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SUMMARY RECORD OF THE 9th MEETING

Chairman: Mr. HARLAND (New Zealand)

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GENERAL DEBATE (continued)

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The meeting was called to order at 3.15 p.m.

GENERAL DEBATE (continued)

1. Mr. ZAPOTOCKY (Czechoslovakia) said that international economic relations were tense and unstable as a result not only of purely economic factors, but also of political ones. The measures needed to deal with the situation had been clearly set forth in the conclusions of the high-level economic conference of the member countries of CMEA, held in Moscow in June 1984. They included a programme of measures designed to normalize international relations in the area of economic security and scientific and technological co-operation.
2. His delegation did not agree with the optimistic analysis of the international economic situation recently presented by representatives of the most reactionary capitalist sectors. The apparent recovery in the growth rate in a few countries masked, even in those countries, continuing high levels of unemployment, underutilization of industrial capacity, stagnation of capital investments and worsening living conditions of the vast majority of the population. That recovery was based on a selfish economic policy that heightened the inequality in international economic relations through discriminatory protectionist measures aimed especially at the socialist and developing countries. Against that background, the growing interference of political and even military factors in the system of international economic relations was particularly serious. That strategy had destructive effects on the entire system, and violated the fundamental norms which governed its operation.
3. Given that strategy, the task of establishing a new international economic order that would restructure international economic relations for the benefit of all countries, particularly the developing countries, needed to be tackled in a serious way. A prerequisite was rejection of political and economic pressures imposed by some States on others and respect for the sovereignty of States in the economic area also, as indicated in chapter I of the Charter of Economic Rights and Duties of States. In that context the conduct of the major capitalist States and of the international organizations they controlled, such as the International Monetary Fund and the World Bank, in making economic assistance to the developing countries conditional upon the implementation of certain economic and domestic policy measures designed to open the door to neo-colonial exploitation by private external capital, was inadmissible, and ran counter to the provisions of General Assembly resolutions 38/196 and 38/197.
4. The increase in the external debt of the developing countries and inflation rates that, in some cases, reached into three figures proved that that policy was contrary to the interests of the developing countries. At their recent meeting in London, the Heads of State of the major capitalist countries had refused to consider the reform of the international monetary system or to co-operate in solving the financial problems of the developing countries. They had also refused to take up suggestions made by the developing countries, for example at the Cartagena Meeting or in the Quito Plan of Action. The Secretary-General of the Latin American Economic System (SELA) had stated that their attitude was

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(Mr. Zapotocky, Czechoslovakia)

reminiscent of colonial times. It was, indeed, an attempt to maintain the economic status quo by strict application of market mechanisms in order to continue the neo-colonialist exploitation of the developing countries. Among the fruits of that exploitation were the profits of the \$41,000 million obtained by transnational corporations from their direct investments in developing countries during the period 1977-1982 (OECD data), whereas official development assistance provided by the United States had amounted to only \$36,000 million. According to the experts, each year between \$150,000 million and \$200,000 million of capital left the developing countries. In view of that situation it was essential to raise the issue of the various forms of capital outflows from developing countries in all forums of the United Nations and to complete the elaboration of the Code of Conduct for Transnational Corporations.

5. One essential component in any effort to overcome the serious international situation was the struggle to curb the current arms race and to initiate disarmament, particularly nuclear disarmament. Given the correlation between the increase in military expenditure and the decrease in resources for development there was an urgent need to reduce such expenditure in all countries, beginning with those which possessed greater military strength. The socialist countries had repeatedly submitted proposals to that effect; the most recent proposal, submitted by the States parties to the Warsaw Treaty to the member States of NATO on 5 March 1984, had been for a joint reduction of military spending and the allocation of the resources thus released to economic and social development, including assistance to the developing countries. Unfortunately, the member States of NATO had not as yet responded positively to that proposal. In the same context, it was necessary to implement the invitation extended by the General Assembly in resolution 38/188 J to the specialized agencies and other organizations and programmes of the United Nations system to broaden further their contribution, within their areas of competence, to the cause of arms limitation and disarmament.

