

FORTY-FOURTH SESSION

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SECOND COMMITTEE 6th meeting held on Thursday, 5 October 1989 at 3 p.m. New York

SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. GHEZAL (Tunisia)

later: Mr. PAYTON (New Zealand)

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

#### GENERAL DEBATE (continued)

1. <u>Mr. BANDARA</u> (Sri Lanka) said that the international community should take deliberate and concerted action to restructure the world economic situation. There had been significant improvements, with a high rate of expansion in international trade, but the gap between the rich and poor countries had widened. In many developing countries economic growth had slowed, inflation and interest rates had risen sharply and commodity prices had slumped, increasing the debt-servicing burden of the developing and least developed countries.

2. The economies of developed and developing countries were becoming increasingly interdependent. Advances in technology continued to require the integration of national economies into the multilateral economic and commercial system taking shape in the world. In order for the developing countries to participate as equal partners, the developed countries must act to secure reasonable prices in the world market, and abstain from protectionist measures.

3. The lower levels of commodity prices reached in the eighties were likely to continue, causing socio-economic and political tensions and the continued stagnation of living standards in the developing countries, which were being subjected to more and more obstacles in their quest for economic stability.

4. The formation of regional groupings such as the Association of South-East Asian Nations (ASEAN) and the South Asian Association for Regional Co-operation (SAARC) was a spontaneous reaction to protectionism. Regionalism would, however, have a negative effect on the multilateral economic system and would tend to block markets.

5. With one fifth of the world's population, South Asia constituted a huge market which, if engaged in constructive economic and commercial activities, would benefit developed and developing countries alike, especially with the application of fair prices to the products of developing countries.

6. The tremendous social changes under way in the developing countries necessitated greater economic growth. For the developing countries to take their own initiatives in that respect, an international environment more conducive to development was required. Obstacles to development, such as low commodity prices and limited access to markets, were problems that should be addressed by the international development strategy for the Fourth United Nations development decade.

7. The international community should take advantage, for the benefit of all countries, of recent major political changes, such as the relaxation of tension between the super-Powers, the trend towards disarmament and towards an end to regional conflicts, the restructuring of economies in socialist countries, and the realization reached by those countries of the inadequacy of the bilateral and bloc-based form of economic activity.

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## (Mr. Bandara, Sri Lanka)

8. Sri Lanka followed a free market economic policy, but the lack of outside markets prevented its producers, who constituted over half of the population, from realizing a sound economic return. To overcome the resulting problem of poverty, the Government had undertaken two massive programmes. The first, the village reawakening programme, aimed to provide one and a half million new homes. As agreed at the twelfth session of the Commission on Human Settlements held in Cartagena in May 1989, the question of shelter for the homeless could not be isolated from that of overall economic development. He therefore called on all concerned parties to contribute generously to the United Nations Centre for Human Settlements.

9. The problem of poverty, common to all countries, was most acute in Asia and on the increase in some African and Latin American countries. A fair distribution of wealth could only be achieved through more employment opportunities. The second government initiative - the "Janasaviya Programme" (Strengthen the People) - was aimed at helping the weak and poor enter the mainstream of production and become self-reliant. The vast human resources in Sri Lanka had to be developed through education, training and other means.

10. Efforts by developing countries to improve their domestic policies were impeded by factors beyond their control. In particular, the deterioration in trade and high interest rates had led to a debt crisis in the third world, notably in sub-Saharan Africa and Latin America. Sri Lanka's debt-servicing accounted for 23 per cent of its foreign exchange earnings, and a reduction in its debt burden would release an enormous quantity of resources for development. The initiatives of the 1988 Toronto Summit of the Group of Seven and the 1988 meeting of the Paris Club of Official Creditors were therefore welcome mechanisms and a time-frame for debt reduction must be worked out as a matter of urgency. Official development assistance (ODA) could also play a major role in developing external inputs and financial assistance for the developing countries.

11. Positive initiatives by developing countries included the South Commission, aimed at seeking improved development prospects, particularly through South-South co-operation, the Global System of Trade Preferences among Developing Countries and the Common Fund for Commodities. Technical Co-operation among Developing Countries (TCDC) provided a forum for the sharing of expertise and a practical and cost-effective way of developing human resources in developing countries. The efforts made by UNDP and other related agencies to premote TCDC were commendable. His delegation reaffirmed its support for the proposal to strengthen the Special Unit for TCDC in UNDP, and urged all United Nations agencies to co-ordinate their work programmes so as to ensure optimum use of the valuable and limited resources of the United Nations system.

12. <u>Ms. LEE Yoke Kwang</u> (Singapore) said that a 4.3 per cent average annual population growth rate in Singapore from 1947 to 1957 had led to severe economic problems and high unemployment. In response, her Government had focused on industrialization and the provision of public housing in its development strategy. Following a policy of "trade not aid", Singapore had pursued a free trade and open economic policy, encouraging competitive production and pricing of goods. The free

(Ms. Lee Yoke Kwang, Singapore)

flow of international trade had been stimulated by developing an improved physical and service-related infrastructure, investing in education and training, inviting foreign investments and keeping the economy open. The rapid economic growth thus achieved had enabled Singapore to diversify and upgrade its industries. The result had been rising standards of living, stable prices, full employment, a healthy balance of payments, low external indebtedness and a strong currency, with average growth rates for 1960-1984 of 8.9 per cent and a growth in trade to three times the GDP.

