

## 35th meeting

Monday, 12 July 1982, at 10.40 a.m.

*President:* Mr. Miljan KOMATINA (Yugoslavia)

E/1982/SR.35

### AGENDA ITEM 3

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

1. Mr. TERENCE (Inter-Parliamentary Union) said that in recent years it had been evident that parliaments played an increasing role in the solution of international problems, particularly in the economic and social field. Co-operation among parliamentarians in the industrialized countries could bring about better understanding and greater acceptance of policies for co-operation with the third world, and among those in the developing countries it could lead to greater realism in the preparation of development plans and increased support from the populations concerned.

2. The Inter-Parliamentary Union attached great importance to development problems and took action at two levels. At the world level, its members adopted recommendations and endeavoured to see that they were implemented in their various countries. In the majority of cases, the choice of subjects took into account the evolution of issues in the United Nations system, and discussions were prepared for, resolutions adopted and recommendations implemented in co-operation with the various organizations of the system. Thus, in 1980, the Inter-Parliamentary Conference had discussed the Third United Nations Development Decade. In 1982, after discussions with the heads of FAO and UNEP, the Inter-Parliamentary Union had included items in its agenda concerning hunger in the world and the situation of the environment, including environmental legislation, 10 years after the United Nations Conference on the Human Environment, held at Stockholm in 1972.

3. The Inter-Parliamentary Union also took action at the regional level to enable the representatives of parliaments of countries with certain development conditions or cultural or social traditions in common to compare their experiences and work out their own solutions. Such activities were also carried out in close co-operation with the United Nations organizations concerned, and frequently at their request. For example, the Inter-Parliamentary Union had organized a Parliamentary Conference on Population and Development in Africa at Nairobi in July 1981, in co-operation with UNFPA. It would be holding an Interparliamentary Conference on Policies, Programmes and Legislation for Children in Africa in November 1982 at Yaoundé, in co-operation with UNICEF.

4. The Sub-Committee for the Study of the Means to Control the Pollution of the Mediterranean Sea brought together representatives from the parliaments of the coastal States every two years and worked in close co-operation with UNEP towards the ratification of the Barcelona Convention and Protocols and the implementation of the UNEP programme for the Mediterranean. Similarly, in co-operation with UNDP, the Inter-Parliamentary Union was implementing a programme of technical assistance designed to strengthen the infrastructure of the parliaments of developing countries.

5. The Inter-Parliamentary Union could therefore be considered a useful instrument for international co-operation, supporting the United Nations and co-operating with it in the areas of development in which it was possible to obtain the maximum impact with a minimum expenditure on infrastructure. There was therefore no need to establish new interparliamentary institutions, which would only lead to confusion and wasteful overlapping.

6. Mr. MAKEYEV (Union of Soviet Socialist Republics) said that the dramatic events which had marked the past year aroused concern over the future of international relations. As Mr. Leonid Brezhnev had stated, the international community was at a crossroads: it had to choose between strengthening peace and peaceful co-operation on the one hand and aggravating the cold war and the risk of a real war on the other.

7. The desire for peace was the outstanding feature of the Soviet Union's foreign policy. Thus at the twelfth special session of the General Assembly of the United Nations (second special session devoted to disarmament), the Soviet Union had undertaken unilaterally not to be the first to use nuclear weapons. It had proposed that its strategic nuclear arsenal and that of the United States of America should be "frozen" once talks on the reduction of such weapons began. Finally, it had submitted specific proposals with a view to an agreement on the total banning of chemical weapons. All those initiatives had won the Soviet Union support from all peace-loving forces and nations, as the growing importance of the pacifist movement throughout the world proved.

8. The second special session of the United Nations General Assembly devoted to disarmament should give new impetus to the activities of the United Nations system as a whole. The Economic and Social Council should co-ordinate the activities of all the economic and social bodies and all the specialized agencies with regard to the implementation of the relevant decisions of the special session, giving particular attention to the relationship

between disarmament and development and the establishment of favourable conditions for social and economic progress for all peoples.