6. Despite the pressures and discriminatory measures of the developed capitalist countries the socialist countries were achieving positive results in their economic development. In the 35 years that had elapsed since the establishment of the Council for Mutual Economic Assistance the national income of member countries had increased by a factor of 8.5. In the period 1970-1983, national income had risen by 80 per cent on average and the volume of industrial production had doubled. The volume of commercial transactions among those countries was currently five times what it had been in 1970. Czechoslovakia's industrial and agricultural production had increased significantly in recent years. Its economic relations with the other member countries of CMEA were geared to promote specialization and co-operation through long-term agreements which allowed for a high degree of independence in the supply of raw materials and energy and in the acquisition of modern technology. In brief, the socialist countries were applying universally accepted principles in their mutual relations, but in a new spirit which made those relations more egalitarian and democratic.

7. In view of the failure of recent attempts at tackling the serious international economic situation through bilateral agreements, it was more urgent than ever before to revert to a multilateral approach. Only thus could mutual

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(Mr. Zapotocky, Czechoslovakia)

confidence and international co-operation with equal guarantees for all be restored. Those global negotiations must take place within the United Nations system, as had been pointed out in General Assembly resolution 34/138.

Czechoslovakia would participate most willingly in any negotiations that might be initiated within that framework, and hoped that other countries would do likewise. As had been stated in the final paragraph of the Declaration by the member States of CMEA at their recent high-level economic conference entitled "Maintenance of peace and international economic co-operation", (A/39/323), "... now more than ever, it is essential for parliaments and Governments, the general public and all right-minded people to join together to preserve and consolidate peace, curb the arms race and achieve disarmament, particularly nuclear disarmament and to normalize international economic relations for the benefit of all countries and peoples".

8. Mr. PEREZ-GUERRERO (Venezuela) said that 10 years earlier, when the Assembly had adopted the Declaration and the Programme of Action on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States, the Group of 77 and many developed countries had noted that a profound crisis was brewing and had proposed that measures should be adopted to promote a just, equitable and rational world. However, owing to the vacillating and dilatory policy of a small group of States that warning had not been heeded. Currently the crisis was affecting hundreds of millions of people and the responsibility rested with those Powers which had resisted change and had allowed the world economy to go from a situation of unstable equilibrium to one of open disequilibrium.

9. Since 1971, when the policy of leaving exchange rates to fluctuate had been introduced so as to resolve the monetary difficulties that were being exacerbated by the fact that the dollar was no longer convertible into gold, the situation had been one of monetary anarchy - a speculators' paradise. The United States, which as the owner of the dollar enjoyed that exorbitant privilege of issuing international money to which General de Gaulle had referred, had pursued a monetarist policy to achieve its precarious economic recovery at the expense of the other countries, particularly the developing countries.

10. Moreover, the persistence of depressed raw materials prices and the inflationary increase in prices of manufactured goods imported by the developing countries ("imported inflation") had led to a drop in the developing countries' external purchasing power that prevented them from feeling the effects of the recovery in a few developed countries. In addition, the crisis of the developing countries was worsening as that same deterioration in the terms of trade exacerbated their external debt.

11. Although it did not absolve the debtor countries, considerable responsibility for the situation, which threatened not only all the developing countries but also the world economy as a whole, rested with the World Bank and the creditor countries, which had allowed the so-called market forces to impose a senseless competition, thus preventing concertation among all the parties involved.

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(Mr. Perez-Guerrero, Venezuela)

12. Indicative of the danger that threatened was the degree of risk the banking system was running. The nine major United States banks had committed more than their total consolidated capital to the Latin American debt. The measures imposed by the renegotiation of their debt continued to be burdensome for the developing countries. The need for agreement at the political level was apparent also from the statements made by leaders of the industrialized countries, particularly the Ministers for Foreign Affairs of France and the Federal Republic of Germany; that had already been pointed out, at the Cartagena and Mar del Plata meetings, by the Latin American countries, whose desire for a concerted approach had been expressed in the Quito Declaration and Plan of Action.

