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## SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. MONGBE (Benin)

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

AGENDA ITEM 91: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued) (A/48/140, A/48/172, A/48/205-S/25923, A/48/209-S/25937, A/48/222, A/48/291-S/26242, A/48/309, A/48/331, A/48/337, A/48/338, A/48/350, A/48/353-S/26372, A/48/379-S/26411 and A/48/380)

(j) INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY (continued) (A/48/317 and A/48/445-S/26501)

AGENDA ITEM 97: INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT (continued) (A/48/182, A/48/338 and A/48/367)

1. Mr. ISAKOV (Russian Federation) said that the effectiveness of the role of the United Nations in facilitating the integration of transition economies into the world economy could be substantially improved through the strengthening of system-wide coordination. It was still unclear which Secretariat unit was primarily responsible for collecting and analysing the relevant information on the transition economies and drafting political recommendations. In that regard, it might be possible to draw on the experience of the special inter-secretariat group to coordinate assistance to the newly independent countries of the former USSR; that group had been established to coordinate the participation of the United Nations system in international conferences on assistance to the countries in transition that had been held in Washington, Lisbon and Tokyo.

2. His delegation had noted with interest the recommendations contained in the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317) on the need for the Organization to place greater emphasis on statistical information systems for market-based decision-making. However, that should not divert attention from the broader problem of systematizing and analysing the problems experienced by "young" market economies in their efforts to become integrated into the trade, monetary and financial and scientific and technical sectors of the world economy.

3. The evolution of the transition economies would determine not only the future of the countries involved but would also have a major impact on overall prospects for world economic development. The Secretary-General should therefore give due consideration to the problems facing those economies in his forthcoming report on an agenda for development.

4. United Nations technical assistance in the creation of a market infrastructure in the countries in transition was of paramount importance. His delegation welcomed the activities in that area of the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF), the Economic Commission for Europe (ECE), the United Nations Conference on Trade and Development (UNCTAD), the Commission on Transnational Corporations and the United Nations Population Fund (UNFPA). It was also extremely important to strengthen coordination within the United Nations system, with due regard to the Bretton Woods institutions, which were actively involved in providing assistance to the transition economies.

(Mr. Isakov, Russian Federation)

5. In his report on the impact of the recent evolution of the economies in transition on the world economy (A/48/331), the Secretary-General concluded that the full integration of the transition economies into the world economy would benefit all countries involved in world economic relations, including the developing countries. That unambiguous conclusion should allay apprehensions about the "competition" of the countries in transition and their "threat" to the economic interests of the third world. A number of other analyses conducted within the United Nations system had also concluded that such fears were groundless. The Government of the Russian Federation considered that it was necessary not only to restore but also to broaden mutually advantageous economic relations with all interested countries of the third world on a basis that would be consistent with current realities. Once its economy had fully recovered, the Russian Federation would be in a position to resume its assistance to needy countries.

6. The Russian Federation had recently published its programme on progressive reforms and the stabilization of the Russian economy for the years 1993-1995. The programme stressed that the driving force of the Russian market economy should be entrepreneurship, with particular emphasis on small- and medium-sized businesses. The programme also included measures on State support for entrepreneurship, the development of trade and the market infrastructure, and the demonopolization of the Russian economy.

7. Mrs. YANG Yanyi (China) said that over the past two years many developing countries had made renewed efforts to implement their economic stabilization programmes and had experienced modest economic recovery and growth as a result. Some had successfully promoted economic growth through a combination of macro-regulatory controls by the Government and the market mechanism, complementarity between the public and private sectors and a parallel emphasis on domestic and export-oriented economic growth. However, the unfavourable international climate continued to frustrate their efforts. While it was true that developing countries should rely on their own efforts to implement stabilization programmes, generous support from the international community was also essential. She expressed concern at the fact that, at a time when the developing countries were making enormous sacrifices to implement their stabilization programmes, they were being faced with harsh conditions imposed on international cooperation, and noted that any attempt to use assistance as a means of exerting political pressure would harm the interests of developing countries.

8. Since the adoption of General Assembly resolution 46/155, many developing countries had responded actively to the recommendations for enhancing South-South cooperation and had made efforts to implement the strategy of self-reliant and people-centred development by strengthening their cooperation in the areas of finance, commodities, trade, food security, education and science and technology. Heightened awareness of those initiatives had contributed to development and social progress. The practical initiatives launched by the developing countries were changing the general attitude of scepticism towards South-South cooperation. The United Nations system had taken an active role in implementing the recommendations by conducting policy

(Mrs. Yang Yanyi, China)

research, providing technology and expertise and in exchanging information and experience.