13. However, Singapore's dependence on open world markets had rendered it increasingly vulnerable to external events. Downward trends in the world economy had led to a recession in Singapore in 1985, while rigid economic policies and over-rapid growth in the construction sector had weakened Singapore's position in the increasingly competitive world economy. To restore the country's competitive position, an expert Committee had been established to make the corrections which nad helped Singapore overcome the recession in two years (1985-1986). The nation's recovery had been due not only to domestic efforts, but also to an international trading system which remained open despite growing protectionist tendencies.

14. As an island city State, with an area of 620.2 square kilometres and a population of 2.6 million, with no hinterland or natural resources, Singapore was not a typical model for development. Its experience, however, demonstrated the importance for sustainable development and growth of two factors: first, the necessity to be vigilant about any changes in the world economic situation, and, secondly, the importance of an open international trading system to new States trying to grow out of underdevelopment. Singapore had been fortunate in finding markets for its exports, thanks to the international free trading system established under GATT, which encouraged the growth of world markets.

15. At 8.5 per cent, growth rates in world trade had been very high in 1988 and were expected to reach 7 per cent in 1989. Protectionism, however, continued to hamper the developing countries' efforts to diversify and earn their way out of underdevelopment and debt through the expansion of exports. Global economic growth was also affected, therefore, as industrialized countries depended on the large potential markets for their goods and services in the developing world.

16. In order to strengthen the international free trade system, the Uruguay Round was called upon to address issues of interest to the developing countries, namely, market access, agriculture and tropical products, while the industrialized countries must honour the standstill and roll-back commitments undertaken at Punta del Este and at the Montreal mid-term review of the Uruguay Round. A promising start to the fourth United Nations development decade would be ensured if all contracting parties to GATT would work together to conclude the Uruguay Round by the end of 1990.

17. The Group of 77 was working to encourage greater trade among developing countries. The Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) had a crucial role to play in expanding trade among the Group of 77 countries and helping to diversify markets previously dominated by a

(Ms, Lee Yoke Kwang, Singapore)

North-South trade flow. Only 27 of the 48 countries to participate in the negotiations had ratified the Agreement, and Singapore had been among the first 15 to do so. Her delegation urged the other countries to follow suit and all countries concerned to publicize GSTP among their business community, in order to increase trade among GSTP member States.

18. Further items of importance to international economic co-operation for development included the international development strategy, preparations for the forthcoming special session, policies on environmental issues, external debt problems and disaster relief assistance.

19. <u>Mr. GBEHQ</u> (Ghana) said that the problem of unequal exchange in a system controlled and managed by a few powerful countries continued to hamper the economic progress of developing countries and excluded them from decision-making. The problems persisted, despite pleas for genuine international action to assist the developing world.

20. Technological advances had made it possible for the basic needs of all mankind to be met, yet the majority of the world's population still lived in privation and misery. The policy reforms and structural changes adopted in several developing countries, mostly in Africa, had had disappointing results, largely owing to a lack of international economic support. The external debt situation of the developing countries had been badly affected by unstable interest and exchange rates. The total foreign debt of the developing countries, amounting to \$1.3 billion, was largely the result of high interest rates and exchange rate adjustments, and not, as was sometimes claimed, of unwise borrowing by developing countries.

21. Increasing protectionist pressures were being applied in the industrialized countries, and the standstill and roll-back agreed to at Punta del Este had been largely ignored, impeding progress in the Uruguay Round negotiations.

22. The growing burden of debt servicing had led to a net transfer of resources from developing to developed countries, estimated by the Director-General for Development and International Economic Co-operation at \$30 billion per year. Pressure on resources was further exacerbated by the reluctance of the commercial banks to grant significant new loans to indebted countries, and by the stagnation of ODA flows.

23. With respect to commodity prices, developing countries must be adequately remunerated. His delegation supported the appeal by UNCTAD for measures to improve market transparency. International support for the Common Fund for Commodities must be strengthened. In the immediate term, the first window must play the important role of providing financial resources to underpin commodity agreements.

24. Many countries were suffering from adjustment fatigue and had reached the stage where they needed to expand their productive base in order to generate wealth and employment. The export sector was crucial, which meant that markets for exports and resources to finance expansion were required. That called for an

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(Mr. Gbeho, Ghana)

improved international economic environment, free of the problems of external indebtedness, protectionism, low commodity prices, net transfer of resource, resource flows, and volatile interest and exchange rates. However, the political will to take the necessary steps to overcome those problems had been lacking.

25. The special session of the General Assembly devoted to international economic co-operation and the elaboration of a new international development strategy for the fourth United Nations development decade were the most suitable vehicles for promoting international dialogue on development questions. The Economic Commission for Africa had drawn up an African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation, which had been endorsed by the African Heads of State and Government, and deserved serious consideration by all delegations at the forty-fourth session of the General Assembly.

