abusing their so-called automatic voting majority; on the contrary, they were serious in calling for dialogue and negotiation in good faith on all issues of international economic co-operation. Accordingly, he hoped that the appeal to the Programme and Budget Committee and the Industrial Development Board, as mentioned in operative paragraph 5 of the draft resolution, to increase the allocation for the Decade in the 1988-1989 programme budget, would be considered in the same spirit that had facilitated the consensus on the resolution as a whole.

114. The PRESIDENT invited the Council to vote on the draft decision entitled "Reports of the Secretary-General on regional co-operation and on the Transport and Communications Decade for Asia and the Pacific", contained in paragraph 14 of part II of the report (E/1986/129/Add.1).

The draft decision was adopted (decision 1986/176).

115. The PRESIDENT invited the Council to consider the draft decision entitled "Membership of Israel in the Economic Commission for Europe" (E/1986/C.1/L.7) and the draft resolution entitled "Membership in Regional Commissions" (E/1986/C.1/L.8), submitted to the Council at the 37th meeting.

116. Mr. LABERGE (Canada) said that at the 37th meeting it had been agreed that consultations should be pursued with a view to reaching a settlement of that question. During those consultations, it had been proposed to refer the matter to the secretariats of ESCWA and the ECE. However, in the course of consultations with ESCWA member countries, it had been ascertained that such a proposal would not be entertained. Consultations with member countries of the Council had led to the formulation of a draft resolution, which he read

out, entitled "Membership of Israel in the Economic Commission for Europe" and which would be issued shortly as document E/1986/L.42.

117. Mr. DAOUDY (Syrian Arab Republic) said that no progress had been made in the consultations which had begun on 14 July with a view to reaching a consensus on the draft resolution read out by the representative of Canada. Consequently, more time should be given to the Executive Secretary of the ECE to conduct consultations with member countries. The Executive Secretary should then report on those consultations to the Council at its second regular session in 1987. Accordingly, he proposed that the debate on the item under discussion should be adjourned, in accordance with the Council's rules of procedure, until the second regular session of ECOSOC in 1987, in order to avoid continued confrontation and to allow the member countries of the ECE sufficient time to consider the matter.

118. The PRESIDENT drew the attention of the Council to rule 50 of the rules of procedure.

119. Mr. COLLIS (United Kingdom) said that his delegation wished to move the suspension of the meeting until the following day in order to give the secretariat time to process and issue the draft resolution read out by the Canadian delegation.

A vote was taken by roll call on the motion by the United Kingdom of Great Britain and Northern Ireland to suspend the meeting.

Italy, having been drawn by lot by the President, was called upon to vote first.

In favour: Australia, Belgium, Canada, Colombia, Costa Rica, Finland, France, Germany, Federal Republic of, Haiti, Iceland, Italy, Jamaica, Japan, Panama, Papua New Guinea, Philippines, Spain, Sweden, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Zaire.

Against: Byelorussian Soviet Socialist Republic, German Democratic Republic, Iraq, Mozambique, Syrian Arab Republic, Union of Soviet Socialist Republics.

Abstaining: Argentina, Bangladesh, Brazil, China, Djibouti, Egypt, Gabon, Guinea, India, Indonesia, Morocco, Nigeria, Pakistan, Peru, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Venezuela, Yugoslavia, Zimbabwe.

The motion was adopted by 22 votes to 6, with 24 abstentions.

The meeting was suspended at 6.50 p.m.

38th meeting (part II)

Wednesday, 23 July 1986, at 11.30 a.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.38/Add.1

AGENDA ITEM 7

Effective mobilization and integration of women in development

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

1. The PRESIDENT invited the Council to take a decision on draft resolution I, entitled "Updating of the world survey on the role of women in development" contained in paragraph 15 of the report (E/1986/128).

The draft resolution was adopted (resolution 1986/64).

2. The PRESIDENT drew the Council's attention to draft resolution II, entitled "Strengthening the work of the United Nations in integrating women effectively in economic development programmes and activities", also contained in paragraph 15 of the report (E/1986/128).

3. Mr. MALIK (India) noted that the report (E/1986/128, para. 14) only alluded to the statement of the representative of the Budget Division. However, when the First Committee had considered draft resolution II, it had been decided that explicit reference would be made to the assurances given by the Secretariat to the effect that the draft resolution would have no financial implications and would not lead to changes in the order of priorities of the 1986-1987 programme budget. It was only on those conditions that India could support draft resolution II.

4. Mr. BRILLANTES (Philippines) said that the Economic and Social Commission for Asia and the Pacific was also interested in the integration of women in economic development programmes and activities, and he wished to propose the insertion of the words "of the Economic and Social Commission for Asia and the Pacific" in the eleventh preambular paragraph, after the words "Economic Commission for Latin America and the Caribbean". Subject to that minor amendment, the Philippines supported draft resolution II.

5. The PRESIDENT said that account would be taken of the observations of the representatives of India and the Philippines. He invited the Council to take a decision on draft resolution II.

The draft resolution, as orally amended, was adopted (resolution 1986/65).

6. Mr. LABERGE (Canada) welcomed the adoption of draft resolution II by the Council. The object of the draft resolution was not to create additional expenditures but rather to contribute to a change of mind-set

with regard to the participation of women in economic development. If the Nairobi Forward-looking Strategies for the Advancement of Women¹ were to be implemented, decision makers needed to modify their thinking and to provide sustained follow-up of decisions. Some delegations might have felt that the thrust of the draft resolution was unfairly aimed at developing countries: while it was true that the very purpose of ECOSOC was above all directed to the development of developing countries, the text of the draft resolution was addressed to all countries without exception. The change in mind-set was relevant everywhere, regardless of the changes that had already taken place in some countries as opposed to others. It was essential for all countries, and for the United Nations system itself, to mobilize the important human resources which women represented, and the adoption of draft resolutions I and II was an important step in the right direction.

7. Mr. DU CAUSE DE NAZELLE (France) recalled that during the discussion of draft resolution II in the First Committee, French-speaking delegations had agreed to proceed, exceptionally, without the French version of the proposed text. Nevertheless, the problem was a serious one, and on behalf of those delegations which used French as their working language at the United Nations, he wished to express grave concern at the fact that many delegations had not been able to participate in the conduct of the Council's work in their working language.

8. All French-speaking delegations had a right—a duty, even—to work in French. Indeed, according to the provisions of the General Assembly, French was one of the six official languages and one of the two working languages, on an equal footing with English. Those rules had been confirmed and further clarified by rule 32 of the rules of procedure of the Economic and Social Council. He was aware of the Secretary-General's commitment to compliance with those provisions and he wished to pay tribute, in particular, to the Secretary-General's role in defending French as a working language. The implementation of cost-saving measures, which France itself had recommended, should not have as a result the contravention of the principles of the United Nations or derogation from the status of the different languages. His delegation could not accept any discrimination against the French language and it hoped that the Secretary-General would ensure the strict application of the rules governing the use of languages at the United Nations.

¹ *Report of the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women: Equality, Development and Peace, Nairobi, 15-26 July 1985* (United Nations publication, Sales No. E.85.IV.10), chap. I, sect. A.

9. Mr. SENE (Senegal) expressed satisfaction at the adoption of the two draft resolutions on the role of women in development. It was not without significance that the Forward-looking Strategies had been adopted at a conference held in Africa, and the United Nations Programme of Action for African Economic Recovery and Development 1986-1990, took due account of the targets set in those strategies.

10. Moreover, his delegation unreservedly supported the representative of France on the issue of the use of French in the work of the Council. The cost-saving measures which had been decided upon should not be an obstacle to the application of the principles governing the use of the official languages and the working languages, which were an irreplaceable instrument of understanding and communication among countries.

11. Miss DEVER (Belgium), Mr. KANYAMIBWA (Rwanda), Mr. COULIBALY (Guinea), Mr. LABERGE (Canada) and Mr. CHARLES (Haiti) associated themselves in all respects with the statements by the representatives of France and Senegal.

12. Mr. PEREZ DEL ARCO (Spain), also expressing support for the statements by the representatives of France and Senegal, said that he was concerned about delays in the issue of documents in Spanish.

13. Mr. AMSELEM (United States of America) said that his delegation had joined the consensus in favour of the adoption of draft resolutions I and II. He wished to emphasize, however, that the Nairobi Forward-looking Strategies were not aimed solely at equality, development and peace. They incorporated a great number of objectives, chief among them being to establish general guidelines for action by the United Nations to promote the advancement of women in all areas.

14. Mr. FIELD (United Kingdom), speaking on behalf of the member countries of the EEC, said that those countries had reservations about the arbitrary choice, in resolution I, of three principal themes among the numerous relevant topics. The real theme of the resolutions was stated in their titles, and resolution I, concerning the world survey on the role of women in development, should attach equal importance to all topics in that domain.

15. The PRESIDENT announced that the Council had concluded its consideration of agenda item 7.

AGENDA ITEM 17

Transport of dangerous goods

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

16. The PRESIDENT invited the Council to adopt the draft resolution entitled "Work of the Committee of Experts on the Transport of Dangerous Goods", contained in paragraph 9 of the report (E/1986/138).

The draft resolution was adopted without objection (resolution 1986/66).

17. Mr. BROOKS (United States of America), welcoming the adoption of the draft resolution, noted that his delegation had been reticent about the initial text (E/1986/C.1/L.2), not because the United States questioned the competence of the new members proposed or the contribution which they might make to the work of the Committee, but because in geographical terms the membership of that body was seriously unbalanced and the adoption of that text would only have made things worse. He pointed out that 7 of the 10 members of the Committee came from a single region; neither Africa nor Latin America was represented, and Asia had too few members. The developing countries had no say in the matter, and there was room for doubt as to whether their interests, which were not necessarily the same as those of the current members of the Committee, were being given their full weight. He therefore hoped that, by the following session of the Council, some countries would have decided, in the general interest, to take part in the Committee's work.