9. In the long term, the integration of the economies of Central and Eastern Europe and the former Soviet Union into the world economy would promote economic growth, but in the short term its impact on the economies of the developing countries in particular would be considerable. Policy readjustments and disruptions in traditional trade relationships had repercussions on trade and financial flows among developing countries with close economic ties in the region. By all indications, the process of economic stabilization and resumption of growth would take longer and require greater external resources than had been expected. Despite assurances to the contrary, providing resources to the countries of Central and Eastern Europe and the former Soviet Union did have an impact on assistance to the developing countries. The least developed countries in particular were facing a crisis of survival and deepening marginalization. Assistance to transition economies should not be given at the expense of the developing countries.

10. Mr. CARMICHAEL (Canada) said that, although considerable progress had been made by many countries undergoing transition, formidable challenges still lay ahead. Responsibility for overcoming many of the obstacles on the path to integration lay with the countries in transition themselves. Limited absorptive capacity was a major constraint to increased flows of assistance to those economies. Their Governments should take corrective action to enhance absorptive capacity through the establishment of a single government entity with full responsibility for all coordination activities pertaining to external assistance. Primary responsibility for aid coordination lay with recipient Governments, not donor agencies. Information systems and databases must be established and consultations organized to permit the identification and elaboration of priority development needs. Internal resources must be mobilized to address those needs and supplementary external resources used on a selective basis in accordance with the specific mandates and comparative advantages of the respective donor agencies. The impact of assistance would be enhanced if individual donor agencies concentrated their efforts in a limited number of sectors or programmes. Donor agencies must communicate fully and openly with all relevant national bodies such as the Government, educational institutions, non-governmental organizations, the business and labour sectors and community groups. All internal impediments to the effective functioning of assistance agencies must be removed.

11. Some 27 countries currently had the status of "economies in transition". Some of those countries were undergoing radical transformation; however, others had adopted such a gradual approach that transition was sometimes difficult to discern. It might be preferable to differentiate among them and tailor the response of the United Nations and the international community in accordance with their various patterns of development.

12. Mr. STADTHAGEN (Nicaragua) said that Nicaragua applauded the political and economic transformation taking place in the countries of Eastern Europe and the former Soviet Union even though, as a former "cooperant" of the Council for Mutual Economic Assistance (CMEA), it was among those affected by the changes.

(Mr. Stadthagen, Nicaragua)

Its own economy was currently making the transition from a centralized planned system to a free market within the framework of a democratic and constitutional Government. Some of the countries in transition had become potential recipients of new economic resources. While his delegation supported the transfer of resources to Eastern and Central Europe, it felt that such resources should be additional to, not part of, traditional official development assistance. The large additional demand for financial resources expected from the transition economies could raise interest rates world wide with serious consequences for the developing countries in terms of debt service and the availability of new loans.

13. In addition to profound economic transformation, there had also been major political changes which were reflected in progress towards democratization. That was also true in Nicaragua, which had made the transition from a wartime economy to a democratic Government where the consolidation of peace, national reconciliation and the foundations of a free market economy were cherished goals. The Government had embarked on a programme of privatization, liberalization of trade, foreign investments and domestic markets, domestic price controls and macroeconomic balances. In addition to the stabilization programme, it had undertaken a structural adjustment programme in order to reduce State intervention and promote the private sector.

14. Debt remained one of the major obstacles to Nicaragua's economic and social development. Its debt amounted to more than 45 times its annual export earnings, and 97 per cent of the resource flows it received went to servicing the debt and paying for oil imports, leaving very little over for stimulating economic recovery. Unless a solution could be found, one which included substantial debt forgiveness, the task of economic and social reconstruction might prove impossible.

15. Unfortunately, the success that Nicaragua had achieved in its stabilization and economic adjustment programmes had entailed considerable social costs. New financial resources were urgently needed in order to embark on productive and social projects in an effort to improve standards of living, particularly those of the most vulnerable groups. Accordingly, Nicaragua had prepared a plan covering the period 1993-1995 intended to consolidate the gains of the past two years and to intensify the structural reforms necessary to a competitive economy. The programme emphasized the re-establishment of macroeconomic balances in order to create conditions for sustained growth and a climate favourable to private investment. A stable political and social environment was imperative for the achievement of that goal and was his Government's primary objective.

16. For the near future, economic problems would be the major source of instability in Nicaragua. If external aid was reduced, subjected to many conditions or used for purposes of exerting political pressure, democracy itself would be jeopardized. The social costs of adjustment must be alleviated by adopting stabilization programmes to take into account the particular conditions of each country. The countries in transition and the emerging democracies were undergoing the long and painful transformation from closed and repressive societies towards openness, tolerance, reconciliation and freedom. They were

(Mr. Stadthagen, Nicaragua)

also moving from a planned or highly centralized economy to a market economy. Their efforts deserved the greatest understanding on the part of the international community.