9. In the *World Economic Survey 1981-1982*, it was stated that the worsening international political climate was preventing the solution of the problems encountered by the world economy. The authors of the *Survey* indicated that the decline in the economic situation was the result of the profound crisis and economic upheavals in the capitalist countries. However, it was regrettable that they had not gone into the deep causes of the chronic crisis phenomena in the Western countries. In fact, the entire system of government and the monopolistic regulation of the Western economies was going through a crisis, as was shown by declining economic growth rates, unprecedented levels of unemployment and accelerating inflation. The monopolies, meanwhile, were making the most of the difficulties to encroach upon the social advantages won by the workers.

10. The internal contradictions of imperialism were more than ever evident in the field of international economic relations. It was clear that the United States of America was trying to solve its internal economic difficulties at the expense of other countries, particularly its Western allies, by artificially raising interest rates, which encouraged flows of Western European capital to the United States and therefore caused sudden slumps in economic activity, increased unemployment and the depletion of monetary reserves in the Western European economies. Despite that, the capitalist "centres of power" were invariably at one in fighting against the forces of progress and national liberation. In order to safeguard the interests of their monopolies, the United States and other imperialist Powers were intensifying their exploitation of the developing countries, reducing the financial "aid" that they granted to them and raising new barriers against industrial exports from the developing countries. That explained why the past year had been extremely difficult for the vast majority of the developing countries: the "interdependence" there was so much talk about meant nothing more than exporting the Western economies' crisis and stagnation to the developing countries. Those countries' debts now exceeded the monstrous sum of \$524 billion. Many indicators showed that capital outflows from the developing to the Western countries were considerably higher than the capitalist countries' so-called "aid".

11. That situation had not gone unnoticed. The Ministerial Meeting of the Co-ordinating Bureau of the Non-Aligned Countries held at Havana from 31 May to 5 June 1982, had considered the need to adopt measures to put an end to that situation. It was in that spirit also that the Soviet Union had proposed that the United Nations should undertake a comprehensive study on all forms of capital outflow from the developing countries which were linked to private foreign investments (particularly the activities of transnational corporations), and also on protectionist trade policies and the exporting of inflation to the developing countries. A detailed study of that serious problem would make it possible to devise means

to combat the economic backwardness of the developing countries more effectively. The report of the Secretary-General providing the preliminary draft of an overall socio-economic perspective of the world economy to the year 2000 (A/37/211 and Corr.1) expressed grave concern about the future development of the world economy and trade and the possibility of overcoming the economic backwardness of the developing countries. Although not perfect, the report should be transmitted to the General Assembly, together with the comments of members of the Council, so that a decision could be taken on ways to improve the Secretariat's work in that important field. In his delegation's view, the United Nations Secretariat should submit revised forecasts of long-term economic development trends to the General Assembly, through the Committee for Development Planning and the Council, on a regular basis, perhaps every two or three years.

12. The Soviet Union had always resolutely opposed all forms of discrimination in economic relations amongst States. That had led to a new form of division of labour among countries with different levels of development and different social systems. The new kind of economic relations established between the USSR and the developing countries had proved their vitality in the crisis conditions which characterized the capitalist economy. Whether in the United Nations or in other bodies, the Soviet Union had submitted many proposals on the restructuring of international economic relations to make them more democratic and equitable. It fully supported the Charter of Economic Rights and Duties of States and the Declaration on the Establishment of a New International Economic Order and had helped to prepare the International Development Strategy for the Third United Nations Development Decade. It was in favour of launching global negotiations on major economic problems, in accordance with the relevant resolutions of the General Assembly of the United Nations.

13. With regard to economic assistance for the development of recently independent countries, the USSR practised what it preached. With its assistance, 1,700 projects (e.g. industrial enterprises, electric power stations, irrigation projects and agricultural projects) had been completed in those countries in 1980. At the present time, 1,400 enterprises or projects were being considered or were under way; they were large-scale projects in the fields of mining and heavy industry, i.e. in major branches of the economy. The developing countries themselves were the sole owners of those enterprises, which totally excluded the possibility of a reverse flow of financial resources in the form of repatriation of profits.