26. In conclusion, his delegation fully supported the statement by the Chairman of the Group of 77, and agreed, in particular, that efforts to integrate the socialist economies into the world economic system must not overshadow initiatives in favour of developing countries.

27. <u>Mr. TANASIE</u> (Romania) said that in view of the world's growing interdependence, his delegation was firmly committed to the principle of multilateralism, according to which the potential of the United Nations system must be used to benefit all countries. In that connection, the international development strategy for the 1990s and the special session of the General Assembly devoted to international economic co-operation would be particularly significant. The new strategy should lead to the elimination of underdevelopment and the gaps between rich and poor, the eradication of poverty, the stimulation of human resource development in every country, the liberalization of international trade and the strengthening of economic co-operation. The slow pace of preparations for the special session of the General Assembly was regrettable. The new opportunity to launch a world-wide dialogue for resolving complex economic issues must not be lost.

28. Despite increased international awareness of the dangers posed by external debt, the response of the international monetary and financial system had failed to ease the burden of developing countries. Therefore, Romania had decided to redouble its efforts to pay its foreign debt at the earliest possible date and had succeeded in doing so in late March 1989. Since the proposals already put forward did not offer long-lasting solutions to external debt, alternative approaches to structural adjustment were being considered. The new qualitative dimension of external debt called for global solutions. Those solutions must not impose political or economic conditions on developing countries, and they must be based on dialogue and shared responsibilities between debtor and creditor Governments, international monetary and financial institutions and commercial banks.

29. At the recent session of the Intergovernmental Committee on Science and Technology for Development it had been determined that the achievements of the 1980s had fallen short of the objectives set by the Vienna Programme of Action on

## (Mr. Tanasie, Romania)

Science and Technology for Development. Developing countries must have equal access to new technologies if they were to share in promoting the sound development of the world economy. A new international conference on science and technology for development would provide an opportunity to rekindle the dialogue between developing and developed countries in that area.

30. Fortunately, there was a consensus on the need to protect the environment. The United Nations conference on environment and development must provide fresh impetus to international co-operation on environmental problems, without hindering the economic development of the third world countries. His delegation welcomed Brazil's offer to host the conference.

31. In keeping with the trend towards international dialogue, dialogue between the countries of the North and the countries of the South must be renewed in order to resolve the economic problems of developing countries. It must, however, be based on the principle of non-interference in internal affairs and the right of every people to choose its own political, economic and social system. Any attempt to impose free-market mechanisms on countries or to make international trade relations conditional on privatizing the public sector would constitute a violation of those principles. Neither, as the meeting of Ministers of Foreign Affairs of the Group of 77 had affirmed in June 1989, must economic pressure be brought to bear for political reasons.

32. <u>Mr. LUCAS</u> (Guyana) said that despite continued expansion of the global economy, many developing countries were undergoing severe economic difficulties which affected the quality of life. Economic decline in those countries took the form of poverty, hunger, malnutrition and disease. It was also evident in the decay of physical infrastructure, severely limiting serious efforts by many countries to turn their economies around. Those problems could be eliminated through the revival of growth and development, especially in the developing countries.

33. Structural adjustment had proved to be an essential measure for helping ailing economies grow out of trouble. However, the success of domestic remedies depended largely on outside forces in areas such as finance, trade, debt and commodities. A suitable international climate - one in which world economic expansion would also benefit developing countries - was therefore essential.

34. After nearly a decade, debt remained an obstacle to development. The intermittently robust performance of trade over that same period had not been the consequence of open and unrestricted markets, and the flow of financial resources had hardly favoured development. Indeed, development assistance had declined in real terms. At the same time, the financial resources of developing countries had been involuntarily transferred abroad, making investment difficult. The great risk of instability induced by imbalances and volatile exchange and interest rates called for firm action. Because of the interrelationship between domestic and international policies, joint solutions to all of those problems were essential.

(Mr. Lucas, Guyana)

35. At the same time, global attention must be devoted to specific issues, such as the environment and human resource development with respect to the environment, increased conditionality would impede sustainable development. In the areas of health and education, human resource development had social implications. However, in the larger economic sense, it had a direct bearing on the capacity of developing countries to adapt to a competitive and rapidly changing scientific and technological environment. The question of human resource development deserved serious consideration as it was the key to economic recovery, growth and development in the developing countries.

36. The steady improvements in economic relations among States and greater openness in world economic relations were encouraging. The special session of the General Assembly devoted to international economic co-operation would provide an opportunity to consolidate the progress already achieved. His delegation hoped that an agreement would be reached on the international development strategy for the 1990s.