13. Although the decline in inflation in the United States was a positive achievement, that country's enormous budget deficit of around \$200,000 million had been the main cause of the increase in bank interest rates; which had led to the outflow of capital to the United States, contributing to its economic recovery but lowering the external purchasing power and liquidity of the developing countries. As the President of Venezuela had stated in the General Assembly, the developing countries were financing a good portion of the deficits of the industrialized countries.

14. Those structural disequilibria which allowed the dollar to rise and made it difficult for the developing countries to pay their debts were also constraining the World Bank and the International Monetary Fund, thus demonstrating the interdependence of all countries and the shortsightedness of an international monetary policy that was not forward-looking and that did not even deal properly with the current problems of the vast majority of countries.

15. By claiming that they had to cut back their contributions because of the current difficult circumstances the developed countries were aggravating the crisis of international co-operation, and that was seriously affecting the least developed countries and the African continent. In contrast to putting forward such excuses, the developing countries were helping one another. Venezuela and Mexico, which were going through a difficult period, had renewed their financing programme for Central American and Caribbean countries on the basis of the San Jose Agreement.

16. In that context it was essential to adopt a global approach to deal with the problem as a whole, as recommended in General Assembly resolution 34/138.

17. In its ministerial Declaration, the Group of 77 had praised the efforts made to carry out a thorough review of the international monetary and financial system. He hoped that the Assembly would take as its objective the adoption of monetary and financial measures for development. It was not enough simply to ease up on, or to freeze, protectionist measures. On the contrary, the developing countries should be given opportunities to participate actively in international trade. All countries, particularly the United States and the Soviet Union, must ratify the Agreement Establishing the Common Fund for Commodities, which, within the context of the UNCTAD Integrated Programme, was a step towards restructuring international

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(Mr. Perez-Guerrero, Venezuela)

trade on an equitable basis. The importance of putting an end to the export to Africa, Asia and Latin America of harmful products that had been banned in the countries that produced them should also be emphasized.

18. In 1981, through LAES and other bodies, in the context of South-South co-operation, the Latin American countries had put forward in the Caracas Programme of Action a number of national and regional initiatives to deal with the crisis and they were continuing to work on plans for co-operation in respect of agriculture, raw materials, financing, industrialization, technical co-operation and trade. That was a contribution to the establishment of the new international economic order, and complemented other proposals referring to North-South co-operation.

19. Mr. TOLENTINO (Philippines) drew attention to the need to integrate the attainment of economic and social goals, in the spirit and letter of the Charter of the United Nations, and recalled that, two years earlier, his country had introduced into the agenda of the General Assembly an item entitled "New international human order: moral aspects of development". He hoped that the study on the dignity of every human being in development commissioned by the United Nations would be completed in time for the fortieth session of the Assembly and that it could lead to the formulation of a universal code of ethics.

20. Development was rooted in the strengthening of national capabilities, collective self-reliance and genuine co-operation among all States. As had been pointed out in the Declaration of the Group of 77, the developing countries were disappointed at the setback the economic crisis had caused in the implementation of programmes of economic and technical co-operation among developing countries. Although the crisis had encouraged an increase in co-operation in such areas as raw materials, financing, food and agriculture and trade and industry, the developed countries had not done very much to encourage economic and technical co-operation among the developing countries. The situation was aggravated by the fact that the multilateral agencies had not been given a clear mandate for the establishment of a new international economic order, which, by its very nature, was closely linked to economic and technical co-operation among developing countries.