18. Mr. MALIK (India), referring to operative paragraph 4 of the draft resolution, said that the resources needed to maintain the regular work programme at the requisite level should be obtained from the funds allocated to the ECE, which had a comfortable margin to work within.

19. Mr. RUDENSKY (Union of Soviet Socialist Republics) pointed out that the Russian version of the draft resolution contained errors which should be corrected.

20. Mr. HANTKE (Federal Republic of Germany) said that the sponsors of the draft resolution were fully aware of the need to expand the geographical composition of the Committee. In paragraph 2 (b), the Secretary-General was invited to welcome, "in particular, the participation of interested developing countries, upon request, as full members of the Committee". Five seats were currently vacant, and he expressed the hope that the developing countries would not fail to take advantage of that opportunity.

21. Mr. LABERGE (Canada) said he was pleased that the Council had reached consensus on the text of the draft resolution, and he stressed the importance of paragraph 2, which was aimed at widening the Committee's geographical composition. It was indeed essential for the developing countries to participate and for their interests to be duly taken into account in the Committee's programme of work and recommendations. Competent observers were also needed to collaborate actively with the Committee.

22. The PRESIDENT announced that the Council had concluded its consideration of agenda item 17.

AGENDA ITEM 20

International co-operation and co-ordination within the United Nations system (*continued*)

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

23. The PRESIDENT invited the Council to take a decision on draft resolution I, entitled "Centenary of the Berne Convention for the Protection of Literary and Artistic Works", contained in paragraph 23 of part II of the report (E/1986/126/Add.1).

The draft resolution was adopted (resolution 1986/68).

24. The PRESIDENT invited the Council to take a decision on draft resolution II, entitled "World decade for cultural development", contained in paragraph 23 of part II of the report (E/1986/126/Add.1).

25. Mr. GONDJOUT (Gabon) said that a world decade for cultural development would promote increased awareness of the interdependence of culture and development, enable peoples to affirm their identity, broaden participation in cultural life and encourage international co-operation in that area. The African countries attached particular importance to those objectives; while not rejecting external contributions which would enrich their cultural heritage, they should try to master their own destinies by encouraging their élite gradually to penetrate the secrets of Western civilization and unravel the "mysteries" of science and technology.

26. Gabon itself had established the National Agency for Artistic and Cultural Promotion, and in 1983 had participated in establishing the International Centre for Bantu Civilization (CICIBA), which sought to preserve and enrich the heritage of peoples of Bantu language and culture and already had 10 member countries. Gabon was grateful to the EEC for the support it gave to CICIBA, and urged it to continue and strengthen its co-operation with the Centre in accordance with the provisions of the third ACP/EEC Lomé Convention concerned with socio-cultural co-operation.

27. Moreover, in December 1984, the Centre had concluded an agreement with UNDP and UNESCO for carrying out a regional project, and had signed protocols of agreement with UNESCO, the Society of African Culture and the OAU. WHO had actively participated in the UNDP/UNESCO/CICIBA round-table discussion, and would, he hoped, augment its support for the traditional medicine and pharmacopoeia programme.

28. The proclamation of the decade could help to strengthen international cultural co-operation. With regard to the financial aspects of that co-operation, the Assistant Director-General for Culture and Communication of UNESCO had indicated that his organization planned to include in its budget the appropriations required for activities within its sphere of competence, and to bring its third medium-term plan (1990-1994) into line with the plan of action of the

decade so as to redistribute existing resources without submitting an additional bill to the international community.

29. At its twenty-first session, held from 18 to 20 July 1985 at Addis Ababa, the Assembly of Heads of State and Government of OAU had supported the General Assembly proclamation of a world decade for cultural development. The African Ministers of Culture, meeting in Mauritius in April 1986, had subsequently adopted a resolution on that subject. Those moves indicated the importance attached by Africa to the decade, which required both a keen awareness of individual and collective responsibilities and the adoption of concrete measures. It was therefore essential for the international community to understand the importance of cultural development and summon up all its strength in order to promote it.

30. Mr. WONDJI (Observer for Côte d'Ivoire) supported the proclamation of the world decade for cultural development. The measures provided for in the draft plan of action for the decade (E/1986/L.30, annex) had a very special importance for African peoples, who were increasingly anxious to promote their identity and believed that cultural progress must go hand-in-hand with technical progress.

31. In order to dispel any concern regarding the cost of the project, he recalled that the Assistant Secretary-General of UNESCO for Culture and Communication had stated that implementation of the plan of action for the decade required no budget increase for the organization and, consequently, would not entail a request for additional appropriations.

32. Mr. DU CAUSE DE NAZELLE (France) said that, although the Council was called upon only to take a procedural decision on the matter, it must not give the impression of minimizing in any sense the importance of a project which had already been the subject of intensive combined international efforts, as its ambitious objectives warranted.

33. The world decade for cultural development could not be reduced to a mere plan of action or list of measures, nor to the defence and glorification of a specialized agency. Above all, the project was intended to show that culture, in the broad sense of the term, was at the heart of any social change or development process. Its scope was universal for two reasons: because the project went far beyond the strict field of competence of UNESCO, and because it had already been the subject of a consensus.

34. His country hoped that, by transmitting the draft to the General Assembly, the Council would simply recognize that culture was not a separate compartment or a luxury in people's lives but the very stuff of life, and that all activities, particularly those concerned with development, must make allowance for that fact.

35. Mr. ROAELINA (Observer for Madagascar) said that the draft plan of action for the world decade for cultural development (E/1986/L.30, annex) established

a link between economic concerns and cultural issues. Focusing development merely on economic growth without due regard for cultural aspects would have dehumanizing effects, especially on third-world countries. The world decade for cultural development answered a need of the modern world, and he hoped that the entire international community would make the efforts necessary to integrate culture and development. The Council must, therefore, support the draft and transmit it to the General Assembly with a view to proclamation of the decade at the Assembly's forty-first session.

36. Mr. KAMIL (Egypt) supported the draft resolution on the proclamation of a world decade for cultural development, which would make it possible to protect the cultural heritage of all States. The goals set in the draft plan of action (E/1986/L.30, annex) were of paramount importance not only for all African States but for all the members of the international community.

37. Mr. AREVALO YEPES (Colombia) supported the proclamation of a world decade for cultural development. He recalled that that idea had originated in Latin America during the World Conference on Cultural Policies which UNESCO had organized in 1982 in Mexico City. Colombia as well as the other Latin American countries welcomed the major objectives of the draft plan of action. Their attainment would depend on the adoption by the international community, nationally and internationally, of concrete measures which would radically transform countries' cultural systems and bring about unity within the diversity of mankind's cultural identities.

38. Mr. LABERGE (Canada) said that his country firmly supported the work of UNESCO and of the United Nations itself, although the latter was going through a difficult restructuring period, at the end of which it would be a more effective organization. His delegation supported the objectives of the world decade for cultural development, but was very concerned that the activities undertaken in that regard should neither burden UNESCO with an unmanageably nebulous programme nor create further administrative difficulties. It reserved the right to raise that issue again in the General Assembly.

39. Mr. GONSALVES (India) said that the Indian delegation to UNESCO had strongly supported the proposed proclamation of a world decade for cultural development. That initiative was a timely and appropriate reminder of the importance of the cultural aspect of development, an aspect too often overlooked. His delegation had hoped for a substantive discussion of the plan of action (E/1986/L.30, annex) at the current session of the Council. That had not been possible because of time constraints but his delegation fully supported draft resolution II.

40. Mr. HASCHKE (German Democratic Republic), speaking also on behalf of Poland, the Byelorussian Soviet Socialist Republic and the Union of Soviet Socialist Republics, said that the socialist countries

had approved the proposal, put forward at the 22nd meeting of the General Conference of UNESCO in 1983, to proclaim a world decade for cultural development. Those countries would participate actively in its implementation.

41. The strategic objectives of the decade were directly linked to the most important problems facing the modern world, for there was obviously a great interdependence between world culture, socio-economic development, the reduction of international tension and the strengthening of confidence between countries. The arms race and the senseless expenditure of resources for military ends were depriving the international community and all States of the opportunity to give full rein to their economic, social and cultural development. It was more vital than ever for everyone to understand that all peoples belonged to one civilization, and action must be taken to maintain peace, eliminate the nuclear threat, halt the arms race and bring about disarmament.

42. The socialist countries supported the draft plan of action for the decade (E/1986/L.30, annex), which would help to re-establish just, democratic international relations in culture and information by abolishing all forms of dependence in that area, establishing a new international information order, increasing mutual understanding and strengthening international co-operation. They were prepared to take an active part in preparations for the decade and wished to join in the activities of the bodies concerned.

43. Many United Nations bodies and other governmental and non-governmental organizations had already expressed their support for the idea of such a decade. Activities undertaken by the international community in that context should essentially be based on the Declaration of the Principles of International Cultural Co-operation, adopted by the General Conference of UNESCO at its fourteenth session (1966), on the recommendation on participation by the people at large in cultural life and their contribution to it, adopted by the General Conference of UNESCO at its nineteenth session (1976), on the recommendations of the World Conference on Cultural Policies, organized by UNESCO in Mexico City (1982), and on resolution 21, entitled "Cultural and scientific co-operation on the basis of quality and mutual interest as an important factor in strengthening peace, friendship and reciprocal understanding among peoples", adopted by the General Conference of UNESCO at its twenty-second session (1983). Particular attention should be paid to the recommendations of the Mexico Conference concerning international cultural co-operation.