Mr. LUNA (Peru) said that co-operation and détente between the super-Powers 37. had not carried over into international economic relations. The gap between industrialized and developing countries was widening, and the countries of the South continued to be excluded from decision-making on global macro-economic and financial policies. In addition, an imposed selectivity of roles in the world economy had tended to destroy the unity of the developing countries. Absolute poverty, malnutrition and health problems, which were widespread in the countries of the South, were even more acute in Latin America and the Caribbean. The greatest problem confronting the region as the net transfer of resouces, which had amounted to \$178.7 billion over the past seven years. Had those resources been used for investment, the region would have attained an annual growth rate of close to 6 per cent. The fact was that per capita income in Latin America and the Caribbean had not increased in 10 years. Therefore, the Second Committee should consider the phenomenon of net transfer in a much broader context which took into account the deterioration in the terms of trade, growing protectionism and the structural decline in the prices of raw materials.

38. The question of external debt deserved priority attention for creditors had come to recognize the political aspect of the problem and the need to reduce the principal owed.

39. The Second Committee had the delicate task of defining the terms of reference for the United Nations conference on environment and development. More than half the territory of Peru, or over  $500,000 \text{ km}^2$ , was in the Amazonian forest, making Peru the second largest nation in Amazonia. Peru had the right to sovereignty over its resources for growth and national development, and would therefore participate actively in the forthcoming conference and in preparations for it. In that connection, an <u>ad hoc</u> preparatory committee, based in New York, should be constituted as a subsidiary body of the General Assembly, to ensure universal participation in the conference and the proper linkage between the environment and development.

(Mr. Luna, Peru)

40. The eradication of poverty was of particular interest to his delegation, which looked forward to the report of the Secretary-General in the question. The Second Committee also needed to take action on the question of human resource development, preferably at the initiative of the developing countries, to whom the issue was of immediate concern.

41. On 11 and 12 October, Peru would host the third meeting of presidents of the Permanent Mechanism for Consultation and Concerted Political Action, known as the Group of Eight. Discussions would focus on the current international economic situation and future action on debt, the environment, trade and other questions vital to the region. The results of the summit would doubtless be relevant to the work of the Second Committee.

42. His delegation was encouraged by the willingness of the European Economic Community to initiate a new dialogue in order to meet the challenges of the 1990s, and drew attention to the valuable contribution the special session of the General Assembly in April 1990 and the new international development strategy would be able to make in that regard as policy instruments for bringing about co-operation for development.

Mr. GHAREKHAN (India) said that the widening gap between the developed and 43. developing countries must be narrowed if the momentum of recent international endeavours for peace was to be maintained. To that end, it was imperative that the international community should take urgent action with respect to development co-operation. The growth enjoyed by the developed market economies had not succeeded in transmitting sufficient growth impulses to countries of the South. The Governments of developed countries should now be in a better position to address the deeper structural problems of the world economy, such as persistent protectionist measures, higher real interest rates, structural budget deficits, and socially unacceptable levels of unemployment. Yet the legitimate expectations of developing countries in that regard had not been fulfilled. Thus, for example, according to the 1989 World Economy Survey the volume of world trade had increased at an annual average rate of 3.5 per cent between 1981 and 1988, and its value had increased by about \$US 884 billion. Yet the share of developing countries in world trade had decreased from 30 per cent in 1981 to 22 per cent in 1988, while the share of the developed market economies had increased from 62 per cent to 70 per cent.

44. Decisions on global issues which invariably affected developing countries continued to be taken in forums from which they were excluded, although the non-aligned and other developing countries had repeatedly put forward proposals for reforming the structure so that their own interests and concerns could be properly addressed.

45. The external environment continued to be unfavourable to the developing countries, with official development assistance stagnating in real terms well below the internationally agreed target of 0.7 per cent of GNP. The latter half of the 1980s had seen a steep decline in other flows to developing countries, particularly

(Mr. Gharekhan, India)

commercial flows. Commodity prices in real terms remained at the lowest levels for half a century. Protectionism continued to constrain developing countries' efforts to increase their exports, secure access to markets and play a greater role in world trade.

46. The Uruguay Round of multilateral trade negotiations provided an opportunity for strengthening the international trading system and creating the necessary climate of confidence among developing countries. Yet the accepted principles and rules were in fact being eroded, with growing reliance on unilateral, discriminatory action. Developing countries were being pressurized into accepting reciprocal concessions and unwarranted linkages. Insufficient attention had been paid in the negotiations to areas of particular interest to developing countries, such as the fulfilment of standstill and roll-back commitments, improved access to developed countries' markets, safeguards, textiles and clothing, tropical products and agricultural trade.

47. Attempts to solve the persistent external debt crisis had been half-hearted, and it now threatened to engulf more developing countries. The coverage of the Brady Plan must be expanded, and it must be underpinned with adequate resources. The international financial institutions must be provided with additional funds for that specific purpose. Any comprehensive solution of the debt crisis should also include a set of anticipatory measures designed to prevent it from spreading and worsening.

48. The best way of revitalizing development in the developing countries was to ensure a substantial transfer of resources to them, particularly concessional resources. Efforts to fulfil the 0.7 per cent target for official development assistance were vital in that regard. Commercial flows, which had declined sharply in the late 1980s, had proved to be no substitute for multilateral lending, and low-income countries in particular needed much greater flows of concessional resources. The resource base of multilateral development and financial institutions thus needed to be strengthened considerably. The Ninth IDA Replenishment should be significantly higher than the eighth.