14. Unpleasant insinuations were constantly being made with regard to the volume of the Soviet Union's assistance to the developing countries. If imperialist propaganda was to be believed, the USSR refused to contribute its share of development aid and the volume of its assistance did not correspond to its economic capacity. Such allegations were merely provocative and were designed to destroy the natural alliance between the socialist countries and the developing countries. The real

situation was quite different. In the relatively short time since the fall of the colonial system, economic and trade relations between the USSR and the developing countries had constantly developed and intensified and were now an important element in the struggle for economic decolonization. In addition to grants and credits on soft terms, the USSR granted considerable concessions to developing countries in terms of payment for various kinds of assistance, such as the services of Soviet experts, the training of national specialists, transfers of the latest equipment and technology and trade concessions. The total value of the economic assistance provided by the Soviet Union to the developing countries between 1976 and 1980, including credits with a grant element of 25 per cent or more and minus interest payments and other forms of debt servicing, was the equivalent of some 30 billion roubles. During that period, the average annual rate of such assistance by the USSR had been 1 per cent of GNP; it had risen from 0.9 per cent in 1976 to 1.3 per cent in 1980.

15. The imperialist States had behaved in a very different way. At first, they had tried to ignore completely the just demands for assistance made by the liberated countries; subsequently, they had interpreted them as proof of a difference of interest between the developed countries as a whole (whatever their social and economic system) and the developing countries. Having thus recognized a "general and equal responsibility" for the economic backwardness of the countries of Asia, Africa and Latin America, the Western countries were endeavouring to impose a geographical approach to the solution of that world problem. However, the frontiers between poverty and wealth did not always follow meridians and parallels. The USSR considered that it was absolutely unjustified and unacceptable that it should receive demands such as those rightly addressed to the capitalist developed countries by the developing countries, particularly demands for increased development assistance. It felt that the States responsible for colonialism, neo-colonialism, foreign aggression, including economic aggression, the arms race, *apartheid* and racial discrimination, and for the current upheavals in the world economy, should compensate the peoples and countries concerned for the serious damage inflicted upon them, particularly with regard to natural and material resources.

16. The United Nations had already adopted a number of important decisions on the restructuring of international economic relations and the establishment of a new international economic order. Recent events showed, however, that certain Western countries, and particularly the United States, paid no attention to these decisions. That was why the restructuring exercise was at a standstill and the launching of global negotiations within the framework of the United Nations had been blocked for nearly three years.

17. The policy of the United States with regard to foreign aid, was designed to revive the cold war and achieve imperialist ambitions. The United States brought pressure to bear on any developing countries which had

adopted an independent internal and external policy, using discriminatory trade practices, economic aggression, blockades and boycotts, all kinds of economic sanctions and restrictions, and even force. Furthermore, the renaissance of the war psychosis in the United States and certain members of NATO was accompanied by economic pressures on the socialist countries themselves. In violation of the provisions of the Final Act of the Conference on Security and Co-operation in Europe, signed at Helsinki in 1975, and the principles of international co-operation, the members of CMEA were, for example, subjected to restrictions on exports from the Western countries. Some of the latter themselves considered that the recent decision by the United States Government to oppose delivery of equipment for the construction of a Soviet gas pipeline which was in the interests of the Western countries was excessive interference in the internal policy of the Western countries concerned. It should be made clear that, if necessary, the Soviet Union would itself build the equipment required for the construction of the pipeline.

18. The Soviet Union was making constant progress in achieving its economic and social development objectives for the period 1981-1985 and for the period up to 1990: national income in the USSR had increased by 3.2 per cent between 1980 and 1981 and three quarters of that income was spent on consumer goods. *Per capita* real income had increased by 3.3 per cent. On the strictly economic level, the Soviet Government had adopted a policy of constantly raising the standard of living of its population and, to that end, had approved a food programme to be carried out up to 1990 which should enable it to ensure essential food supplies for its population. Already in 1982, agricultural production should be 10.2 per cent higher than the average annual production of the years between 1976 and 1980. One of the objectives of the programme was to reduce food imports from the capitalist countries. That was vitally necessary, since the leaders of some countries were seeking to use such everyday operations as grains sales as a means to bring political pressure to bear which was unacceptable to the Soviet Union.