44. In conclusion, he said that the socialist countries attached great importance to cultural co-operation in Europe, to which insufficient attention was paid in UNESCO's cultural programmes. They favoured the Economic and Social Council's transmission of the draft plan of action to the General Assembly for adoption at its forty-first session.

45. Mr. CERDA (Argentina) said that he supported draft resolution II and recalled that his delegation had

always attached great importance to culture in the life of peoples and the progress of nations. It also wished to support the role of international cultural co-operation, which was a vehicle for mutual enrichment and understanding between peoples. Argentina hoped that the General Assembly would adopt the plan of action (E/1986/L.30, annex) and proclaim the beginning of the world decade for cultural development in 1988.

46. Mr. COULIBALY (Guinea) said that he was in favour of launching a world decade for cultural development because, without a cultural and social dimension, technical and scientific progress could only lead to the downfall of mankind. The Economic and Social Council must support UNESCO's action.

47. Mr. RAHMAN (Bangladesh), Mr. ARRIAZOLA (Observer for Mexico) and Mr. EZDI (Pakistan) also fully supported draft resolution II and said they hoped that at its forty-first session the General Assembly would proclaim a world decade for cultural development.

48. Mr. ORLANDO (United States of America) said that his delegation would examine the question in greater depth when it was considered by the General Assembly. He recalled that the General Conference of UNESCO, at its twenty-third session, and the Executive Board of UNESCO, at its one hundred and twenty-fourth session, had authorized the Director-General of UNESCO to propose a world decade for cultural development and to draw up a draft plan of action for

the decade. He noted that the draft plan of action submitted by the Director-General (E/1986/L.30, annex) offered few concrete goals and did not even put forward a budget estimate. Moreover, the concept of cultural development that it contained was used in two different senses: one stressed the cultural dimension of development activity while the other promoted general participation in cultural activities. Such ambiguity obstructed a clear definition of the plan's goals and objectives. Given the current financial situation, his delegation did not believe that it was a suitable time to launch an ambitious but vague new decade. It further believed that any resources required for the implementation of the decade should come from voluntary contributions or the regular budget of UNESCO.

49. Mr. JOHANNES (Federal Republic of Germany) said that in principle his delegation was in favour of the draft plan of action for the decade (E/1986/L.30, annex). It had joined the consensus on the decisions and resolutions in UNESCO on the subject. International cultural co-operation, encouragement for the mutual appreciation of different cultures and the protection of cultural identity and heritage should be at the heart of UNESCO's activities in that area. The world decade for cultural development was an undertaking of particular importance, and his country wished to play an active part in its preparation and implementation.

The draft resolution was adopted (resolution 1986/69).

The meeting was suspended at 1.10 p.m.

38th meeting (part III)

Wednesday, 23 July 1986, at 3.10 p.m.

President: Mr. Manuel DOS SANTOS (Mozambique)

E/1986/SR.38/Add.2

AGENDA ITEM 8

Regional co-operation (*continued*)*

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

1. The PRESIDENT recalled that the representative of the Syrian Arab Republic had earlier moved (38th meeting, para. 117), under rule 50 of the Council's rules of procedure, the adjournment until the second regular session of the Council in 1987 of the discussion of the draft decision entitled "Membership of Israel in the Economic Commission for Europe" (E/1986/C.1/L.7) and the draft resolution entitled "Membership in regional commissions" (E/1986/C.1/L.8), submitted at the 37th meeting (para. 34), as

well as the draft resolution entitled "Membership of Israel in the Economic Commission for Europe" (E/1986/L.42), submitted orally at the 38th meeting (para. 116). In accordance with rule 50, he invited two speakers to speak in favour of the motion, and two against.

2. Mr. YONIS (Iraq) expressed support for the motion for adjournment.

3. Mr. LABERGE (Canada) said that, as one of the sponsors of draft resolution E/1986/L.42, his delegation opposed the motion.

4. Mr. GROZDANOV (Observer for Bulgaria) said that, since intensive consultations on draft decision E/1986/C.1/L.7 and draft resolution E/1986/C.1/L.8 were still being held, his delegation supported the motion for adjournment. If the motion was carried, his

* Resumed from the 38th meeting.

delegation would not press for consideration of draft resolution E/1986/C.1/L.8 at the current session.

5. Mr. FIELD (United Kingdom), said that the States members of the ECE had sponsored draft resolution E/1986/L.42 and they and others had devoted a great deal of time and effort to arriving at a generally accepted draft. He, therefore, hoped that it would be voted on by the Council and not put aside on a procedural motion.

6. The PRESIDENT invited the Council to vote on the motion by the Syrian Arab Republic.

A vote was taken by roll-call.

Papua New Guinea having been drawn by lot by the President, was called upon to vote first.

In favour: Bangladesh, Byelorussian Soviet Socialist Republic, German Democratic Republic, India, Indonesia, Iraq, Morocco, Mozambique, Pakistan, Poland, Somalia, Syrian Arab Republic, Union of Soviet Socialist Republics, Yugoslavia, Zimbabwe.

Against: Australia, Belgium, Canada, Colombia, Costa Rica, Finland, France, Germany, Federal Republic of, Iceland, Italy, Jamaica, Japan, Panama, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Zaire.

Abstaining: Argentina, Brazil, China, Egypt, Nigeria, Peru, Philippines, Romania, Rwanda, Senegal, Sierra Leone, Sri Lanka, Turkey.

The motion of the Syrian Arab Republic was rejected by 19 votes to 15, with 13 abstentions.

7. Mr. FERRER (United States of America) proposed that, as in accordance with rule 67 of the Council's rules of procedure, draft resolution E/1986/L.42 should be given prior consideration over draft decision E/1986/C.1/L.7 and draft resolution E/1986/C.1/L.8. Draft resolution E/1986/L.42 had been formulated after extensive consultations and seemed more likely to attract the support of a broad majority of delegations.

8. The PRESIDENT said that if there was no objection, he would take it that the Council agreed to accept the proposal of the United States of America.

It was so decided.

9. The PRESIDENT invited the Council to consider draft resolution E/1986/L.42.

10. Mr. KITIKITI (Zimbabwe) said that the point at issue was not whether a State Member of the United Nations had the right to become a member of a regional commission, but whether an experiment should be embarked upon which would inevitably impose additional strains upon the United Nations system at a time when it was already under severe strain. His delegation thought that time should be allowed for full consultations on all the implications of the issue. It recognized Israel's right to belong to an economic commission, but it considered that the members of the ECE could be given the oppor-

tunity to reach their own conclusions, which they could subsequently report to the Council.

11. His delegation therefore, wished to propose several amendments to draft resolution E/1986/L.42. The first was to reword the fifth preambular paragraph to read as follows: "Recognizing that the question of admitting Israel as a full member of a regional commission should be resolved at the earliest possible time", the second was to delete operative paragraph 1, and, consequently, to renumber operative paragraph 2 as operative paragraph 1, with, however, deletion of the word "affirmative"; the third was to introduce a new operative paragraph 2 to read as follows: "2. Decides to consider the question of admitting Israel as a full member of a regional commission at its second regular session in 1987."

12. Mr. FERRER (United States of America) expressed his delegation's appreciation of what was clearly a desire on the part of the representative of Zimbabwe to smooth the way towards a consensus on the important issue before the Council. The delegation of the United States of America had made dedicated efforts and had repeatedly delayed action precisely in the hope that such a consensus could be achieved. The amendments proposed, would, however, result in a draft that failed to give any indication of a serious intention on the part of the Council to ensure that means would be found to permit a Member State of the United Nations to enjoy its full rights under the Charter. Their effect would be to change the intrinsic character of draft resolution E/1986/L.42.

13. Mr. ONONAIYE (Nigeria) congratulated the sponsors of draft resolution E/1986/L.42 on their attempts to achieve a compromise between the extremes of draft decision E/1986/C.1/L.7 and draft resolution E/1986/C.1/L.8. He agreed, however, with the representative of Zimbabwe that the ECE should not be asked to take affirmative action on the question submitted to it, since to do so would limit its freedom of decision in an unacceptable manner; the word "affirmative", contained in operative paragraph 2, should certainly be deleted. His delegation was particularly concerned with the more general aspect of the matter; it did not question the right of Israel to become the member of a regional commission, but it did not consider that the Council should attempt to impose the decision to admit particular States upon the regional commissions. A very dangerous precedent might be established; for example, the Council could be asked to propose that South Africa should be made a member of the ECA, thereby creating an impossible situation for a region which already faced an abundance of serious problems.

14. Mr. KATAWALA (Mozambique) said that his delegation was concerned about the wider implications of draft resolution E/1986/L.42. He did not question the right of Member States to belong to a regional grouping, but it was doubtful whether any State which did not act in full accordance with the Charter was entitled to exercise those rights. The consequences of the third preambular paragraph, which referred to such

rights could be very far reaching indeed. A precedent might well be set the consequences of which were unforeseeable. His delegation was also concerned about the wording of operative paragraph 2, which seemed to pre-empt a decision by the ECE. It intended to vote against the draft resolution, not because it did not believe in the principle of universality, but because it feared the consequences of the precedent which might be set if the draft was adopted.

15. Mr. DELMI (Observer for Algeria) said that the operative part of draft resolution E/1986/L.42 appeared to be illogical: paragraph 2 requested the Executive Secretary of the ECE to consult with States members on the question of admitting Israel to the Commission and to report thereon to the Council at its second regular session of 1987, while paragraph 1 proposed action that was not consistent with awaiting the outcome of those consultations since it stated that the Council should decide to transmit draft decision E/1986/C.1/L.7. That was tantamount to prejudging the issue. His delegation, representing as it did an Arab African country, could not fail to be deeply concerned about the wider implications of the draft resolution, which might only become fully apparent at a later date. The Council should avoid hasty action on such a sensitive issue.