49. Technological progress had become a key determinant of development. There had however been a decline in technology flows to developing countries in recent years. Protection of intellectual property or the so-called sensitive nature of certain technologies were invoked as grounds for erecting new barriers to technology transfer. Developing countries must be given readier access to technologies of vital interest to their economies, on fair and affordable terms.

50. The current session of the General Assembly would be instituting the preparatory process for the United Nations conference on environment and development. Environmental issues must be addressed within the United Nations, and not in any exclusive grouping in which the needs and concerns of developing countries might not receive sufficient attention. Since it was the process of development in developed countries that had led to the present environmental predicament, those countries had the major responsibility for taking corrective

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#### (Mr. Gharekhan, India)

action, as well as the financial and technological wherewithal to do so. Imposition of regulatory measures on developing countries without due regard for their needs must be replaced by equitable and supportive measures, enabling them to protect the environment without compromising their development objectives and priorities. The transfer of financial resources and environmentally sound technologies on preferential and concessional terms was therefore essential.

51. At the Belgrade Summit of the Non-Aligned Movement the previous month, India's Prime Minister had proposed the establishment of a Planet Protection Fund under the aegis of the United Nations, to be used to develop or purchase conservation-compatible technologies for the benefit of both developing and developed countries. With an average contribution of as little as one thousandth of one per cent of GDP annually, the international community could mobilize \$US 18 billion a year for environmental protection. It was to be hoped that the General Assembly would endorse the proposal to set up the Fund.

52. Recent projections had forecast low or negative economic growth for the developing countries in the medium term. They would remain vulnerable to external shocks, with small margins for manoeuvre. A further decade of low growth could lead to social tensions and political turmoil in several countries. Revitalization of their development required co-operative international action to create a more favourable external environment. A resumption of the North-South dialogue in pursuit of common interests and mutual benefit, on the basis indicated in the Caracas Declaration of the Group of 77 and the Belgrade Declaration of the Non-Aligned Movement, and as endorsed by the Prime Minister of India and the Presidents of Egypt, Senegal and Venezuela in Paris the previous July, was indispensable for that purpose.

53. The special session of the General Assembly in April 1990 and the preparation of the international development strategy for the 1990s offered a significant opportunity to forge a new international consensus on development, adopting a long-term perspective looking well beyond the short-term adjustment-oriented approach, according greater recognition to the growing interdependence among nations, and dealing with interrelated issues in a comprehensive and integrated manner. The achievements of the United Nations in the areas of disarmament, peace-making and international security needed to be complemented by comparable success in the area of development and international economic co-operation, making the nineties truly a decade of development.

54. <u>Mr. PILBEAM</u> (Australia) said that the central new development in the world economy over the past decade had been its rapid integration. Although the global economic expansion which had begun in 1983 had continued, many of the developing countries, especially the highly indebted ones, had not benefited fully. The globalization of markets, dramatic breakthroughs in technology and the information revolution had resulted in large, sudden and sometimes unpredictable shifts in the economic circumstances of countries. Growing interdependence had increased both the prosperity and the vulnerability of nations. In those circumstances,

#### (Mr. Pilbeam, Australia)

structural adjustment to the rapidly changing demands of global markets was essential.

55. Major imbalances persisted in the global economy in budgets, in trade and in resource flows to developing countries. Those imbalances must all be dealt with if the current global economic expansion was to be sustained, inflation controlled and the major international problems of debt and poverty overcome. In recent years it had become evident that in a rapidly integrating world economy, domestically oriented policies could have serious international repercussions. Nothing so vividly illustrated the new globalism of economic issues as the growing concern for environmental questions - questions that his delegation intended to address in greater detail under the appropriate agenda item.

56. Fiscal imbalances must be reduced wherever they occurred. While inflation was currently under control in most developed countries, pressures remained and it was important that the authorities should be on the alert for any acceleration of inflation, not least because of the deleterious effects it would have on economies all around the world. The largest economies had the largest influence over global economic conditions. The United States budget deficit continued to give cause for concern because its magnitude made it difficult to finance without driving up global interest rates, particularly as the domestic savings rate in the United States was very low and the corporate demand for capital so high. High interest rates had maintained high United States dollar exchange rates, slowing the pace of adjustment of the United States trade and current account deficits.

57. High interest rates also posed particular problems for those countries that had major debt-servicing obligations. Some other countries in the developed and developing world were running budget deficits proportionately larger even than that of the United States, and their situations also pointed to the need to undertake fiscal and other adjustment policies. Australia's experience indicated that substantial deficit reduction was possible within a relatively short time frame. Australia had turned around its budget deficit, reducing its public sector borrowing requirement from 6.7 per cent of GDP in 1983-1984 to an estimated public sector debt repayment of 1.0 per cent of GDP in 1988-1989.

58. Bilateralism and regionalism continued to contribute to the erosion of the multilateral trading system. Non-oil trade flows generated 10 times as much foreign exchange for developing countries as aid flows, and World Bank studies showed that developed-country trade barriers in manufacturing alone cost developing countries twice the value of aid each year. The liberalization of international trade was thus the single most effective measure that countries could take to promote structural change, improve global economic prospects and provide a major new impetus for development, particularly among the middle-income countries seriously affected by the debt crisis.