17. Mr. PASZYNSKI (Poland) said that his delegation shared the view that the transition from a centralized command economy towards a market economy had proven more difficult and protracted than expected. Nevertheless, the transformation was irreversible, and the progress achieved thus far should not be underestimated. Some countries which had undertaken vigorous transition programmes were already witnessing the first rewards for their sacrifices, which would also benefit the world economy. Already, the countries in transition, along with developing countries, were the most dynamic factor in the expansion of world import demand. Moreover, the report of the Secretary-General on the impact of the recent evolution of the economies in transition on the world economy (A/48/331) had disproved fears of a substantial shift of resources towards those countries. Research showed that fluctuation in resource flows to developing countries could be attributed to other factors.

18. The transformation process could not be accomplished by the efforts of the nations of Central and Eastern Europe alone, but required a favourable external environment. A higher level of economic activity world wide called for greater multilateral trade liberalization and depended also on the ability or even willingness of individual countries to respond to the changing circumstances of international economic interaction brought about by the phenomenon of transition.

19. Dissemination of information played a major role in the process, and the United Nations system had a comparative advantage in providing and coordinating such assistance to economies in transition. The inadequacies of the statistical services inherited from the Communist past were one factor in the disheartening picture of economic performance being painted in many analyses of the situation, which in turn hindered the integration of those countries into the world economy by deterring potential foreign investors. Assistance was needed, therefore, to improve statistical and information systems. Poland would welcome the establishment of a unit within the Secretariat to coordinate technical assistance activities for the economies in transition.

20. Mr. GOUMENNY (Ukraine) said that, while his delegation agreed with most of the views expressed in the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317), the latter should have contained more substantive recommendations on the broadening of United Nations activities to support transition economies. Moreover, due consideration should be given to the ideas and proposals advanced by members of the Committee at the current session.

21. His delegation commended the efforts of the United Nations to assist in the development of statistical information systems in countries with transition economies. It also welcomed the increased attention that UNDP, UNICEF, the United Nations Environment Programme (UNEP), the International Monetary Fund (IMF), the World Bank and many other bodies and specialized agencies of the United Nations system had given to the interests of the transition economies.

(Mr. Goumenny, Ukraine)

At the same time, the bodies of the United Nations system must coordinate their activities with respect to the transition economies by establishing the requisite mechanism within the Secretariat. In order to develop programme activities in that area, the United Nations should also seek the involvement of international monetary and financing institutions and make use of the opportunities provided by European cooperation institutions.

22. The current session of the General Assembly could seek ways of compensating the many countries with economies in transition that had suffered as a result of their implementation of Security Council sanctions against Yugoslavia. By the end of 1993, Ukraine's direct losses as a result of the sanctions would exceed $4 billion. Those resources could have been used to promote reforms in Ukraine.

23. The scope of United Nations programme activities to assist the transition economies should be broadened. The Organization should use its potential to create favourable conditions that would attract foreign investments in the economies of countries in transition and increase their exports. In a rapidly changing world, trade wars and discriminatory practices in foreign trade must become a thing of the past. His delegation fully shared the Secretary-General's conclusion that "improved access to ... Western Europe's market ... is critical to the success of the transition in the East" (A/48/331, para. 55). His delegation hoped that UNCTAD would take a more active position in that area.

24. In the light of the overall reduction of development financing, some developing countries were concerned that financial flows would be rechannelled from the South to the East. In their view, the broadening of cooperation between East and West could adversely affect West-South cooperation. The Secretary-General's reports (A/48/317 and A/48/331) demonstrated that such fears were groundless. Only an insignificant part of the United Nations annual expenditure of $5 billion for development was being used to assist the economies in transition. Such assistance did not jeopardize the implementation of programmes for the developing world.

25. Mr. LUEDIG (Estonia) said that the report of the Secretary-General on the integration of the economies in transition into the world economy (A/48/317) made a valuable contribution by acknowledging that integration into the world economy would take place on a country-by-country basis. Indeed, the use of the phrase "economies in transition" had led to a tendency to group those countries into a bloc, even though each one had unique institutions and was at a different stage of economic and social development. The Committee should address, in a proactive way, the changes that must take place in order to integrate transition economies into the world economy in accordance with General Assembly resolution 47/187.

26. The report of the Secretary-General should be used to identify and gauge specific factors that helped or hindered the integration of individual countries into the world economy. For example, barriers to trade with countries with transition economies - often in reaction to the suddenness with which their command economies had been changed - should be examined with a view to encouraging fair trading practices.