19. His delegation wished to stress once again the basic importance it attached to all measures to slow down the arms race, strengthen international peace and security and preserve détente. The future of international economic co-operation and the progress of the developing countries were dependent upon the achievement of those goals. The reduction of military spending would make it possible to release resources which could be allocated in part for assistance to the third world.

20. The Soviet Union had always been in favour of strengthening the authority of the United Nations, which, in its view, was a basic instrument for peace. His delegation therefore intended to play a constructive part in the work of the Council, doing everything possible to ensure strict respect for the obligations incumbent upon all States under the Charter of the United Nations.

21. Mr. MORDEN (Canada) thought, like a good many delegations and the Secretary-General, that the deteri-

oration in the international economic situation was already affecting multilateral co-operation and was likely to affect it even more in the future. As pointed out in the recent IMF study entitled *World Economic Outlook*, the short-term prospects for inflation and unemployment were scarcely encouraging. In the industrialized countries, certain rigidities and structural adjustment problems resulting from some wage agreements and from their own subsidization or protection regulations were compounding Governments' inability to stimulate economic growth, and interest rates had reached record high levels. Those developments were sharply affecting the current balance-of-payment positions of most non-oil-producing developing countries and making it increasingly difficult for them to pursue their development strategies. They were being forced to draw on their reserves and undertake a substantially higher proportion of short-term financing, which added to their debt-servicing burden. In his own country, real GNP had shrunk by some 2.2 per cent in the first quarter of 1982, representing the largest drop since the 1953-1954 recession. The inflation rate was running at higher than 10 per cent, while unemployment (10.2 per cent of the economically active population in May 1982) was at its highest level since the depression of the 1930s.

22. In such a situation, there was a natural tendency for Governments—any Government—to want to look inward rather than outward. But that was a short-sighted policy with which his own country, contrary to what the representative of the Soviet Union believed to be the attitude of Western countries, by no means agreed. In fact, Canada strongly believed in global interdependence and hence in the need to establish a productive dialogue between North and South. That belief was based on two principles: social justice and mutual interest. Governments could no longer pursue a particular policy without giving thought to what that implied for the rest of the world, including developing countries.

23. Doubtless salvation did not lie only in increased international or multilateral co-operation, as the Council tended to believe, for that could never take the place of domestic measures. On the other hand, Canada would support any action undertaken at the multilateral level, in particular any measures likely to reinforce the multilateral trading system. Thus, the GATT ministerial meeting in November 1982 should strive to resolve a number of problems not handled in a satisfactory manner in earlier negotiations, such as the question of safeguards or the strengthening of dispute settlement procedures. With regard to agricultural trade, efforts should be made to develop proposals within a specified time to improve market access and bring direct and indirect subsidies under greater international discipline. The more advanced of the developing countries would also have to accept new obligations under GATT, so as to make a contribution to the international trading framework commensurate with their stake in the system.

24. As far as his own country was concerned, it would continue, through bilateral and multilateral channels, to attach high priority to increasing food and agricultural

production and energy production and to developing human resources. At the bilateral level, it would devote 45 per cent of its total aid to the food and agricultural sector over the next five years, while at the multilateral level it would be working with other interested countries and with the main international food agencies for a better co-ordinated and more effective delivery of food and agricultural development assistance. In the energy field, it had established a Crown agency to help developing countries to exploit their petroleum reserves and, through its bilateral aid programme, it would be disbursing over \$1 billion in the energy sector over the next five years.