16. The PRESIDENT invited the Council to vote on the first amendment proposal by Zimbabwe to reword the fifth preambular paragraph of draft resolution E/1986/L.42 as follows:

“Recognizing that the question of admitting Israel as a full member of a regional commission should be resolved at the earliest possible time”.

At the request of the representative of the United States of America, a vote was taken by roll-call.

Jamaica, having been drawn by lot by the President, was called upon to vote first.

In favour: Bangladesh, China, Gabon, Indonesia, Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Senegal, Somalia, Turkey, Yugoslavia, Zimbabwe.

Against: Australia, Belgium, Canada, Colombia, Costa Rica, France, Germany, Federal Republic of, Haiti, Iceland, Italy, Japan, Spain, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Argentina, Brazil, Byelorussian Soviet Socialist Republic, Egypt, Finland, German Democratic Republic, Guinea, India, Iraq, Poland, Romania, Rwanda, Sierra Leone, Sri Lanka, Sweden, Syrian Arab Republic, Union of Soviet Socialist Republics, Venezuela, Zaire.

The first amendment proposed by Zimbabwe was adopted by 18 votes to 14, with 19 abstentions.

17. The PRESIDENT invited the Council to vote on the proposal by Zimbabwe to delete operative paragraph 1 of draft resolution E/1986/L.42.

A vote was taken by roll-call.

Gabon, having been drawn by lot by the President, was called upon to vote first.

In favour: Byelorussian Soviet Socialist Republic, Gabon, German Democratic Republic, Iraq, Morocco, Mozambique, Pakistan, Philippines, Poland, Somalia, Syrian Arab Republic, Union of Soviet Socialist Republics, Zimbabwe.

Against: Argentina, Australia, Belgium, Canada, Colombia, Costa Rica, Finland, France, Germany, Federal Republic of, Haiti, Iceland, Italy, Jamaica, Japan, Panama, Papua New Guinea, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America, Zaire.

Abstaining: Bangladesh, Brazil, China, Egypt, Guinea, India, Indonesia, Nigeria, Peru, Romania, Rwanda, Senegal, Sierra Leone, Sri Lanka, Turkey, Venezuela, Yugoslavia.

The proposal by Zimbabwe to delete operative paragraph 1 was rejected by 21 votes to 13, with 17 abstentions.

18. The PRESIDENT invited the Council to vote on the proposal by Zimbabwe to delete the word “affirmative” from operative paragraph 2 of draft resolution E/1986/L.42.

A vote was taken by roll-call.

Guinea, having been drawn by lot by the President, was called upon to vote first.

In favour: Bangladesh, Byelorussian Soviet Socialist Republic, China, Egypt, Gabon, German Democratic Republic, India, Indonesia, Iraq, Morocco, Mozambique, Nigeria, Pakistan, Peru, Philippines, Poland, Sierra Leone, Somalia, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, Yugoslavia, Zimbabwe.

Against: Argentina, Australia, Belgium, Canada, Colombia, Costa Rica, Finland, France, Germany, Federal Republic of, Haiti, Iceland, Italy, Japan, Panama, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Brazil, Guinea, Jamaica, Papua New Guinea, Romania, Rwanda, Senegal, Sri Lanka, Venezuela, Zaire.

The proposal by Zimbabwe to delete the word “affirmative” from operative paragraph 2 was adopted by 23 votes to 18, with 10 abstentions.

19. Mr. KITIKITI (Zimbabwe) said that, in a spirit of compromise, his delegation had decided to withdraw its third amendment introducing a new operative paragraph 2.

20. Mr. FERRER (United States of America) proposed that the Council should postpone further consideration of draft resolution E/1986/L.42 until later, in order to enable informal consultations to be held on the amended text.

21. The PRESIDENT said that if there was no objection, he would take it that the Council agreed to accept the proposal of the United States of America.

*It was so decided.*¹

AGENDA ITEM 20

International co-operation and co-ordination within the United Nations system (*concluded*)

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

22. The PRESIDENT invited statements in explanation of vote on resolution 1986/69, entitled "World decade for cultural development", adopted at the end of the 38th meeting, part II.

23. Mr. DUN (United Kingdom), referring to the draft plan of action (E/1986/L.30, annex), noted that a number of delegations, including his own, had already commented that the submission of so bulky a text at such short notice was not conducive to promoting the effective work of the Council.

24. His delegation regretted that the Council had had no alternative, in the circumstances, but to submit the text to the General Assembly for consideration but wished to make some general comments about its contents. It regarded cultural activity as vital to national life and was not against a decade for cultural development as such or the four main themes of the draft plan of action. But it considered the plan to be over-ambitious, lacking in realism and disquieting in the degree of State intervention implied in certain parts of it. It seemed less a plan of action than a wide-ranging essay which argued that the cultural aspect of all human activity, whether economic, social or political should be taken into account in the process of development. Given such an approach, it was not surprising that the draft was only "an outline plan" (*ibid.*, para. 11); 29 pages would hardly suffice to cover the projects to be included under such an all-embracing definition.

25. It was clear that the decade was to cover all human activity. UNESCO, as co-ordinator of the decade, would be given a mandate to involve itself in the work of all United Nations bodies (*ibid.*, paras. 155 and 156). That seemed neither feasible nor desirable; the resources of UNESCO and all other institutions were limited, but the scope of such work was immense. Another question was whether UNESCO should devote an inevitably large part of its resources to such generalities when delegations were urging it to concentrate on practical projects, increase the proportion of funds allotted to developing countries and reduce headquarters expenditure.

26. His delegation had made no secret of its wish to improve co-ordination with a view to better resource utilization. But the sort of co-ordination envisaged in the draft would involve a massive new system of com-

mittees and secretariats, the end product of which was at best unclear—although the direction was not, since the aim was to redirect United Nations agencies' current projects if they did not meet the decade's aims (*ibid.*, para. 134).

27. The number and diversity of the parties and fields covered ruled out any current submission of estimates of financial repercussions (*ibid.*, para. 32). But the Member States and bodies of the United Nations system which would be expected to contribute might not wish, at a time when the Organization faced severe financial problems, to underwrite such an open-ended commitment.

28. His delegation also found disquieting the assumption that official intervention, national or international, could promote cultural activity. It believed that cultural activity was largely spontaneous, and the way for the State to encourage it was to provide a climate of freedom. His delegation's concern could be illustrated by UNESCO's studies conducted as part of its Major Programme XI, "Culture and the future", contained in resolution 2/11 adopted by the General Conference at its fourth extraordinary session (1982), and subsequently published;² perhaps during the General Assembly the representative of UNESCO could explain the studies undertaken and the lessons derived therefrom. It hoped that one conclusion would be that the politicization of UNESCO's work in the cultural field was not helpful.

29. His comments were made with the intention of encouraging a practical approach to the decade and the questions it raised, with a view to using, to the best advantage, the funds entrusted to the United Nations system.

30. Mr. KAWASHIMA (Japan) said that while his delegation fully appreciated the notion that the promotion of national development must give due consideration to cultural as well as economic aspects, and believed that the proposed world decade for cultural development was based on that premise, it felt that neither the concept itself nor the draft plan of action (E/1986/L.30, annex) had been properly defined and clarified. Furthermore, the financial implications were not yet known. His delegation's basic position, therefore, was that the decade could be implemented only after careful studies of those aspects, especially in the light of the financial difficulties currently faced by the United Nations system as a whole. It was on that understanding that his delegation had joined in the consensus in the resolution adopted. Until the aspects mentioned, particularly the financial implications, had been clarified, no hasty conclusion should be drawn.

31. Mr. DIENE (United Nations Educational, Scientific and Cultural Organization) said that the Council's recommendation that the General Assembly should take a decision at its forty-first session on the question of the proclamation of a world decade for cultural develop-

¹ See below, paras. 52-90.

² E. Lászlo and I. Vitányi, *European Culture and World Development*, Budapest, Corvina, 1985.

ment constituted an important stage in a process initiated in 1982. The main feature of that process had been the consensus on the proclamation of a decade, in acknowledgement of the vital role of culture in reviving and strengthening international co-operation in all spheres. The Council had reflected that consensus both in the resolution just adopted and in the number, quality and scope of the statements made. That consensus reflected better than any statement the basic goal which UNESCO had set itself of making the decade a time of convergence and of encounter that transcended ideological, political and geographical differences. He ventured to hope that the General Assembly, in that same spirit, would proclaim the world decade for cultural development. Needless to say, such a forum took on a vital symbolic significance for UNESCO, in the current context.

32. The PRESIDENT invited the Council to take a decision on draft resolution III, entitled "Convention on the Privileges and Immunities of the Specialized Agencies: draft annex relating to the United Nations Industrial Development Organization", contained in paragraph 23 of part II of the report (E/1986/126/Add.1).

The draft resolution was adopted (resolution 1986/70).

33. The PRESIDENT invited the Council to take a decision on draft resolution IV, entitled "System-wide medium-term plan for women and development and system-wide co-ordination of the implementation of the Nairobi Forward-looking Strategies for the Advancement of Women", contained in paragraph 23 of part II of the report (E/1986/126/Add.1).

The draft resolution was adopted (resolution 1986/71).

34. The PRESIDENT drew the Council's attention to draft resolution V, entitled "Protection against products harmful to health and the environment", contained in paragraph 23 of part II of the report (E/1986/126/Add.1).