21. In spite of the 1980s world recession, characterized by protectionism, which had given rise to extremely heavy indebtedness in the developing countries and to problems in the import of food and capital goods, the United States economy, after declining by 1.9 per cent in 1982, had grown by 3.36 per cent in 1983, and experts were predicting a growth rate of 4.5 per cent for 1984. However, if that incipient recovery was to contribute to international development concerted efforts must be made to achieve a comprehensive and durable solution, as the Group of 77 had pointed out in its latest Declaration.

22. There were certain non-tariff protectionist devices, such as, quotas, seasonal restrictions, licensing requirements, variable levies, health and sanitary regulations and anti-dumping and countervailing duties, which prevented the developing countries from gaining access to the markets of the developed countries, thus restricting the increase in world trade and the resumption of development.

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(Mr. Tolentino, Philippines)

23. Equally disturbing was trade that was regulated outside the principles of GATT, for it placed the weaker under the control of the stronger and promoted uncertainty which, in turn, impeded and distorted trade. Little progress had been made in the establishment of the Common Fund or the Integrated Programme for Commodities, and as a result prices remained unstable.

24. To that was added the absence of a suitable strategy for structural adjustment, which was a sine qua non for strengthening the developing countries' industrial capacity and the export of manufactured goods from them, and making possible the redeployment of industries to developing countries, as well as for avoiding protectionism, on the basis of comparative advantage.

25. Turning to monetary and financial matters, he indicated the clear need for reforms in the financial system to allow balanced and equitable development of the world economy and accelerated progress in the developing countries. Measures that would lead to the resolution of the external debt problems of the developing countries should be considered urgently: the developing countries had become net capital exporters, and had to commit a major part of their export earnings to servicing their external debt.

26. Balance-of-payments problems, the mounting external debt and the absence of a trade order had in turn aggravated food problems and had adversely affected efforts aimed at eradicating hunger and malnutrition.

27. The situation called for an economic recovery programme, and, more specifically, for the immediate adoption of measures to promote national self-reliance, strengthen co-operation among developing countries, expand and consolidate the benefits derived from regional and sub-regional arrangements among developing countries, eliminate protectionism, and rationalize and mobilize the United Nations system in support of technical and economic co-operation between developing countries, the International Development Strategy, and the establishment of the new international economic order.

28. Mr. KIILU (Kenya) emphasized that since the thirty-eighth session of the General Assembly little progress had been made either with regard to the launching of global negotiations, the formulation of a Code of Conduct for Transnational Corporations and the mobilization of resources for the industrialization of developing countries, or in the work of the Committee on the Review and Appraisal of the Implementation of the International Development Strategy, the Intergovernmental Committee on Science and Technology for Development, and the Committee on the Development and Utilization of New and Renewable Sources of Energy.

29. Developing countries, particularly those of sub-Saharan Africa, were faced with unprecedented economic problems, including extremely serious food shortages, a heavy external debt, constant foreign exchange shortages, unfavourable terms of trade and unemployment, as well as drought and famine. He believed the time had come for the international community to break the deadlock in the dialogue, and reiterated that the key to success lay in negotiation rather than confrontation.

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(Mr. Kiilu, Kenya)

30. The external debt problem was not a new phenomenon in Africa; it was nevertheless clear that the development of the international situation since 1980 had triggered off a real crisis in that regard. Between 1982 and 1983 the outstanding external debt of the region had increased from \$143,000 to \$150,000 million. Expressed as a proportion of regional exports, the debt had risen between 1981 and 1983 from 138 per cent to 180 per cent, reflecting the acceleration of indebtedness and the fall in the value of exports.

31. His delegation welcomed the signs of recovery in some parts of the world but felt that that recovery was unlikely to have much effect in the developing countries unless a joint effort was made to reactivate economic growth in those countries.

32. Referring to international trade and its importance as a source of the foreign exchange without which developing countries could not acquire the capital goods and other inputs required to stimulate their development, he recalled that in recent years terms of trade had been declining and that since 1980 the developed countries had intensified their existing protectionist policies. As indicated in the Buenos Aires Platform adopted by the Group of 77 in April 1983, that situation was harmful to developed countries as much as to developing countries. The Platform should be kept in mind in the search for practical solutions to the problems described.