25. The Canadian stand was somewhere between that of those who regarded the multilateral system as a panacea and that of those who turned to it only as a last resort when all individual or bilateral action had failed. However, there could be no overlooking the fact that uncertainty now hung over multilateral co-operation, and, in some quarters in particular, those engaged in such co-operation seemed unwilling to heed the signals being given in what were difficult economic times; but if Governments were to turn away from the multilateral system, they would be likely to trim their financial contributions by large amounts without making any precise distinction between what was productive and what was inefficient. New approaches would therefore be needed, particularly with respect to development activities. For example, instead of convening international conferences and setting up new funds in order to focus world attention on particular problems, it would be better to build more solidly on the existing institutions.

26. For all those reasons, the launching of global negotiations continued to be a necessity. Participants in the Versailles summit meeting had made it one of their major political objectives. Unfortunately, countries belonging to the Group of 77 had recently decided, in response to the amendments to their proposals on global negotiations formulated by countries participating in the Versailles meeting, to ask for more time to consider the matter, although the text already contained an overabundance of safeguards required by each side. The spirit of adventure seemed to be lacking at present. However, all those involved ought to heed the Secretary-General's appeal to reach a final agreement on the launching of global negotiations.

27. On the important question of the revitalization of the Council, his delegation considered that the suggestions made by the President at the Council's first regular session of 1982 (Conference Room Paper 1982/4) had given proper direction to its work. The consultations between the President and the executive heads of the specialized agencies should have driven home the point that the revitalization of the Council, far from endangering those agencies, would in fact enhance their capacity to discharge their mandates.

28. His delegation was satisfied with the results of the secretariat's efforts to reduce the volume of documentation before the Council. It should continue those efforts and also seek to improve co-ordination in that area between the various parts of the system. For example, in

its general debate, the Council had three voluminous and costly reports on the world economy to refer to, published respectively by the United Nations, IMF and UNCTAD, whereas one single survey drawing on agreed statistics would have sufficed.

29. Lastly, his delegation noted that statements of general policy made during the general debate often produced no practical results during the remainder of the session. That was a serious defect and no doubt a factor in the decline of the Council's influence in recent years. Consequently, his delegation welcomed the President's suggestion that, during the general debate, members should formulate conclusions and recommendations which would act as a stimulus for the discussions on specific agenda items and the deliberations in other United Nations bodies.

30. Mr. CORREA DA COSTA (Brazil) said that meetings of the Economic and Social Council afforded an excellent opportunity for a frank exchange of views on the world economic situation and its prospects. Exchanges of that kind were particularly useful for developing countries, as they enabled them to review programmes for furthering international economic co-operation.

31. Such co-operation was now undergoing the effects of the worsening international economic situation. Continuing high rates of inflation and unemployment were still preventing the countries of the North from achieving what they considered to be adequate levels of economic growth, and the countries of the South faced the same difficulties, but to a greater degree. Also, the new protectionist measures adopted by the developed countries were resulting in a drop in the developing countries' export earnings. Lastly, the policy of high interest rates pursued by countries of the North which were net exporters of capital not only curbed their foreign investment but also restricted developing countries' access to financial markets.

32. The economic difficulties of the South and the North had led to the virtual stagnation of economic growth. That fact in itself should stimulate the North-South dialogue, which, unfortunately, had also come to a standstill. Despite such worth-while initiatives as the Cancún summit meeting, the industrialized countries were loath to launch themselves on what had nevertheless been generally envisaged as a great "joint venture" for world prosperity.

33. The countries of the North adopted an egocentric and missionary attitude towards international economic problems: they did not regard developing countries as worthy partners. That attitude explained why the developed countries, at least those with the most influence, were only interested in a dialogue in so far as it did not interfere with domestic or bilateral projects drawn up by small groups to resolve their own problems. The statistics showed that 30-50 per cent of exports from the United States of America, Japan and the European Economic Community depended today on developing countries' markets. But the missionary attitude of developed countries made them view the North-South dialogue merely as a channel for distributing wealth

between the rich and poor, whereas true co-operation presupposed a just and collective participation in the common struggle for development.