(Mr. Luedig, Estonia)

27. The United Nations and the Bretton Woods institutions could provide effective assistance to the sweeping reform processes necessary for the integration of countries with transition economies. At the national level, those countries must elaborate new legislation clearly defining property rights in order to settle competing claims; providing legal recourse for the settlement of trade disputes; and establishing fair labour compensation, workplace laws, and a commercial code that would bolster the private sector and create a favourable investment climate. National macroeconomic controls were also necessary including the regulation of convertible currency; fiscal policies that controlled inflation and stimulated lending; and financial sector regulations for the protection of investors and creditors as an incentive to commercial and merchant banks to develop credit instruments. Better internal information systems would improve reporting on national accounts and the formulation of financial policy. His delegation agreed with the report of the Secretary-General that statistical compilation, a priority for a number of countries, remained vital. Standardized import-export and law enforcement procedures were also required in order to control bureaucratic corruption, transborder black markets and tax evasion. Other national measures to be taken included the establishment of national governmental structures that could effectively coordinate aid and technical assistance, and of effective social safety nets in order to combat poverty and disenfranchisement. In that connection, his delegation was pleased to learn that the World Bank had begun to elaborate assistance programmes to a number of countries with transition economies.

28. His delegation hoped that regional cooperation and regional organizations would foster international trade and not serve as a pretext for protectionism or for excluding individual Eastern European States from the trading system. A successful outcome of the Uruguay Round of multilateral trade negotiations could not only bring about a more equitable international trading system but would also have an impact on the Agenda for Peace, Agenda 21 and an agenda for development. The calm, measured reaction of the world financial markets to recent political events in Moscow proved that the world financial community no longer feared political extremism in that part of the world but rather felt it could do business with countries whose economies were in transition. His delegation supported President Yeltsin in his efforts to create a democratic, stable Russia with which Estonia and the rest of the world could conduct trade.

29. Mr. BRATINKA (Czech Republic) said that his delegation appreciated the attention focused on the problems of countries with economies in transition, both in publications such as the World Economic Survey 1993 and the Economic Survey of Europe in 1992-1993 and in General Assembly resolution 47/187 on integration of the economies in transition into the world economy, resolution 47/171 on privatization in the context of economic restructuring, economic growth and sustainable development and resolution 46/166 on entrepreneurship.

30. During the period 1991-1992, a period of unprecedented change, the Czech Republic had liberalized prices and foreign trade and introduced internal currency convertibility and small-scale and large-scale privatization and restitutions. Economic reform in 1993 was taking place in new circumstances following the division of Czechoslovakia into the Czech Republic and the Slovak Republic, which amounted to the division of one integrated economy into two

(Mr. Bratinka, Czech Republic)

separate ones. In 1993, the Czech Republic had implemented fundamental tax reform. It had also changed the structure of its tax system and the relationship between taxpayers and the State budget.

31. The success of the whole transformation process in his country would depend largely on the creation of natural private property relations and a strong group of small- and medium-sized entrepreneurs. Experience had shown that a strong middle class was the key to a stable, democratic society. The Czech Republic also recognized the importance of entrepreneurship and was taking action to promote it.

32. The Czech Republic could already be described as a pluralistic democracy. Certain economic indexes, including unemployment and inflation rates and the balance in the State budget were favourable, even in comparison with countries in traditional market economy. Slight growth in the gross domestic product was expected in 1993.

33. Liberalization of foreign trade had augmented the Czech Republic's trading partners. In 1992, it had traded with a total of 140 countries, approximately two thirds of which were developing countries. Though Czech companies sought to trade mainly with European partners, they were prepared to develop trade relations with all countries. Fair trading conditions would be vital to that end.

34. Mr. YEGOROV (Belarus) said that the Secretary-General's report on the integration of the economies in transition into the world economy (A/48/317) was the first attempt to provide a systematic description and analysis of the complex economic processes taking place in countries with economies in transition. The report gave an objective account of the progress that had been achieved in certain areas as well as the understandable difficulties resulting from the inertia of former processes and structures and the lack of managerial and entrepreneurial experience.

35. The recent annual meeting of the governing bodies of IMF and the World Bank, as well as other international forums had reaffirmed the importance of integrating the transition economies into the world economy and the need for concerted international efforts to provide assistance. The organizational aspect of such activities within the United Nations system must be substantially improved. The Secretariat and the programmes and funds involved in operational activities and the regional economic commissions could contribute more effectively to the progress of transition economies through analytical work and the provision of technical assistance. In that regard, his delegation attached great importance to the activities of the Economic Commission for Europe, UNCTAD, the Commission on Transnational Corporations, UNICEF and UNFPA which, in their most recent resolutions and decisions, further developed the provisions of General Assembly resolution 47/187. The mandate of many organizations of the United Nations system had thus been strengthened in that area, which made the need for improved coordination both within the United Nations and with the Bretton Woods institutions and other international economic and financial institutions even more urgent.