35. Mr. ENGEL (United States of America) said that although his delegation had voted, in isolation, against General Assembly resolutions 37/137 of 17 December 1982, and 39/229, of 18 December 1984, it had followed the work carried out by the Secretary-General pursuant to those resolutions and had studied with great care his report (E/1986/83). As a result, it had tabled draft resolution E/1986/C.3/L.19, to express its appreciation of the Secretary-General's efforts toward the improvement, in future editions, of the consolidated list of products whose consumption and/or sale had been banned, withdrawn, severely restricted or not approved by Governments. It endorsed the commendation of the Secretary-General for the action mentioned in operative paragraph 2 of draft resolution V—action which members of the Council seemed willing to take.

36. The United States of America had also sought to endorse several of the conclusions contained in the report, namely, that future editions of the consolidated

list would include, where available, references to legal texts describing national Governments' precise regulatory actions, descriptions of the health and environmental context in which the regulatory actions were taken, but would not include information on safe uses of products or related questions. The Council was evidently unwilling to join his delegation in that endorsement.

37. Since, as noted in the Secretary-General's conclusions (*ibid.*, paras. 27-29), the task of including commercial information about products in a consolidated list would require a level of effort in terms of data collection and verification which greatly exceeded the current capabilities of the United Nations, UNEP and WHO, and in the light of other problems described in the report (*ibid.*, paras. 14-16), his Government believed that work on the list should be performed exclusively by UNEP and WHO, with the United Nations playing the co-ordinating role described in the report. The United States firmly believed that work on the inclusion of commercial information about products on the list should cease.

38. Almost every other member State of the Council had chosen to ignore the problems identified in the Secretary-General's report on that aspect of his work. Instead, they intended that "business as usual" should be the rule, despite the serious shortcomings identified.

39. His delegation had also found it disquieting, given the importance of criteria in determining what appeared on the consolidated list that no other delegation had joined it in seeking to take note of the criteria established by the Secretary-General and in urging him to keep them under continuing review.

40. His country, which co-operated closely with WHO and UNEP's International Register of Potentially Toxic Chemicals, providing updated information on its national regulatory actions, was heartened by the Council's willingness to encourage other Governments to do the same, and hoped that all Governments would heed the call. Unfortunately, draft resolution V before the Council bore little semblance to the resolution his delegation had introduced on 15 July 1986 (E/1986/C.3/L.19). The amendments tabled to reflect the majority views could not be endorsed by his delegation, which had withdrawn its sponsorship and would vote against the amended text currently before the Council. Perhaps at some future date, when the problems relating to the production of the consolidated list had been thoroughly investigated by the Council and solutions found, the United States would be able to join in a consensus. In the meantime, it would continue to exercise its responsibility in addressing the problems put before it.

At the request of the representative of the United States of America, the vote was taken by roll-call.

Turkey, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Australia, Bangladesh, Belgium, Brazil, Byelorussian Soviet Socialist Republic,

Canada, China, Colombia, Costa Rica, Egypt, Finland, France, Gabon, German Democratic Republic, Guinea, Haiti, Iceland, India, Indonesia, Iraq, Italy, Jamaica, Japan, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Spain, Sri Lanka, Sweden, Syrian Arab Republic, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: United States of America.

Abstaining: Germany, Federal Republic of.

The draft resolution was adopted by 49 votes to 1, with 1 abstention (resolution 1986/72).

41. Mr. LEMERLE (France), speaking also on behalf of the delegations of Belgium, Italy, Spain and the United Kingdom, said that they attached great importance to the work of the United Nations on the issue and reiterated their belief that the aim of the list should be to facilitate an effective, prompt flow of accurate, unambiguous information between consumers and producers. To that end, it was essential that the consolidated list of products should continue to appear as one document—a point made explicitly in the text adopted. They had made clear, during the debate, their view that the list should be prepared in close collaboration between WHO, UNEP and the Department of International Economic and Social Affairs. The United Nations Centre on Transnational Corporations had no mandate to engage in such work and should not therefore be involved in it.

42. Mr. LABERGE (Canada) said that the draft text submitted by the United States delegation (E/1986/C.3/L.19) had taken account of the real difficulties outlined in the Secretary-General's report (E/1986/83), noting that the required data collection and verification effort would significantly exceed the current capabilities of the United Nations, UNEP and WHO. That was a cogent point, given the current financial constraints confronting the Organization. Paragraph 5, as amended, had failed to reflect the problems outlined in paragraph 15 of the report of the Secretary-General; Canada had therefore abstained during the vote in the Committee. However, Canada had taken an active part in drafting General Assembly resolution 39/229 and continued to take an interest in the issues involved; it had therefore voted in favour of the resolution just adopted.

43. Mr. HANTKE (Federal Republic of Germany) said that his delegation had abstained in the vote; it had serious misgivings about some of its provisions. His country had hitherto participated in preparing and updating the consolidated list, and would continue to cooperate in doing so in order to ensure that it kept abreast of developments. His delegation welcomed the new arrangements for preparing future issues of the list, especially the division of mutual responsibilities between WHO and the United Nations and between the latter and the UNEP International Register of Potentially

Toxic Chemicals. It considered, however, that it was not advisable to publish data on generic/chemical and brand names or product manufacturers' names, either in the consolidated list or a separate one, as provided in the resolution just adopted. The report of the Secretary-General (E/1986/83) had outlined in detail the problems encountered in collecting such data, which would necessarily be incomplete, probably biased and bound to become quickly outdated and therefore unsuitable as a source of information. His delegation, therefore, could not support operative paragraph 3. It also regretted that operative paragraphs 3, 4 and 6 were deleted in the original draft resolution (E/1986/C.3/L.19); those provisions would have been useful for future elaboration on the consolidated list.

44. Mr. Ter HORST (Venezuela) thanked the members who had voted in favour of the amendments to the original text (E/1986/C.3/L.19). With regard to the latter, omission of the requirements relating to brand names would have removed much of the text's significance; the wording adopted responded to the concerns reflected in the Secretary-General's report (E/1986/83) and conformed to previous resolutions on the subject, and it had been adopted by an overwhelming majority in the Council.

45. The consolidated list would in future be simplified and thus more easily manageable; his delegation recommended to the Secretariat the preparation of an alphabetical list, as well as the prompt establishment of machinery for computerized registration.

46. Previous texts adopted on the subject had reflected the central role of Headquarters in preparation of a consolidated list. The United Nations Centre on Transnational Corporations formed a part of the central Secretariat, and at no time had its exclusion been contemplated, particularly in view of the importance of using all possible sources of information. The Secretariat was in a position to carry out the work entrusted to it, and his delegation would draw its attention to certain paragraphs in the Secretary-General's report in regard to a number of delegations which did not want names to be published. It should be noted that those who raised the question of shortage of funds were themselves responsible for the shortage. In particular, the United States of America, which was clearly an advocate of moral values, would surely do everything possible to promote a project which could help so much to enhance progress in the developing countries.

47. His delegation proposed to submit to the Secretariat a correction to the Spanish text of part II of the report of the Third Committee (E/1986/126/Add.1).

48. The PRESIDENT invited the Council to consider draft decision I, transmitting the draft resolution entitled "Internal evaluation and effective management of programmes of the United Nations system", and contained in paragraph 24 of part II of the report of the Third Committee (E/1986/126/Add.1).

The draft decision was adopted (decision 1986/177).

49. The PRESIDENT invited the Council to consider draft decision II, entitled "Oral report on the progress made in the implementation of General Assembly resolution 40/177 on co-ordination in the United Nations and the United Nations system", contained in paragraph 24 of part II of the report (E/1986/126/Add.1).

The draft decision was adopted (decision 1986/178).

50. The PRESIDENT invited the Council to consider draft decision III, entitled "Reports considered by the Economic and Social Council in connection with the question of international co-operation and co-ordination within the United Nations system", contained in paragraph 24 of part II of the report (E/1986/126/Add.1).

The draft decision was adopted (decision 1986/179).

51. The PRESIDENT said that the Council had completed its consideration of agenda item 20.

AGENDA ITEM 8

Regional co-operation (*concluded*)

REPORT OF THE FIRST (ECONOMIC) COMMITTEE

52. The PRESIDENT invited the Council to resume consideration of the draft resolution entitled "Membership of Israel in the Economic Commission for Europe" (E/1986/L.42), as amended.

53. Mr. FIELD (United Kingdom) said that the sponsors of the draft resolution (E/1986/L.42) had noted the proposed amendments and, in a spirit of consensus, would vote for the amended text.

54. Mr. DAOUDY (Syrian Arab Republic) said that the earlier procedural decision to suspend consideration of the subject seemed to be at variance with rule 63 of the Council's rules of procedure.

55. During the consultations on the draft resolution (E/1986/L.42), his delegation has pointed out that no consensus was possible. His delegation could not possibly accept the third preambular paragraph of the text, in view of the overriding need at all times to take into account the principles of the Charter, which applied throughout the United Nations system. It was wrong even to contemplate admitting to membership of a United Nations body a State which had so often flouted the principles of the Charter. During the debate in the First Committee, his delegation had drawn attention to General Assembly resolution 40/168 B, of 16 December 1985, particularly paragraph 9. If Israel, through the support of the United States of America, was enabled, despite the numerous condemnations recorded against it throughout the Organization, to obtain the membership proposed, the door would be open to further manoeuvres to impose Israel's presence in United Nations decision-making forums. His delegation, for the reasons expressed in the First Committee, would oppose the adoption of draft resolution

E/1986/L.42, which would be a retrograde step, a dangerous precedent, and a move utterly at variance with the world community's pronouncements on the actions of Israel and South Africa.