33. The critical economic situation in Africa had been aggravated by drought, desertification and other natural disasters. He welcomed the decision to include the item in the agenda of the General Assembly and proposed that the Assembly should take measures to achieve short-term, medium-term and long-term solutions on the basis of concerted international action.

34. Mr. GRECU (Romania) said he fully endorsed the ideas expressed by the representative of Egypt in his capacity as Chairman of the Group of 77, when outlining the Group's concerns. As had been recognized both in plenary meetings of the General Assembly and in other international forums, the world economic situation had deteriorated to such an extent that it threatened international peace and security. Despite that fact, no concrete measures had been adopted to avoid further deterioration of the situation, and the negotiations held within the framework of the North-South dialogue had yielded no results.

35. Bearing those circumstances in mind, he reiterated the suggestion made by the Minister for Foreign Affairs of Romania in his speech to the plenary of the General Assembly in which he said that "during the course of the discussion of international economic problems at the current session of the General Assembly we should focus our efforts primarily on seeking ways to get real negotiations under way, within the United Nations, between developed and developing countries in an attempt to overcome the world economic crisis, to solve in an equitable manner the problems of under-development and to establish a new international economic order" (A/39/PV.13).

(Mr. Grecu, Romania)

36. It was a matter of priority to reverse the trend towards a slow-down in the economic growth of the developing countries which was apparent, for example, from the drop in the rate of growth of their gross domestic product from 5 per cent in 1979 to 0.0 per cent in 1983, according to the World Economic Survey. To revitalize productive activity in the developing countries, economic recovery in one or a few developed countries was not sufficient; conditions had to be created which would allow the developing countries to participate actively in the world economy.

37. On various occasions, reference had been made to the external debt problem of developing countries, which according to some sources threatened to become a "catastrophe". Romania wished to add its own suggestions to the many put forward to solve that problem: complete cancellation of the debt of the least developed countries, a substantial reduction in the debt of the other developing countries, general rescheduling of the debt at a reduced rate of interest, a ceiling on debt-servicing repayments of 10 or 15 per cent of annual export earnings, and a ceiling on interest rates of 7 or 8 per cent for older long-standing debts and 5 per cent for new debts.

38. Because of its complexity and magnitude, the problem of the developing countries' indebtedness did not affect those countries alone, but had become a problem of general concern, requiring a concerted effort for the solution. That was why the delegation of Romania fully supported the appeal made by the Ministers for Foreign Affairs of the Group of 77 to the Governments of developed countries, the concerned international banks and financial institutions to co-operate fully with the developing countries in seeking a global and comprehensive solution to their external debt problems. As the Ministers had stressed, there was a need to initiate a political dialogue between the developing debtor countries and the developed creditor countries.

39. The developing countries' external debt problem was, in his delegation's view, the most pressing current problem, but there were various other problems that were causing enormous difficulties: they included protectionism, the deterioration of trade relations, and the reverse transfer of technology. The solution to those problems and the revitalization of economic activity in the developing countries could not be dealt with through isolated actions, but only in a global manner. For that reason, Romania had always been in favour of such measures as the reduction and elimination of restrictions and discrimination in world trade, increased financial assistance to the developing countries, the elimination of the negative effects of the reverse transfer of technology, and maximum support on the part of the developed countries for the developing countries' efforts to speed up their industrialization and to increase their agricultural and food production.

40. He reiterated Romania's position regarding the need to initiate, as soon as possible, global negotiations that would ultimately contribute to the establishment of the new international economic order, and emphasized his delegation's full support for the beginning of preparations for the convening of the International Conference on Money and Finance for Development, with a view to contributing to a reform of the international monetary and financial system, especially in favour of the developing countries.