59. The Uruguay Round gave all countries the opportunity to make mutually reinforcing structural changes in all industries, including those, such as agriculture, in which developing countries were most competitive. The current

### (Mr. Pilbeam, Australia)

cyclical improvement in agricultural prices provided an opportunity to initiate substantial reductions in protectionism in agriculture without major cuts in farm incomes. The benefits of previous rounds of multilateral trade negotiations had, because of their focus on reducing barriers to trade in some manufactures, accrued disproportionately to the major industrialized countries. Australia recognized that reductions in protection benefited the local and the global economy, and had taken steps to reduce the level of tariff protection of its manufacturing sector by one third and to reduce further the protection accorded to its very lightly protected primary industries.

60. A third imbalance concerned the generation of financial resources for developing countries. While their own savings would provide most of the resources needed for development in the 1990s, capital inflows must also be available to them, so that barriers to growth could be removed. With adequate resource flows, the benefits of the adjustment programmes implemented by a number of countries co. d be maximized and their sustainability enhanced. The multilateral financial institutions and other donors must play their part, particularly vis-á-vis the poorer countries, but increased private flows were also necessary. However, such flows were obstructed by two main problems: The lack of creditworthiness of some developing countries, and, to a lesser extent, the shortage of savings in some developed countries. Responsible economic policies must be pursued by all. Carefully handled, debt reduction aligned with appropriate structural adjustment policies in developed and developing countries could enhance creditworthiness and also promote domestic resource mobilization. Australia therefore supported debt reduction and increased new financial flows for developing countries as outlined in the Brady initiative, and called upon developed countries to ensure that their tax and regulatory frameworks were conducive to the provision of new money from the commercial banks.

61. A lasting solution to the debt problem depended largely on continuing world economic recovery and on appropriate policies in both developing and developed countries. All countries must use every opportunity to strengthen the multilateral trading system: free access to international markets was essential if countries were to grow out of their indebtedness.

62. Nor should the Committee neglect its central concern of poverty. A country seriously afflicted by poverty but which continued to service its debts might not on the face of it appear to have a debt problem. But its overall resource needs were no smaller for all that.

63. The Second Committee's role was to generate political support for the solution of economic problems, particularly those of development. The 1980s had been a lost decade for the Committee in that regard. Members had spoken sometimes emotively and sometimes in generalities, and had often seemed over-concerned with the sensitivities of nations, and too little concerned with the ways in which people could best satisfy their material needs.

## (Mr. Pilbeam, Australia)

64. To strengthen interest in its work, and thus its influence outside the United Nations, the Committee might consider holding a special debate each year in response to community concerns. Such a discussion could include expert participation from Governments, international organizations and non-governmental organizations on all aspects of a particular major development issue not usually handled in depth in the Commmittee, such as health or housing. If the discussions were productive, it might also consider ending such a debate with the negotiation of a brief communiqué. It might, for instance, be worth conducting a detailed one- or two-day discussion on education issues at the next session of the General Assembly in response to the Bangkok Conference on Education for All. Such a discussion could obtain meeting services within the existing resources. While it was attracted to the Nordic proposal of adoption of a theme for each year's general debate, his delegation considered that a special discussion - perhaps as an addendum to the general debate - might be more productive, as the general debate would inevitably be dominated by the specific national economic concerns of delegations and participation therein would be limited to national Governments and the specialized agencies. A special discussion might also be more focused, informal and free-flowing than the annual general debate.

65. It was difficult to generate the necessary political will in any country, because political will usually entailed economic sacrifice, even if it was for the long-term local benefit. Informed persuasion was the only weapon available to the Committee. It could exert an influence by helping to mould public opinion at the local level in States Members. Yet only if its work was frank and focused would it be sufficiently credible to exert that influence.

# 66. Mr. Paton (New Zealand) took the Chair.

67. <u>Mr. MARTINI HERRERA</u> (Guatemala) said that the dialogue and negotiation embarked on by the major Powers gave grounds for optimism regarding the prospects for the solution of various conflicts. His country hoped that the agreements reached would lead to a reduction in expenditure on the arms race, and that the resulting savings would be invested in humanitarian, financial, material and technological assistance, along the lines proposed in the final document of the Conference on Disarmament and Development, and in particular, in line with the principles set forth in Article 55 of the United Nations Charter.

68. The progress recently made in the political field might be offset if the economic climate continued to be unfavourable for the majority of the world's population. The gap between rich and poor nations could thus not be allowed to widen further. Given the many problems facing the developing countries, it was imperative that agreement should be reached on a common strategy to stimulate growth and development via timely and appropriate measures which took into account the actual situation of those countries. Debt reduction should cover official debt as well as debts to private banks, and the developing countries' adjustment measures must be supported.