(Mr. Yegorov, Belarus)

36. His delegation supported the Secretary-General's conclusion, contained in his report on the impact of the recent evolution of the economies in transition in world economy (A/48/331), that in the longer run, the developing countries stood to benefit from the changes in the economies in transition. Thus, fears that the processes taking place in countries with economies in transition would have an exclusively negative effect on other groups of countries were groundless. The time had come to conduct a systematic and objective study of the nature and consequences of the transition of a large group of countries to a market economy. It would then be possible, on the basis of such a study, to elaborate a theory of that global process and to suggest practical measures that those countries and the international community could take to ensure their effective integration into the world economy. He hoped that that aspect of the problem would be adequately reflected in the Secretary-General's forthcoming report on an agenda for development.

37. Mr. MOLDAW (United States of America) said that expansion of economic opportunity was the key to the integration of economies in transition into the world economy. Realization of individual potential was the key to development and to building an open world economy. As United States President Clinton had said in his address to the plenary session of the General Assembly, development should put people first. The integration of the transition economies into the world economy went hand in hand with their decision to become free, independent societies. The international community of market-based democracies must be enlarged and strengthened. His delegation welcomed the many United Nations activities in such areas as analysis, technical assistance and comparisons of country experiences designed to assist economies in transition in integrating into the global economy. It looked forward to enhanced coordination of the activities of the United Nations system for improving such integration, within the context of the reform of the Secretariat initiated by the Secretary-General.

38. Mr. MARGITTAI (Hungary) referring in turn to the four policy priorities - stabilization, liberalization, privatization and institution-building - mentioned in the report of the Secretary-General on integration of the economies in transition into the world economy (A/48/317, para. 16), said that the fall in the output of the countries in transition would have severe repercussions. The decline in domestic demand posed problems for both the public and private sectors for it meant that, in the private sector, there would not be sufficient capital to finance new businesses or sufficient customers to make those ventures viable. The public sector would have to finance higher unemployment from the State budget and therefore postpone structural reforms such as liberalization. As the representative of Belgium had stated on behalf of the European Community at the previous meeting, stabilization policy in Eastern Europe hinged on replacing that unbalanced decline by balanced growth.

39. The impact of external assistance, while of the utmost importance, was unclear. According to the Economic Survey of Europe in 1992-1993, capital inflows into countries with economies in transition were more than offset by debt-servicing and other payments and had actually resulted in a net outflow of resources from most of the Eastern European countries in 1992. Similarly, the large-scale technical assistance programme conducted by the European Community had been criticized for poor coordination and its benefit to the recipient

(Mr. Margittai, Hungary)

countries had been questioned. As for private foreign capital inflows, the US$ 5.5 billion received by Hungary - which was higher than the investment in most countries - was still much lower than the inflows into certain smaller Western European countries.

40. A recent evaluation of Hungary's privatization policy had shown that selling bankrupt State-owned companies was better than liquidating them because jobs were saved, and that selling enterprises below their real value was better than closing them down. Private-sector income currently accounted for almost half of Hungary's gross domestic product.

41. Although the role of the State in the economy and Government had been radically reduced in the transformation process, the State must remain active in institution-building, especially in such fields as industrial development, agriculture and technology; trade policies, for example, the establishment of an institutional framework for integration in the international economy; and employment policies, education and research. The State also had a key role to play in the establishment of the social institutions that would provide a safety net during the transition. Experience in the newly industrialized countries had shown that moderation was the best policy in time of transition. The United Nations system could help to promote institution-building.

42. Liberalization was such an important issue that it warranted more thorough analysis, including in-depth reports in various related fields. Hungary's successful domestic liberalization policy had resulted in the virtual deregulation of prices and wages, liberalization of imports and foreign investment and a currency that was practically convertible. Its successful trade policy reflected a balance between the need to liberalize trade rapidly and the need to exercise caution during a phase of structural adjustment, low competitiveness and economic uncertainty. The success of liberalization also depended on what was happening in the larger economic context. That meant that the European Community should enlarge its cold-war vision of what constituted a united Europe.

43. Ms. ARYSTANBEKOVA (Kazakhstan) said that her delegation had been impressed with the thoroughness of the Secretary-General's report on the integration of the economies in transition into the world economy (A/48/317). On the whole, the Secretary-General had correctly assessed the major difficulties encountered by all countries that had faced foreseen and unforeseen problems arising from their transition to a market economy. The situation had been aggravated by a sharp economic decline resulting from the rupture of traditional economic ties among the countries of the former USSR, a lack of the necessary managerial experience at the national level, and social and political instability in many parts of the region.