56. The PRESIDENT invited the Council to vote on the draft resolution (E/1986/L.42), as amended.

A vote was taken by roll-call.

China, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Australia, Belgium, Canada, Colombia, Costa Rica, Egypt, Finland, France, Germany, Federal Republic of, Haiti, Iceland, Italy, Jamaica, Japan, Panama, Papua New Guinea, Philippines, Romania, Spain, Sweden, Turkey, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Zaire.

Against: Bangladesh, Iraq, Pakistan, Somalia, Syrian Arab Republic.

Abstaining: Brazil, Byelorussian Soviet Socialist Republic, China, France, German Democratic Republic, Guinea, India, Indonesia, Morocco, Mozambique, Nigeria, Peru, Poland, Rwanda, Senegal, Sierra Leone, Sri Lanka, Union of Soviet Socialist Republics, Yugoslavia, Zimbabwe.

The draft resolution as amended, was adopted by 26 votes to 5, with 20 abstentions (resolution 1986/67).

57. Mr. DOWEK (Observer for Israel) said that although the resolution just adopted was a step in the right direction, his delegation could feel only frustration and disappointment since it deferred until 1987 a decision that could and should have been taken forthwith.

58. In its statement to the First Committee, his delegation had expressed the conviction of the Government of Israel that the cornerstone of fruitful international co-operation lay in the most absolute respect for two fundamental principles enshrined in the Charter of the United Nations, namely the universality of international institutions at the global and regional levels and the complete equality of States Members of the Organization, precluding open or disguised discrimination against any one of them.

59. In the light of the resolution just adopted, his delegation wished to emphasize that there could be no compromise or half measure in regard to those principles which had to be implemented in both letter and spirit. Their implementation was not and could not be conditioned by political considerations, economic expediency or inter-group complacency. They were the bedrock on which the United Nations had been built and which enabled it to discharge the duties incumbent upon it.

60. Also in the same statement, his delegation had called upon all delegations not to make Israel's request to be assigned to the ECE a topic of political confrontation or to have recourse to dilatory procedures that would not be to the credit of the Council. Israel's request was not presented in a spirit of confrontation or

political contention and Israel would make every effort to avoid unnecessary confrontation although it could not be expected to compromise on the principle of universality. Its request had come after long years of *de facto* discrimination and its sole purpose was to bring about the only possible solution in the present circumstances, a solution that had already been adopted in all the specialized agencies. If Israel's request was met, the Council would be living up to the golden rule of true international co-operation and interaction in a spirit of fairness and equity. The Council was not a political organ; at the express wish of its members, it was at the very heart of United Nations action in the main areas of international economic and social life and it should therefore place itself above political considerations and implement the letter and spirit of the Charter, rejecting double standards and discrimination.

61. Israel's appeal had not been heeded. Three weeks of strenuous consultations had not led to the rightful admission of Israel to the ECE as it had requested, or to the ECWA, to which it should have been admitted many years earlier by virtue of its geographical situation. Instead, Israel's request to exercise its right as a State Member of the United Nations had been postponed until 1987 and a process of consultation had been established. His delegation did not understand why consultations were needed when the issue involved was that of implementing the principles enshrined in the Charter, why a full year was needed for them, why the fact of allowing Israel to exercise its right under the Charter should be considered to be a sensitive issue, or how a situation in which a State Member of the Organization had been excluded from the framework of the regional economic commissions and regional co-operation had been allowed to evolve and to perpetuate itself for many years. Those were, however, the facts of international life, and at the current stage there was little point in seeking rationalization or in lamenting the past. It would have been more rewarding, more ethical and more to the credit of the Council if it had acted swiftly and effectively and had remedied the situation of flagrant discrimination by incorporating Israel into one of the regional economic commissions. It was to be hoped that the consultations agreed upon would be conducted with diligence, constructiveness and good will and that in 1987 the Council would live up to its Charter obligations.

62. His Government firmly believed that the overwhelming majority of States present in the Council shared the view that the principles of universality and of the sovereign equality of States should be enforced in the strictest manner. That had been proved to be the case whenever Israel had been compelled to raise in various United Nations specialized agencies the issue of its rightful integration into their regional systems. Without exception, an adequate solution had been found. His delegation was convinced that the Council would follow the same pattern and adopt a solution implemented throughout the United Nations system by admitting Israel to the ECE. However, Israel wished to make it clear that it considered such a solution to be

temporary, since it was and remained not only by geography but also by history, culture and tradition, a western Asian State. It fervently hoped that propitious conditions would very soon be created for its formal full participation in the work of its own region. It would certainly do its best to step up that ineluctable process and would seek in due course to work for the socio-economic progress of the region with its neighbours with which it was bound to coexist by virtue of geography, history and kinship. The sponsors of the resolution had decided not to include ECWA in the consultation process because they had been convinced that such an arrangement was completely out of the question due to the position adopted by the members of ECWA. Some delegations had even stated publicly that they considered the possibility of Israel's membership in ECWA to be an absurd and unattainable dream. His delegation did not share that view. If that dream came true, it would mean that at long last peaceful coexistence prevailed between Israel and its neighbours. For his delegation, such a dream was infinitely preferable to the present living nightmare of continuing bloodshed, havoc and destruction.

63. Israel would make every effort to arouse the Middle East from its nightmare and bring about an era of close co-operation and true friendship among all the States and peoples of the region. The peace with Egypt and the present developments in the Middle East were a clear indication that dreams could come true when and if there was good will. Meanwhile, Israel believed that after having exhausted the process of consultations during a whole year, the Council would, at its second regular session of 1987, restore to Israel its inherent right to form part of the economic system of the United Nations by admitting it, for a transitory period, to the ECE. It hoped that such a solution would meet with the approval of all European States, Western and Eastern, and of all other parties concerned. Israel did not intend to introduce topics extraneous to the European region or to interfere in internal European affairs. It would therefore, if admitted to the ECE, join no political caucus and would furthermore respect scrupulously the long-standing traditions of the ECE. Israel's temporary admission would be a purely pragmatic step with the sole purpose of integrating Israel into the economic regional co-operation system and implementing the aforementioned principles enshrined in the Charter of the United Nations.

64. Despite the delay, Israel had not lost hope that the Council would take positive action to do away with the last remnant in the United Nations system of open discrimination against it at the regional level.

65. His delegation thanked the sponsors of the resolution and those delegations that had supported it. It was also gratified that the delegations of Zimbabwe, Nigeria and Mozambique whose amendments had been incorporated into that resolution had made it clear that they fully supported the right of Israel to be admitted to a regional commission and that the amendments had been submitted for reasons unconnected with Israel. Last but

not least, his delegation wished to express its warmest appreciation to the delegation of the United States of America for presenting draft decision E/1986/C.1/L.7 and for its unswerving determination to insist on the strictest enforcement of the Charter of the United Nations.

66. Mr. DIETZE (German Democratic Republic) speaking in explanation of vote on behalf of his own delegation and those of the Byelorussian Soviet Socialist Republic, Poland and the Union of Soviet Socialist Republics, said that those countries had abstained because they believed that the question of admitting new members to a regional commission should be considered in a manner that would take fully into account the views of all members of the commission concerned. It was their understanding that the resolution just adopted did not prejudice in any way the outcome of the consultations which the Executive Secretary of the ECE was to hold with all members of that Commission. In any case, the question should be solved by consensus and not by trying to impose the wishes of some members of the ECE on others through the Economic and Social Council.

67. Mr. YONIS (Iraq) said that the resolution just adopted, against which his delegation had voted, constituted a dangerous precedent, since similar action might be taken in the case of South Africa. The resolution did not serve the cause of peace and security in the Middle East, since the acceptance of Israel as a member of ECE would be tantamount to approving its designs on Arab territories. It would be important to know what borders ECE would recognize for Israel—those of 1948, those of 1967, or the current borders. Economic ties between Europe and Israel should not be extended at the expense of those struggling under the yoke of Zionism.

68. Mr. KITIKITI (Zimbabwe) said that his delegation had abstained in the vote as an affirmation of its view that the issue in question should be dealt with in a regional commission, and not in the Economic and Social Council. Moreover, the consultations in the ECE would be prejudiced by the decision to transmit draft decision E/1986/C.1/L.7, to which his delegation was opposed.

69. The Council's role in the matter had been to assist the States concerned to reach an agreement. His delegation hoped that the member countries of ECE, notwithstanding the atmosphere prevailing in the Council, would engage in serious negotiations that would lead to a consensus. Member States of the United Nations should not expect to avail themselves of their rights under the Charter if they were unwilling to abide by the obligations that went with membership in the United Nations. The present case should not constitute a precedent for the admission of South Africa to membership in any of the United Nations regional commissions. The representative of Israel might wish to take note of Zimbabwe's solidarity with the Palestinian people.

70. Mr. TÜRKMEN (Turkey) said that his delegation had voted in favour of the resolution because, in its

modified form, it had struck an acceptable balance. It no longer tended to prejudge the outcome of the consultations within the ECE or the discussion at the second regular session of the Council in 1987. His country's affirmative vote in no way prejudged the position which it would adopt in the consultations with the Executive Secretary of the ECE.

71. Mr. CHARLES (Haiti) said that his delegation wished to reaffirm the general principle set forth in the third preambular paragraph of the resolution—namely that all States Members of the United Nations had a right to be admitted to a regional commission as full members. However, it had never envisaged that the principle could be applied to South Africa as long as that country was ruled by a régime practising *apartheid*. Haiti had always voted against acceptance of the credentials of the South African Government in all forums.