## (Mr. Martini Herrera, Guatemala)

59. During the current session, the Committee would once again consider the Special Plan of Economic Co-operation for Central America. In that connection, the countries of the region had made considerable progress in instituting a dialogue with a view to restoring peace and strengthening their democratic institutions, particularly during meetings of the Central American Presidents in El Salvador and Honduras earlier in the year. The Contral American countries had concluded that they must work together to solve their economic and social problems so that future generations would be able to live in dignity. Poverty, which afflicted large segments of Central American society, must be eradicated, and the international community must demonstrate understanding and provide co-operation so that the Special Plan could be implemented. At a meeting of representatives of Central American Governments and co-operation agencies held earlier in the year, many reassuring expressions of support, offers of assistance, suggestions and even criticisms regarding the Plan's implementation had been made. It was therefore to be hoped that the Committee would adopt a resolution acknowledging the progress made in that direction.

70. During the current session, the General Assembly would also devote a special plenary meeting to observing the twenty-fifth anniversary of UNCTAD, and he wished to pay tribute to the important work done by that body on behalf of developing countries, particularly in achieving transparency in international trade and economic relations and seeking to establish an economic environment favourable to development and international co-operation.

71. Growth rates for developing countries had fallen far short of the target set in the International Development Strategy for the 1980s. The international community was thus faced with one of its greatest challenges in modern history. As the effects of the strategy to be developed for the next decade would he felt into the twenty-first century, it was disturbing to note that the preparatory work undertaken in the United Nations in that regard had come to a virtual standstill. The international community must take advantage of the historic opportunity it had to reach a consensus on the need to share the benefits of economic, technological and social development.

72. The special session of the General Assembly devoted to international economic co-operation must also be used by the United Nations to renew the spirit of multilateralism and promote the development dialogue between developed and developing countries. The international community must endeavour to implement the Charter of Economic Rights and Duties of States and promote the mobilization and integration of women and other vulnerable groups in the development process. Existing inequalities must be eliminated and an integrated approach taken to the interrelated problems of money, finance, external debt, trade and development. To that end the process of consultation and co-ordination must be broad-based and take into account the just concerns of the developing world.

73. The outlook for international trade remained bleak. The 1980s had been characterized by worsening terms of trade, resulting in greater poverty in the developing countries. Prices of third-world exports had stagnated or declined

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while finished goods from developed countries grew more expensive, causing despair among much of the population of developing countries. That situation had given rise to illicit drug trafficking, which had done much to weaken democratic institutions in many developing countries, particularly in the Latin American region. International co-operation was required to eliminate that scourge, but rural farmers must also be assured of an adequate income and a life of dignity in which all basic needs were met.

74. The Group of 77, which had recently celebrated its twenty-fifth anniversary, had repeatedly drawn attention to development issues over the years, yet its appeals had fallen on deaf ears. Protective measures and subsidies to economically unprofitable activities in industrialized countries continued to affect the developing countries. That trend must be reversed.

75. He expressed his country's solidarity with the countries of Africa and said he hoped that the review undertaken by the General Assembly <u>Ad Hoc</u> Committee of the Whole of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 would afford the peoples of Africa the well-being they sought. He also conveyed Guatemala's solidarity with the least developed countries and called for the continued implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries.

76. His delegation was concerned at the growing deterioration of the environment and consequently welcomed the growing awareness of the need to take measures to reduce pollution and to protect nature. If action was not taken soon, accelerated deterioration could conceivably destroy the global environment. A rational and ecologically balanced development plan which enjoyed broad international support must therefore be elaborated. For their part, the Central American countries had agreed in October 1988 to establish a programme known as "the Mayan Route" with a view to protecting Mayan culture and conserving tropical forests and their fauna and flora. They wished to develop environmental tourism and promote sustained development which did not destroy the environment but generated employment and financial resources that could be used for conservation purposes. Implementation of that programme required international co-operation.

77. More generally, international co-operation for environmental protection must emphasize the direct relationship between environmental preservation and the solution of social and economic problems. While responsibility for conservation must be shared, it was chiefly incumbent upon those countries which, by virtue of their advanced technology and high level of development, had done much to alter or damage the environment to provide financial and technical assistance to other countries in their environmental efforts. Furthermore, countries whose environments had been affected should be compensated, and bilateral or multilateral efforts should be made to alleviate the damage. A monitoring body should also be established to disseminate information about industrial and shipping companies involved in the transport and disposal of radioactive and toric wastes. The international community should also begin negotiations on an international

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convention or other instrument to prohibit the transport and disposal of such waste in third world countries and to foster international co-operation to end that practice.

78. He concluded by reiterating Lis country's commitment to multilateralism and to the United Nations, which must nevertheless be strengthened in order to meet the development challenges facing the contemporary world.

79. <u>Mr. MAZAL</u> (Latin American Economic System) said that the Latin American and Caribbean region had experienced a number of new economic problems in 1988 despite positive developments in the areas of policy and institutions. The economic crisis which had begun in 1982 had persisted, with GDP for the region having grown by only 0.7 per cent, less than the 2.5 per cent registered in 1987 and significantly lower than in the two preceding years. Per capita GDP had also declined for the first time since 1983, falling below 1980 Levels. Fopulation growth and reduced government spending in the social sphere, together with the virtual elimination of concessional credit to finance the provision of basic Services, made a continued deterioration in the social welfare of most of the region inevitable.