44. The Government of Kazakhstan, which was in the same critical situation as practically all the other republics of the former Soviet Union, had conducted an analysis of the errors and miscalculations that it had made during the first stage of its economic reforms and had prepared a programme for urgent anti-crisis measures and the intensification of social and economic reforms. The implementation of the programme had already had a number of positive

(Ms. Arystanbekova, Kazakhstan)

results. There had been progress in removing macroeconomic imbalances and reducing the budget deficit by improving fiscal policy and the monetary and accounting system and cutting back State expenditure. Systematic measures were being taken to liberalize prices, reduce the extent of direct State regulation of the economy and to create the legislative and organizational infrastructure for social and economic reforms. A programme of gradual privatization had begun.

45. In spite of a certain degree of success, the situation remained critical. It was essential for Kazakhstan to halt its economic decline and high inflation rates and to find a solution to its monetary and financial crisis. In that regard, Kazakhstan attached great importance to the results of the summit meeting of the members of the Commonwealth of Independent States, held on 24 September, at which the Treaty on Economic Union had been signed. Kazakhstan had consistently supported regional integration, which it considered to be an indispensable element of the process of integration into the world economy.

46. In his report (A/48/317), the Secretary-General devoted a great deal of attention to the participation of organizations of the United Nations system in international efforts to assist market reforms in the countries of Eastern Europe and the former Soviet Union. An analysis of the activities of the organizations of the United Nations system in that area demonstrated that various international forums were beginning to understand the need to provide effective assistance to countries with economies in transition. In spite of the uneven progress that the various organizations had achieved in that area, her delegation was encouraged by their interest and determination to intensify their activities in that area.

47. Improved coordination of international efforts to assist economies in transition would help ensure the success of those activities. Her delegation regretted that the efforts of a number of organizations of the United Nations system to assist the economies in transition and facilitate their integration into the world economy had been hampered by a lack of financial resources.

48. Mr. THAKUR (India) said that his delegation supported the general principles outlined in the statement made by the representative of Colombia on behalf of the Group of 77. The report of the Secretary-General on the economic stabilization programmes in developing countries (A/48/380) highlighted the fact that policy reform and adjustment programmes had been launched in the context of a harsh external economic environment. At times, the social cost of adjustment programmes had even affected popular opinion about the reform process itself. In India, a National Renewal Fund had been established with support from multilateral funding agencies to mitigate the social cost of the transition. In particular, it sought to protect the most vulnerable strata of society.

49. The report of the Secretary-General also noted that even as market forces were given freer rein, the State continued to play an important stabilizing and promotional role. In India, the State actively sought to build infrastructure and intensify anti-poverty programmes during the liberalization phase. For every dollar invested through foreign direct investment, matching State resources were provided to ease the shock of the transition process.

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(Mr. Thakur, India)

50. The report of the Secretary-General on sources of financing for development (A/48/367) noted that private medium- and long-term finance was abundant at the aggregate level only, but restricted at the national and regional levels (para. 18). The terms on which such financing was available increased the cost of restructuring and made countries more vulnerable to external contingencies. In addition, export credits, multilateral official development assistance and financing from the International Development Association (IDA) had stagnated in real terms. All of that was taking place at a time of enhanced demand for external resources, as the developing countries engaged in restructuring and new applicants for financing emerged. The deliberations of the eighth session of the United Nations Conference on Trade and Development and the United Nations Conference on Environment and Development had also highlighted the need for additional resources.

51. The developed countries had an obligation to sustain the reform process by increasing concessional official flows and affording greater access to markets and technology. The capital available to multilateral financial institutions must be increased in view of the international community’s latest commitments under Agenda 21. Direct private financial flows and investment must be made more widely available to countries, regions and sectors and should be suitably balanced with official assistance. Lastly, the increased vulnerability of developing countries to external variables made it even more imperative for them to have a say in international macroeconomic policy coordination.

52. Mr. BAHADIAN (Brazil) said that the conclusion, in the report of the Secretary-General on economic stabilization programmes in developing countries (A/48/380), that adjustment programmes in many countries had not yet yielded any positive results, came as no surprise, since such programmes invariably involved increased, though unbalanced, integration of developing country economies into the world economy, and thus made them more dependent on the international economic environment. That greater vulnerability was all the more worrisome at a time when international financial flows, often of a short-term and speculative nature, were at a level estimated to be 30 times that of the value of trade in goods and services.