34. His delegation believed that the main obstacle to international economic co-operation, and hence to a resumption of economic growth, was precisely that individualistic conception of the North-South dialogue. In the context of the United Nations, which concerned the Council more directly, a general withdrawal from more substantial commitments by developed countries, including the socialist countries, was plainly discernible. The impasse in the launching of global negotiations, and the countless reservations and interpretative statements which characterized the International Development Strategy for the Third United Nations Development Decade were striking examples of that tendency. That backing-away process also tended to diminish the important role played by the multilateral system and by the United Nations in particular. Ideas such as "graduation", "burden-sharing" or the definition of "new categories" of countries were re-emerging. Those ideas were quite unacceptable to his country, as the industrialized countries used them as an excuse to withdraw from their commitments in the matter of international co-operation, trying to justify themselves by such laudable principles as the need to channel co-operation on a priority basis to countries in the greatest need. In practice, however, the measures they took were designed not only to exclude a large number of developing countries from the benefits of co-operation, but also to camouflage a reduction in their support for multilateral development institutions, even for those they claimed to hold in high esteem, such as UNDP. If the developed countries really wished to give priority assistance to the poorest countries, why were they so reluctant to replenish the resources of IDA, which was designed precisely to meet the financial needs of those countries?

35. His country regarded ideas such as those he had mentioned as a serious threat to the spirit of international co-operation which had marked the evolution of the world economy in the post-war period. It rejected the idea of graduation, which would bring about a still greater deterioration in the conditions of access, not only to financial markets, but also to international trade, thereby clashing with the machinery of the generalized system of preferences.

36. When the Council came to examine the reports of its various subsidiary organs, it would once again have occasion to note the lack of progress in international co-operation; and once again there would be subtle manoeuvres to disguise that situation behind non-committal resolutions, particularly on questions of the greatest importance for developing countries.

37. Those countries' concern was not groundless. It was justified, for example, by the position taken by the developed countries in the negotiations to establish a financing system for science and technology for development. Such machinery was considered to be of crucial importance for the developing countries, but it was in danger of being transformed into just one more of the

already large number of funds in the United Nations system. The industrialized countries, by taking an excessively rigid stand and craftily exploiting certain differences in the Group of 77, had managed to induce it to relinquish one of the most fundamental bases of post-war co-operation, namely, the principle of non-compulsory reciprocity in co-operation machinery. The negotiations on the financing system had also enlightened the developing countries as to the true intention of developed socialist countries, whose boycotting of the negotiations was unjustifiable. The same could be said of a small group of industrialized countries which had tremendous potential for co-operation but had deliberately remained aloof from the negotiations.

38. The attitude of the developed countries towards the negotiations on a code of conduct for transnational corporations was also disturbing, for they were gradually disavowing that code. Whereas the position of the Group of 77 conformed to the original objectives of the negotiations, the industrialized countries were systematically attempting to transform the code into an instrument for guaranteeing foreign investments, which, frankly, was far from the original intention.

39. In those two series of negotiations, the aim of the developed countries was clear: to sap the basis of international co-operation, so arduously built up over a period of more than two decades. If that were to happen, it would have dire consequences for the development prospects of the third world and for the world economy as a whole. In reality, the multilateral philosophy of international economic co-operation was under full-scale attack.

40. That having been said, the past year had been marked by the establishment of a new basis for co-operation through the implementation of the Caracas Programme of Action on Economic Co-operation among Developing Countries. His country considered that South-South co-operation had already produced encouraging results, despite the severe material limitations faced by developing countries. Various areas of possible action were being explored, and if it only depended on the countries of the South, the path to co-operation would never be blocked. Brazil considered it extremely important that horizontal co-operation should be expanded, not as an alternative to co-operation with the countries of the North, but as a search for new areas of joint action to overcome the economic problems which had become more acute as a result of the impasse in the North-South dialogue.

41. He believed he had made clear his country's position on the difficulties facing international co-operation. Criticism could be useful in giving international economic relations a new and positive direction. The Economic and Social Council was an invaluable forum for increasing contacts and promoting understanding and it had an important role to play in furthering international economic co-operation. But if it was to perform that role, something would have to be done about the increasingly bureaucratic nature of Council sessions in recent years. The creative spirit which in the past had given birth to

such organizations as UNCTAD must be revived. His delegation, for its part, intended to continue to participate constructively in any efforts undertaken in that direction.