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41. Mr. NGUYEN QUOC ZUNG (Viet Nam) said that the world capitalist economy was still in a state of deep crisis. Recovery had been limited to a few Western countries, while the economic situation of developing countries had continued to deteriorate, thus refuting the argument of the United States that its economic recovery would automatically lead to economic improvement in developing countries.

42. In addition to the negative consequences of colonial domination and imperialist exploitation, the developing countries were currently experiencing the effects of the economic crisis in the developed capitalist countries, whose investments in developing countries had been reduced. At the same time, the external debt of developing countries had become increasingly burdensome owing to the policy of high interest rates pursued by certain Western countries. To make matters worse, the Western countries were increasingly practising protectionism in their commercial policies to such an extent that developing countries were unable to service their debts by exports, let alone increase their export earnings for economic development.

43. His delegation supported the demand by the Latin American debtor countries for the adoption of a common position for finding a reasonable solution to the debt problem. It condemned, in that regard, any attempt to use the debt problem as an instrument for exerting pressure, and called on the creditor countries, instead to take immediate measures to lower interest rates, in particular by reducing their budget deficits, and to renew financial flows to debtor countries.

44. Certain developed countries had attempted to resolve the difficulties arising from the profound economic structural crisis by intensifying the arms race and militarizing the economy. Reality had proved that that policy aggravated the economic crisis, increased instability in world politics, threatened peace and generated devastating effects on the socio-economic development of countries. Viet Nam had for many years been a victim of that aggressive policy on the part of the international reactionary forces. It was fully aware of the close relationship between disarmament and development and considered that, as long as the world spent more than \$800 billion for armaments, the demands of the developing countries would not be met. It therefore supported the specific proposals of the Soviet Union and other socialist countries concerning practical talks with the NATO countries on reducing the military expenditure of all States with significant military strength in order to use the resources thus freed for economic and social development, including assistance to developing countries.

45. In their economic relations with developing countries, the leading Western countries had continued to shift the burdens of their economic crisis, onto developing countries, and had resorted, moreover, to the policy of sanctions and to the use of economic assistance as an instrument for exerting pressure. The aim of those and other measures was to create in developing countries favourable conditions for the infiltration of private capital and for maintaining and increasing the profits of transnational corporations. The financial losses of developing countries had amounted to more than \$200 billion annually, including more than \$130 billion in the form of debt payments. Another kind of loss, the so-called "brain drain", had also had detrimental consequences for the development of those countries. At its thirty-ninth session, the General Assembly should come up with effective measures to halt the transfer of financial and human resources from developing to developed countries.

(Mr. Nguyen Quoc Zung, Viet Nam)

46. The United States had continued to intensify the arms race, and to maintain a large budget deficit and high interest rates so as to weaken its allies and regain its hegemony in the capitalist economic system. The competition for trade which resulted from those contradictions among the capitalist countries also had negative effects on the developing countries.

47. The struggle of developing countries for the establishment of the new international economic order was closely related to the struggle for peace, disarmament and national liberation. His delegation regretted that, 10 years after the adoption of the Declaration and the Programme of Action on the Establishment of a New International Economic Order and of the Charter of Economic Rights and Duties of States, such scant results had been achieved. The efforts of the Group of 77 had met with resistance by major Western countries which had blocked the North-South dialogue for the past 10 years. It was important and urgent to resume North-South negotiations immediately in a spirit of co-operation and mutual understanding. In order to establish the new international economic order based on equity, democracy and equality, the first step was to restructure international trade and world monetary and financial systems, and to implement the principles contained in that Charter and that Declaration, as called for in the Declaration of the Ministers for Foreign Affairs of the Group of 77. The United Nations, which was about to celebrate its fortieth anniversary, should contribute to the attainment of those objectives, by strengthening its effectiveness as a necessary forum for finding solutions to the problems that affected international economic relations and the economies of all countries.

The meeting rose at 5.05 p.m.