53. Fortunately, there seemed to be a growing awareness of the need to respect the particularities of each country and to incorporate the social dimension in the elaboration of such programmes. His delegation hoped that the Secretary-General, in his report on an agenda for development, would address the need for a more detailed analysis of the consequences of the increased vulnerability of developing countries to imbalances in the external economic environment, bearing in mind that those countries must have an effective voice in the decision-making process on global economic issues.

54. Mr. SERSALE DI SERISANO (Argentina) said that the United Nations should strive to develop as many sources of international financing for development as possible and that the proposed international conference on the financing of development was only one such avenue. Official development assistance had stagnated during the past 15 years, despite all the commitments made to increase it, and new areas for development finance had emerged.

(Mr. Sersale Di Serisano, Argentina)

55. Through structural adjustments to their economies, including stabilization programmes, the developing countries were increasing domestic savings. Where investment opportunities were attractive, private financing was forthcoming.

56. The funds released by the decrease in arms expenditures were a major potential source of development financing. While it was true that such funds were being used for productive investments within countries which manufactured weapons, it was by no means certain that there had been a concomitant increase in international assistance. The vast sums spent by certain countries on agricultural subsidies were a second potential major source of development financing. Such subsidies were irrational expenditures that showed no respect for the concept of comparative advantage and distorted international trading practices.

57. Future United Nations documents on development financing should include those two sources of financing and should link them with figures for official development assistance. An increase in such assistance attracted private sector investment where political indications were positive. The analysis of the issue in the current document was sound, but could have been developed further. As to institutional arrangements for development financing, the multilateral financial institutions had a mandate to act, and there should be a clear division of labour among them regarding the steps which should be taken to translate reduced public expenditure in certain countries into assistance to the developing countries.

58. Mr. SWETJA (Indonesia) said that, as noted in the report of the Secretary-General on sources of financing for development (A/48/367), the net transfer of financial resources to the developing countries had turned positive (para. 15). However, the situation remained tenuous, as inflows were largely short term and volatile (para. 16). The failure of the international financial system to provide stable financial flows for development was due in part to the decline in official development assistance and the increased conditionality attached to development financing. That made consideration of the issue by the Second Committee more relevant than ever.

59. Just as the report of the Secretary-General defined development as enlargement of the human capacities (para. 1), the definition of development finance had also been broadened to encompass various sources, including investment finance, technical assistance and domestic and foreign resources for current expenditures on human resources for development. The problem was that the developed countries were still mired in recession and the developing countries, in stagnation brought on largely by an adverse external environment. Whether that stagnation took the form of excessive debt overhang or deteriorating terms of trade, it was a threat to the social stability of the developing countries.

60. The major economic powers should address the need to stimulate the global economy through greater participation, coordination and transparency than was provided by the current mechanism of the Group of 7. International financial cooperation for development would be strengthened if the developed countries met their ODA targets and improved the quality of assistance; if medium-term and the

(Mr. Swetja, Indonesia)

long-term private financing were made available on less prohibitive terms; and if concessional official flows were provided to many developing countries, especially those with a low debt-servicing capacity.

61. His delegation believed that the revitalization of international trade and investment would ensure the financing of development. Indonesia, like many developing countries, had unilaterally removed many trade barriers and deregulated its economy to a large extent in order to attract foreign investment and stimulate trade. Regrettably, its initiatives had been reciprocated by new conditionalities. In that connection, if the Uruguay Round were successfully concluded, the world economy would be bolstered by increased trade and investment. The international community must also increase technical and financial assistance to developing countries seeking to build their capacities to attract and use international private investment. In conclusion, the convening of an international conference on the financing of development was of paramount importance in view of the need to increase the level of development finance, address the debt burden of developing countries and approach development financing in an integrated, comprehensive manner.

62. Mr. REPISHTI (Albania) said that owing to his country's long history of total isolation, over-centralization and a complete absence of private initiative, its transition from totalitarianism to democracy and a market economy was a very painful and difficult process, despite the significant reforms that had been introduced. To facilitate its integration into the world economy, the Government was focusing on stabilization, liberalization, privatization and institution-building. Efforts to lay the groundwork for a market economy already had resulted in a decrease in inflation from 15 per cent per month in early 1992 to less than 0.9 per cent in 1993.

63. The privatization of land was nearly completed and the increase in agricultural output in 1993 testified to the value of the measures already taken and underscored the need for further such measures. The nearly completed privatization of services, transport, small-scale production and trade had freed the State budget from an unnecessary burden and had registered positive results. His country had received valuable assistance in accelerating the privatization process, in particular, from the World Bank, the European Community and the Group of 24.