72. Mr. FERRER (United States of America) expressed his delegation's disappointment that the draft decision which it had submitted (E/1986/C.1/L.7) had not been adopted by consensus. However, the resolution just adopted provided for serious consultations, which his delegation hoped would lead to an acceptable conclusion. It was pleased that the Council had recognized its responsibility and hoped that it would solve the problem without the need for the issue to be discussed further within the ECE. The preambular paragraphs of the resolution provided an assurance that the rights of Israel would be recognized and would be given effect in accordance with the provisions of the Charter of the United Nations. His delegation therefore hoped that a solution would have been found in time for the Council's second regular session in 1987. Thanks were due to all those who had worked so hard to achieve a satisfactory outcome over the past week.

73. Mr. SAMUDIO (Panama) congratulated the Council on finally adopting a resolution after such protracted discussions and consultations. The resolution adopted would enable the Council to take a definite decision on Israel's membership in the ECE at its second regular session in 1987, after receipt of the report of the Executive Secretary of the ECE. His delegation had supported the resolution in recognition of the right of all Member States to participate actively, as full members, in the work of the organs of the United Nations system.

74. Mr. SHAABAN (Egypt) said that his delegation had voted in favour of the amended draft resolution because, in the fourth preambular paragraph and in paragraph 2, it recognized the right of the members of a regional commission to consult among themselves on the admission of a new member. It was inappropriate that the Economic and Social Council should rule out or prejudge the possibility of consultations and negotiations among members of a regional commission on such an issue and dictate to them whether they should accept or refuse the admission of a new member.

75. The Council was intended to promote economic and social co-operation and not to intervene in matters

extraneous to its original mandate. Nor should its members sow the seeds of political dissension or politicize its work.

76. In paragraph 1, it was merely decided that draft decision E/1986/C.1/L.7 should be transmitted to the Council at its second regular session in 1987. That in no way entailed the acceptance of a proposal. Once the members of the ECE had consulted among themselves, the draft texts referred to the Council, or any new ones, could then be judged on their merits and in the light of the outcome of the consultations.

77. Mr. FIELD (United Kingdom), speaking on behalf of the 12 member countries of the EEC, said that those countries had consistently stated their hope that a decision could be taken by consensus or by the greatest possible majority. With that objective in mind, they had decided to co-sponsor the text just adopted, which came very close to meeting the positions of the parties primarily concerned.

78. The 12 countries supported the proposal that the Executive Secretary of the ECE should consult member countries on the question of admitting Israel to the Commission and report to the Council. They would wish to take into account the outcome of those consultations when the issue was reconsidered in 1987. They hoped that it would then be possible to create the appropriate conditions for a positive decision, preferably by consensus.

79. Ms. KORHONEN (Finland) said that her delegation had voted in favour of the amended draft resolution, since it accorded high priority to the principle of universality, whereby each Member State had a right to be a member of a regional commission. That principle should guide the Council when it took action on the question at its second regular session in 1987. It was unfortunate that the Council had not been able to reach a consensus at the present session.

80. Mr. SENE (Senegal) said that his delegation had abstained in the vote because it considered that the admission of a member to a regional commission should be preceded by extensive consultations within the commission concerned. It was not known whether, in the present case, such consultations had been held, although the draft decision (E/1986/C.1/L.7) indicated that Israel had participated actively in the work of the ECE.

81. In any case, his delegation was in favour of the application of the principles concerning universality, non-discrimination and equity that were enshrined in the Charter of the United Nations. However, those principles also implied acceptance by all Member States of their obligations. His delegation therefore appreciated the observations made by the representatives of the Arab countries, especially the Syrian Arab Republic, part of whose territory was illegally occupied by Israel.

82. The question of Israel's membership in regional bodies had already arisen in other forums. The most recent instance had been at the International Labour Con-

ference in June 1986, where, owing to the good will of all, a formula had been found to permit all member States to participate, in rotation, in the work of the Governing Body. The reform which had required several years of consultations, provided an example on which the Economic and Social Council might draw. It was to be hoped that, following the consultations within the ECE, a fair decision could be taken in the light of the principles referred to by many delegations.

83. Mr. ABU-KOASH (Palestine Liberation Organization) expressed satisfaction that the draft decision submitted by the United States of America (E/1986/C.1/L.7) had been defeated, at least for 1986.

84. As far as the principle of universality was concerned, it should be borne in mind that Member States had obligations as well as rights. Israel had occupied all of Palestine as well as parts of the Syrian Arab Republic, Lebanon and Egypt; it had also failed to comply with important General Assembly resolutions concerning the creation of a Palestinian State and the rights of Palestinians to return to their homes without hindrance. Because of its failure to comply with the Charter of the United Nations and General Assembly and Security Council resolutions, it was an outcast in Western Asia. Once it complied with its obligations, it could apply for membership in ECWA, but it was inappropriate that an outcast from one region should be admitted into the commission of another region to which it did not belong, on the ground that a large proportion of its population had originally come from that other region. The situation would not have arisen if the United States had not disrupted the work of United Nations bodies, including the Council, by introducing political issues into the work of non-political United Nations bodies. It was quite possible that the United States and other Member States would make a move to admit South Africa to the ECE or some other regional commission.

85. Mr. KUMLIN (Sweden), expressed his delegation's disappointment that members of the Council had not been able to agree on a consensus solution on the question of Israel's request for admission to the ECE. During the current session, his delegation had worked hard, in close consultation with the other delegations concerned, in an attempt to arrive at a consensus, in the firm belief that such a solution would have been in the interests of all. Unfortunately the differences had proved to be too wide and too complex to be bridged.

86. His delegation, which had voted in favour of the resolution, as amended, had been guided by two main considerations. First, it believed that the issue of Israel's admission to the ECE should not be evaded, but tackled at an early date. Second, it believed that a decision on the matter must be in keeping with the principle of universality and with respect for the appropriate consultative processes. In the circumstances, the resolution adopted satisfied those considerations, which, of course, would continue to guide his delegation when the issue next came before the Council. His delegation sincerely hoped that the failure to reach a consensus at

the present session would not have unfavourable repercussions on the work of the Council or that of the ECE.

87. The PRESIDENT thanked the delegation of Sweden for its contribution to the efforts made in the course of the session to arrive at a consensus on the issue.

88. Mr. LABERGE (Canada) said that this delegation would also have infinitely preferred a solution to a compromise. It had joined with other delegations in an effort to break the deadlock. The resolution just adopted would enable the situation to be dealt with in a manner consistent with the Council's practice, and his delegation hoped that an equitable solution would be reached by consensus in 1987.

89. Mr. ONONAIYE (Nigeria) said that in view of the seriousness of the issue, he would like to suggest a radical solution; before 1987, the President of the Council, together with key interested parties, delegations that had sponsored the draft resolutions and decision on the subject and intermediaries such as Sweden and Canada should meet *in camera*, in the same way as a jury, to try and hammer out a solution by a sheer process of attrition.

90. The PRESIDENT said that the Council had concluded its consideration of agenda item 8.

AGENDA ITEM 19

Operational activities for development

REPORT OF THE THIRD (PROGRAMME AND CO-ORDINATION) COMMITTEE

91. Mr. DIECKMANN (Federal Republic of Germany), speaking as the Chairman of the Third (Programme and Co-ordination) Committee, introduced the draft resolution entitled "Policy review of operational activities for development" (E/1986/L.41), which represented one of the major achievements of the work of the Committee, and expressed his gratitude and appreciation to all the delegations that had participated in the negotiations. He wished to draw attention to a number of amendments in the text: in operative paragraph 6 the text following "the consensus of 1970", should be replaced by "as contained in the annex to General Assembly resolution 2688 (XXV)"; in operative paragraph 10, the word "recipient" should be inserted before "Government"; in operative paragraph 20 the word "interministerial" should be deleted; finally, in operative paragraph 22 the word "services" should be replaced by the word "resources".

The draft resolution was adopted (resolution 1986/74).

92. Mr. KHALLAF (Egypt) said his delegation wished to state its views on certain of the issues contained in the resolution just adopted. The first related to the division of roles and responsibilities among all parties concerned in the operational activities of the United Nations system. His delegation wished to emphasize, as a matter

of general principle, that nothing in the text should be interpreted as diminishing or limiting the sovereign responsibility of developing recipient countries in formulating their national plans and priorities and in co-ordinating local activities and information related to their external assistance. Any delegation or sharing of authority would take place only for practical considerations and only when necessary, as decided by the national Governments in accordance with the relevant General Assembly resolutions. His own country's experience with United Nations resident co-ordinators could be described as a good example of efficient and fruitful co-operation. Turning to the specificity of individual country circumstances, his delegation wished to emphasize the importance of setting general and balanced criteria in selecting the case studies called for in paragraphs 20 and 22 of the resolution. Although his delegation continued to have some doubts regarding the precise advantages accruing from the studies recommended in the note by the Secretary-General (E/1986/108), it had not opposed the consensus. While his delegation endorsed the views expressed in paragraph 23 concerning the continuation of efforts to harmonize the operational procedures of the organizations of the United Nations system engaged in operational activities, it considered that the organizational process should be based not only on economic considerations but also on efficient project delivery as perceived by the recipient country.

93. In conclusion, he drew attention to a possible mistranslation of paragraph 16 (c) and the last two words of paragraph 18 in the Arabic language version.

94. Mr. LABERGE (Canada) said that his delegation wished to congratulate all those responsible for what it believed to be one of the major achievements of the current session. The resolution on which consensus had been reached was very comprehensive, bearing in mind the special nature of the triennial review, and represented much hard work by many delegations. It marked a major step forward in the efforts made by Governments and Secretariat alike over the years to ensure that the operational activities of the United Nations were increasingly effective and well co-ordinated. In that regard, paragraph 16 of the resolution was a significant contribution to enhancing co-ordination within the system as a whole. Canada was willing to participate in the studies mentioned in paragraphs 20 and 22, which it considered to be sound and useful undertakings. Finally, his delegation commended the spirit of professionalism and co-operation which had characterized the negotiations on the texts adopted by consensus before the Council. Delegations should continue to work in harmony to ensure that the Council's work led to tangible and workable improvements for the United Nations as a whole.