80. Macro-oconomic problems such as inflation and deteriorating terms of trade had grown more serious in 1988. Fiscal disequilibria persisted, and unemployment and underemployment had grown becuise of the inability of the productive machinery to generate sufficient jobs.

81. Where financial relations with other countries were concerned, 1988 had seen the greatest net transfer of resources of any year except 1984. Exports had increased while imports had decreased, yielding a positive trade balance of \$28.7 billion, one of the highest levels in recent years. However, the burden of external debt had resulted in a net transfer of resources of \$28.9 billion from the region in 1988.

82. Recent policy changes affecting the regional and international economies and North-South relations were a source of concern to the countries of Latin America and the Caribbean. At the regional level, economic activity in 1989 was likely to stagnate, as the Economic Commission for Latin America and the Caribbean (ECLAC) had predicted. While for the year the trade balance was likely to be positive, debt-servicing payments would be the highest in history, with the negative transfer of resources likely to reach \$35 billion. At the international level, IMF projections pointed to the conxistence of two phenomena in the industrialized world: a slowing of economic growth and an increase in the balance-of-payments deficit. That situation, together with the monetary imbalance which had appeared during the current year, would have a negative affect on developing countries in general and on the countries of Latin America and the Caribbean in particular. Finally, the relaxing of tensions between East and West seemed to be ushering in a new era in economic relations between the two groups. From the viewpoint of Latin America, however, the highly industrialized nations must realize that progress in East-West relations should not imply the abandonment or deferral of the North-South dialogue.

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83. The underlying cause of the region's problems was the debt crisis, which resulted in the transfer of the region's capital to major world financial centres. Some progress had been made recently in fostering a political understanding of the problem, namely in the form of the initiative put forward by the Secretary of the Treasury of the United States of America. However, private commercial banks had not demonstrated the necessary willingness to co-operate in any financial or political initiative aimed at solving the debt problem. Moreover, the level of political will demonstrated by industrial Powers differed from country to country. The countries of the region had often stated their view that, without a solution to the debt problem, Latin America and the Caribbean would never regain the ground lost during the past decade. Any solution to the debt problem must involve a significant reduction in the face value of debts through an intelligent process of negotiation that yielded benefits to creditors and debtors alike. Likewise, stable and lower interest rates must be set and additional credits provided without conditions for economic and social development projects.

84. In the area of trade, the region had paid special atten<sup>+</sup>ion to the Uruguay Round. Roughly speaking, there were only 10 months of negotiation left in the Round, and the commercial super-Powers had yet to demonstrate the necessary political will to abide by the principles and strictures of GATT in negotiations on subjects to which the developing countries attached priority. In fact, the industrialized countries seemed to be ignoring the commitments they had undertaken at the ministerial meeting at Punta del Este, Uruguay, which had launched the Round, particularly with regard to roll-back and standstill. In such an atmosphere, and despite the constructive position of the countries of Latin America and the Caribbean, it was difficult to accept an outcome that perpetuated current asymmetries and legitimized deviations and discriminatory and protectionist practices.

85. Another topic of interest to the developing countries in the Uruguay Round concerned differential and most favourable treatment. The Latin American Economic System believed that limitations imposed in recent years had accentuated the structural problems of international trade. Progress must therefore be made in the legal sphere so that the developing countries could become more fully integrated into a multilateral trading system that was responsive to the needs of international economic development in general.

86. There were obviously other problems which helped to explain the complexity and difficulty of the current situation and which raised problems for the medium and long terms. In recent years links of dependency and vulnerability had grown among the countries of the region, owing to a combination of negative factors such as external debt, trade protectionism and backwardness in the fields of technology and production. Domestic savings rates had remained reasonable, but debt-servicing payments had taken much of those savings out of the region. Trade surpluses were not used for investment and growth, and the region's ability to build for the future was seriously compromised by the annual transfer since 1982 of resources amounting to some 4 per cent of GDP to developed countries. Foreign investment in the region had had a very limited effect, being concentrated in only a few

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countries and taking the form of debt-equity swaps which brought in neither wealth nor know-how, but reduced the national share in total investment.

87. Efforts to restore basic financial equilibria through the application of stringent adjustment programmes had not yielded the anticipated results. Sweeping adjustment, i.e. correcting excesses in public demand and pivate consumption, had not been given time to prove its ability to meet the challenge posed by the current crisis. Disequilibria could, however, be corrected gradually, restoring some basic social indicators to pre-crisis levels, promoting investment and planning for regional development in the medium and long terms.

88. The description of the 1980s as a lost decade was an accurate one, as statistics from the Inter-American Development Bank demonstrated. The 1990s looked likely to be unstable and risky for international development if historical trends did not change substantially. The Latin American and Caribbean region must solve its problems of external debt and trade if it was to recover its capacity for economic growth. The possibility of a North-South dialogue must therefore be reconsidered so that the peoples of the third world could become major players on the world scene.

The meeting rose at 5.45 p.m.

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