64. His Government also was grappling with the challenge of restructuring the industrial sector, which had been plagued by obsolete technology, an overemphasis on heavy industry and incompetent management. The termination of many industrial projects had caused a sharp increase in unemployment which, although on the decline with the growth of small- and medium-scale industries, still was at 30 per cent of the workforce, the highest level in Europe.

65. His country would continue to adopt the necessary legislation to facilitate the integration of its economy into the world economy. The country's favourable climate, unpolluted environment, low labour costs and natural resources were major attractions to foreign investors. The Government also wished fully to develop the tourism industry. Technical assistance in the field of information, including the development of statistics, was needed.

(Mr. Repishti, Albania)

66. His country worked closely with the World Bank, IMF, UNDP and other United Nations agencies, particularly in activities relating to micro- and macroeconomic policy, to foster sustainable growth, develop the human resources needed to manage and consolidate the new political regime and technical assistance to promote the transition to a market economy. His delegation renewed its appeal to the international community for adequate support to compensate it for the economic losses resulting from the strict implementation of the embargo imposed by the Security Council against the Federal Republic of Yugoslavia (Serbia and Montenegro).

67. In conclusion, he underscored his country's firm commitment to consolidating its collaboration with United Nations agencies and the European Community in order to accelerate the integration of its economy into the world economy.

68. Mr. MALLYA (United Republic of Tanzania) said that document A/48/350 provided a comprehensive overview of South-South cooperation that was an improvement over the fragmented approach taken in previous reports on the subject. His delegation hoped that such reports would be issued periodically in order to facilitate such cooperation and pave the way for more elaborate publications on issues such as exchange rates, price indices, transportation costs and markets.

69. His delegation welcomed the fact that the South Centre soon would be a permanent body and congratulated Mr. Gamani Corea, the former Secretary-General of the United Nations Conference on Trade and Development, on being designated an honourary coordinator of research and substantive activities of the Centre. It also was gratifying to note that the South Centre had been able to make maximum use of modern communications facilities, for example, by professionals on several continents to work together to prepare a report for the benefit of the South.

70. It was his delegation's understanding that the countries of the South would have no financial obligations regarding the operation of the Centre, which would be financed by a capital fund. The United Nations should continue to offer its services to the Centre.

71. Mr. WOON (Malaysia) said that the report on economic stabilization programmes in developing countries (A/48/380) showed that the serious social repercussions in countries where such programmes had failed were a cause for concern which the international multilateral institutions must address. The crucial question was how best to generate sustainable growth in a changing international economic environment. External factors that adversely affected vulnerable developing economies must be counter-balanced by positive factors that created a momentum for growth.

72. The current doctrinaire prescriptions of the Bretton Woods institutions for adjustment and stabilization programmes had many serious limitations. More often than not they were viewed as stop-gap measures rather than as a comprehensive approach. The recent World Bank study on the East Asian experience attributed growth in the region to the superior accumulation of

(Mr. Woon, Malaysia)

physical and human capital and the ability to allocate those resources to highly productive investments and to acquire and master technology. However, the fundamental issue was how that capital accumulation was fostered. Many developing countries had been unable to attract the essential sustained investments that were needed; moreover, they were heavily burdened by debt. The debt burden in turn required huge servicing payments which limited their capacity to buy the capital goods so necessary for building long-term productive capacity. It was essential to recognize that the economies of the developing countries were vulnerable and that the market approach was inadequate. Furthermore, countries must have the institutional capacity for prudent macroeconomic management and the ability to maintain price stability to encourage savings and investment. That could be achieved if productive sectors generated net positive returns, which was not the case for most commodity-dependent developing countries where production costs were higher than revenue.

73. The importance of the international economic environment to the success of the developing countries could not be overemphasized, particularly in view of the political instability which often resulted as the developing countries endeavoured to respond in that environment. The relevant conclusion of the Secretary-General’s report (A/48/380) thus was a cause for serious concern. Referring to paragraph 52 of the document, he said that the concept of partnership and integration should be the focus of the global agenda for development, and that the tendency towards inward-looking preoccupation must be reversed.

74. Turning to the report on developments pertaining to the implementation of the recommendations of the report of the South Commission with special emphasis on South-South economic cooperation (A/48/350), he welcomed the relative progress achieved thus far. South-South cooperation should receive priority attention and might require additional support from the international community, particularly with respect to expertise and additional resources in financing and technology. At a time when resources were limited, economic cooperation among the developing countries should offer the best option for promoting growth and development in those countries.

75. The experience of the countries members of the Association of South-East Asian Nations in jointly promoting cooperation in trade, science and technology, industrial development, agriculture and education, testified to the value of regional cooperation as a successful approach to South-South cooperation, and as a factor in enhancing global economic growth. Here, again, a favourable international economic environment was essential.

The meeting rose at 6.10 p.m.