42. Mr. CARVAJAL (Chile) said that the *World Economic Survey 1981-1982* gave a full picture of the international economic situation, together with a realistic appraisal of future trends and prospects in the world economy. While the quality of the *Survey* was a source of satisfaction, the same could unfortunately not be said of the gloomy state of affairs it portrayed. Day after day, members of the Council had occasion to note the instability and uncertainty weighing upon both the public and the private sectors of their economies, which had to adjust continuously to changes stemming from decisions and policies adopted abroad, as well as to changes caused domestically by the play of market forces.

43. For some years past, the analysis of present and future trends in the developed and developing economies had revealed increasingly long cycles of crisis and recession interrupted by brief periods of growth. That state of affairs was a result of excessive structural rigidity, the existence of which was ignored or acknowledged too late, but which produced a series of phenomena with extremely damaging effects upon growth and stability. Consequently, in view of the growing interdependence of national economies, the developing countries were directly concerned by the situation in the developed countries, just as they felt the impact of the measures adopted by the latter to solve their domestic problems. Thus, in 1981 the developed countries' policy of squeezing public expenditure in order to reduce their budget deficits had clearly been the main cause of the increase in inflation. The adoption of restrictive monetary and fiscal policies led to continuing high interest rates or widely fluctuating exchange rates, the appreciation of the dollar and a general fall in the demand for and the prices of the commodity exports which represented the main source of revenue for the developing countries. In the case of Chile, the result had been a 22 per cent decline in the terms of trade between 1979 and 1981. To mention but a few figures, the real price of copper, a commodity accounting for 50 per cent of his country's export earnings, had dropped by 41 per cent, that of sawn pine wood by 13 per cent and that of fish meal by 43 per cent.

44. Recently, at the Versailles summit meeting, the industrialized Western countries had recognized the need to curb inflation, stabilize their currencies, and above all reduce interest rates, in order to bring about a rapid upturn in the world economy. Those good intentions must be followed by practical measures. His delegation believed that co-ordinated international action could make a great contribution to economic recovery and had thus heard with great interest the statement of the United States representative (31st meeting) explaining his country's position on the agreements reached at Versailles.

45. There could be no doubt that world economic trends up to the end of the year, and indeed to the end of the decade, would depend on the willingness and ability of



countries to adjust to the new situation. The uncertainty currently prevailing was largely due to the increasing failure to abide by the rules of the multilateral trading system. The drop in the economic growth rate of the industrialized countries since the mid-1970s had led them to resort increasingly to protectionist policies and to a whole range of special measures aimed at mitigating domestic problems: market regulation, voluntary restrictions, safeguard measures, all kinds of subsidies, non-tariff barriers and, broadly speaking, growing intervention by the State in economic affairs. Furthermore, the countries with the upper hand in negotiations "exported" many of their domestic problems, knowing full well that the weaker countries would not be able to correct the increasingly serious disequilibrium generated as a result.

46. His country wished to state once again that the only way to ensure sustained growth was to liberalize international trade so as to foster its expansion on a basis of comparative advantage. The free-trade system upheld by GATT should therefore be strengthened and improved. The participants in the GATT ministerial meeting in November 1982 would have to take definite steps to prevent the upsurge of protectionism and to encourage trade liberalization. In particular, they should give top priority to trade in agricultural products, which had been systematically neglected for 35 years, and try to find a solution to the problems relating to competition, especially the problem of subsidies.

47. The developing countries were keenly interested in the question of structural adjustment, particularly its commercial side. His country had played an active part in the search for a multilateral consensus aimed at strengthening that adjustment process.

48. His delegation considered it most regrettable that the global negotiations had not yet begun, since they could make a key contribution to the establishment of the new international economic order and were of major political and economic importance. His country fully supported the position of the Group of 77 on that matter and was pleased to see that some industrialized countries seemed quite ready to accept it. Progress would certainly be possible in that area if the question of protectionism and structural adjustment received all due attention at the sixth session of the United Nations Conference on Trade and Development.