95. Mr. SCHUMANN (German Democratic Republic) speaking also on behalf of the delegations of the Byelorussian Soviet Socialist Republic, the People's Republic of Poland and the Union of Soviet Socialist Republics, said that those delegations had been able to

join the consensus on the resolution since, in general, it took account of the positions of the various groups of countries and its implementation would further the solution of the problems confronting United Nations operational activities. At the same time, the delegations of the socialist countries considered that paragraphs 18 and 19, concerning the provision of full information from donor countries on their assistance efforts within the framework of operational activities for development, fell exclusively within the purview of the recipient countries. Resident co-ordinators should receive only such information as the Governments of the recipient countries deemed necessary and appropriate.

96. Finally, the delegation of the German Democratic Republic wished to withdraw draft resolution E/1986/C.3/L.8 since it considered that its main ideas had been incorporated in the resolution just adopted.

97. Mr. ORLANDO (United States of America) said that his delegation was very pleased at the outcome of the negotiations that had led to the adoption of draft resolution E/1986/L.41 and believed that the resolution would render useful service in the future. It wished to withdraw draft resolution E/1986/C.3/L.10, since the concerns embodied in it had been accommodated in the resolution just adopted.

98. Mr. ZVEZDIN (Union of Soviet Socialist Republics) said that in the light of the adoption of draft resolution E/1986/L.41 and the withdrawal of draft resolution E/1986/C.3/L.10, his delegation wished to withdraw the amendments (E/1986/C.3/L.17) to the latter.

99. The PRESIDENT invited the Council to consider the draft resolution entitled "Development of human resources", contained in paragraph 16 of part I of the report (E/1986/125).

The draft resolution was adopted (resolution 1986/73).

100. The PRESIDENT invited the Council to consider the draft decision entitled "Report of the Executive Board of the United Nations Children's Fund", contained in paragraph 17 of part I of the report (E/1986/125).

The draft decision was adopted (decision 1986/181).

101. The PRESIDENT invited the Council to consider the draft decision entitled "Extract from the report of the Governing Council of the United Nations Development Programme on its organizational meeting for 1986 and on its thirty-third session", contained in paragraph 10 of part II of the report (E/1986/125/Add.1).

The draft decision was adopted (decision 1986/180).

102. The PRESIDENT said that the Council had concluded its consideration of agenda item 19.

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectoral developments (concluded)*

103. Mr. SCOTT (United States of America) said that his delegation had understood that the draft resolution entitled "Confidence-building in international economic relations" (E/1986/L.35), submitted to the Council at the 38th meeting (para. 40), was to be revised.

104. Mr. MALIK (India) requested the deletion of the word "constant" in operative paragraph 2.

105. Mr. NOWORYTA (Poland) said that his delegation could accept the amendment proposed by the Indian delegation and introduced a revised draft resolution.

106. Mr. DUN (United Kingdom) requested that a vote should be taken on the newly introduced revised draft resolution.

It was so decided.

107. Mr. SCOTT (United States of America) said that his delegation would like a roll-call vote to be taken on the draft resolution, as amended by India.

At the request of the representative of the United States of America, a vote was taken by roll-call.

Panama, having been drawn by lot by the President, was called upon to vote first.

In favour: Argentina, Bangladesh, Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Egypt, Gabon, German Democratic Republic, Guinea, India, Indonesia, Iraq, Jamaica, Morocco, Mozambique, Nigeria, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Romania, Rwanda, Senegal, Somalia, Sri Lanka, Syrian Arab Republic, Union of Soviet Socialist Republics, Venezuela, Yugoslavia, Zaire, Zimbabwe.

Against: Australia, Belgium, Canada, France, Germany, Federal Republic of, Iceland, Italy, Japan, Spain, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Brazil, Finland, Sierra Leone, Sweden, Turkey.

The draft resolution, as amended, was adopted by 34 votes to 11, with 5 abstentions (resolution 1986/75).

108. Mr. SCOTT (United States of America), speaking in explanation of vote, said that his delegation had voted against the resolution and regretted that the Polish delegation had chosen to force the issue to a vote. The United States of America continued to question the meaning of the concept of confidence-building. It considered the term to be an ill-defined and vacuous one drawn from political discussions elsewhere. At a time when the United Nations needed more than ever before to rationalize its work, the Secretariat should not be

* Resumed from the 38th meeting.

assigned further work on an issue of so little interest to States Members that only 13 of them had responded to the Secretary-General's request for views on the issue.

109. Mr. BAHADIAN (Brazil) said that his delegation had abstained in the vote because it considered that it was a total contradiction to try to introduce matters related to confidence-building through a divisive vote.

110. Mr. DIETZE (German Democratic Republic) said that his delegation had voted in favour of the resolution because it was convinced that confidence-building in international economic relations was an issue of major importance. The result of the vote appeared to confirm that view. His delegation therefore hoped that the Secretariat would initiate the necessary action.

111. Mr. MALIK (India) said that his delegation had voted in favour of the resolution but considered the issue should not be a divisive one and that it would have been preferable for such an important item to be adopted by consensus.

112. Mr. DUN (United Kingdom) said that in voting against the resolution, the Member States of the Community had once again expressed their reservations about the introduction of the issue into the work of the United Nations. They did not consider it appropriate to burden the Secretariat with work on an ill-defined concept of that kind. The result of the vote and subsequent statements indicated a widely-held feeling that the Secretariat had more important tasks to which its time could be more usefully devoted.

113. Mr. SHAABAN (Egypt) said that his delegation had voted in favour of the resolution, but would have preferred such an important issue to have secured a consensus.

114. Mr. NOWORYTA (Poland) said that his delegation shared the view expressed by a number of delegations on the advisability of a consensus. It had done its best to achieve a consensus and very much regretted that a vote had been taken. It was not, however, his delegation that had forced the vote. The concept of confidence-building was neither imprecise nor vague and was in the interests of all States. He therefore hoped that there would be increasing support for the concept in the future leading, ultimately, to a consensus.

115. The PRESIDENT suggested that the Council should adopt the following draft decision, entitled "Documents considered by the Economic and Social Council in connection with its general discussion of international economic and social policy, including regional and sectoral developments":

"The Economic and Social Council took note of the following documents:

"(a) *World Economic Survey 1986* (E/1986/59);

"(b) Summary of the survey of economic and social conditions in Africa, 1984-1985 (E/1986/62);

"(c) Summary of the economic survey of Latin America and the Caribbean, 1985 (E/1986/63);

"(d) Summary of the economic and social survey of Asia and the Pacific, 1985 (E/1986/64);

"(e) Summary of the survey of economic and social developments in the ESCWA region, 1985 (E/1986/69);

"(f) Summary of the economic survey of Europe in 1985-86 (E/1986/81);

"(g) Report of the Committee for Development Planning on its twenty-second session (E/1986/26);

"(h) Report of the Secretary-General on a unified approach to development analysis and planning (E/1986/77 and Add.1);

"(i) Note by the Secretary-General transmitting the report of the ACC Task Force on Long-term Development Objectives on policy changes for long-term growth and development (E/1986/84)."

It was so decided (decision 1986/182).

116. The PRESIDENT said the Council had thus concluded its consideration of agenda item 3.

AGENDA ITEM 23

Elections

117. The PRESIDENT invited the Council to proceed with the elections postponed from the first regular session of 1986 (see E/1986/100, annotations, agenda item 23).

118. For the Commission on Social Development, the Group of Asian States had endorsed the candidacy of Indonesia for a term beginning on the date of election and expiring on 31 December 1988; for the Commission on Human Settlements, the Group of Asian States had endorsed the candidacy of the Islamic Republic of Iran for a four-year term beginning on 1 January 1987; for the Commission on Natural Resources, the Group of Asian States had endorsed the candidacy of the Islamic Republic of Iran for a four-year term beginning on 1 January 1987, and for the Commission on Transnational Corporations, the Group of Asian States had endorsed the candidacy of the Islamic Republic of Iran for a three-year term beginning on 1 January 1987.

119. He said that in the absence of other candidates and if there was no objection, he would take it that the Council wished to elect Indonesia and the Islamic Republic of Iran to those bodies.

It was so decided.

120. The PRESIDENT said that the remaining vacancies would be filled at subsequent sessions of the Council.

121. He drew the Council's attention to the note by the Secretary-General (E/1986/123). If there was no objection, he would take it that the Council confirmed Dr. Lindsay Niemann (Canada) as representative on the Commission on the Status of Women for the remainder of Canada's term, which expired in 1988.

It was so decided.

All the decisions relating to elections and confirmations were adopted (decision 1986/183).

122. The PRESIDENT said that the Council had completed its consideration of agenda item 23.

AGENDA ITEM 2

Adoption of the agenda and other organizational matters (*concluded*)*

123. The PRESIDENT invited the Council to consider the report of the Secretary-General entitled "Summary of estimates of budget programme implications of

resolutions and decisions adopted by the Economic and Social Council during its first and second regular sessions of 1986" (E/1986/139).

124. If there was no objection, he would take it that the Council wished to take note of the report of the Secretary-General.

It was so decided (decision 1986/184).

Closure of the session

125. The PRESIDENT declared the second regular session of 1986 of the Economic and Social Council closed.

The meeting rose at 7.15 p.m.

* Resumed from the 37th meeting.