49. Co-operation among developing countries was an essential aspect of international economic co-operation, as was stressed in the Programme of Action adopted by the Group of 77 at Caracas. Major obstacles remained to be overcome in that field, and progress would be speedier if unconditional support were forthcoming from the United Nations bodies.

50. His country attached great importance to the work of the Economic and Social Council and agreed that it should play a wider role as the main United Nations body responsible for dealing with economic and social problems. His country was therefore actively co-operating in the efforts aimed at revitalizing the Council.

51. Finally, while it was clear that during the current period of crisis countries all had to make sacrifices, a proper balance should be struck so as to ensure that the developing countries did not suffer tragic recessions and the developed countries did not have to face unreasonable demands. Countries should form a common front and seek solutions based on understanding, co-operation and mutual respect.

*Mr. John R. Morden (Canada), Vice-President, took the Chair.*

52. Mr. ZAPOTOCKY (Observer for Czechoslovakia) said that the international situation, which was worsening day by day, was drawing attention away from the serious international economic problems. In order to resolve the present crisis, account should be taken of the links between arms expenditure on the one hand, and economic problems and development aid, on the other. Economic difficulties were sometimes adduced as a justification for cutting back such aid, but that argument was a hollow one, inasmuch as the difficulties did not prevent a rise in military expenditure. Military spending had harmful effects on the world political situation and on international economic co-operation.

53. The United States of America advocated a reduction in trade with the socialist countries, and in particular had imposed an embargo on the export of some technology, which must inevitably seriously disrupt international trade relations and harm the interests of other countries, particularly Western countries. That attitude was contrary to the spirit of the Final Act of the Conference on Security and Co-operation in Europe, signed at Helsinki in 1975, and other international instruments. To renounce co-operation between Western and Eastern countries would certainly worsen the overall economic situation.

54. Furthermore, the developed countries subjected their economic aid to the developing countries to increasingly harsh conditions and granted aid only in the light of their own political and strategic interests. Political tension was rising, while the world economy and the economies of the capitalist countries were passing through a real crisis, which was resulting in higher unemployment, a worsening of social problems, more rapid inflation in many capitalist countries and destabilization. The developed capitalist countries, which had formerly preached interdependence, were now following a policy of "every man for himself" and seeking to impose their political and economic theory on others. One of them in particular held three quarters of the world's currency reserves and was following a policy of high interest rates which was affecting the whole world.

55. With regard to trade, there was a multiplication of protectionist and discriminatory measures aimed at restricting imports from the developing countries and the socialist countries. Such measures affected 46 per cent of the products exported by the countries of Africa, Asia and Latin America. Protectionism, which was a threat to the capitalist countries themselves, was a tendency to be combated. The participants in the GATT ministerial

meeting and the sixth session of the United Nations Conference on Trade and Development would have to investigate means of remedying the present situation. As far as the adoption of new trade rules was concerned, due account should be taken of the interests of all countries, and basic principles such as the most-favoured-nation clause should be respected. It was important to increase trade flows between Western and Eastern countries and to envisage new forms of co-operation such as tripartite agreements and projects for industrial co-operation in important technical areas. His delegation could not agree with the view that the developing countries could not participate in the international division of labour on an equal footing on account of their economic backwardness.

56. The regional commissions had a major role to play in the promotion of international trade; that was true in

particular of ECE, whose activities could extend far beyond Europe itself. Co-operation at the level of groups of countries or regions, however, should not harm the interests of other countries, as had recently been the case. Economic problems should be solved at the international level. In that connection, the preparations for the global negotiations in the United Nations left much to be desired. The barriers and conditions imposed by the Western countries showed that they had not understood some pressing problems and refused to solve them with due regard for the interests of all countries. His country still believed that those negotiations should be started forthwith through the United Nations, but also held that efforts should be made to render them more democratic.

*The meeting rose at 12.55 p.m.*

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