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EXTERNAL DEBT CRISIS AND DEVELOPMENT

Letter dated 21 October 1986 from the Minister for Foreign Affairs
of Peru addressed to the **Secretary-General**

As Chairman of the Twelfth Regular Meeting of the Latin American Council, I have the honour to transmit herewith the request of the States members of the Latin American Economic System that you circulate under agenda items 33, 42, 65, 79, 100 and 143 the Lima **Communiqué** issued by the Council at that Meeting, held at Lima on 16 and 17 October 1986.

(Signed) **Allan** WAGNER TIZON
Minister for Foreign Affairs of Peru

Lima communiqué

1. We, the Foreign Ministers, Ministers and Heads of Delegation of the Latin American and Caribbean countries, meeting in Lima at the XII Regular Meeting of the Latin American Council of SELA, made a thorough review of the international situation, and in the light of the proposals contained in the Quito Declaration and Plan of Action and in the Caracas Declaration which remain fully valid, concluded that our countries continue to face a serious economic situation, resulting in instability and social tensions which jeopardize the consolidation of democracy.

We consider that, despite the enormous efforts made by the countries in the region, recovery has so far not materialized, owing mainly to the unusual deterioration in the international trade and financial climate brought about by the unilateral policies of the major industrialized countries. On the contrary, the living standards of the peoples of Latin America have regressed an entire decade while, in recent years, there has simultaneously been a massive transfer of financial resources abroad.

2. We enthusiastically welcome the initiative of the President of Colombia, which was announced in the United Nations General Assembly, to launch an active, co-ordinated struggle in order to eradicate absolute poverty from our region, with the co-operation of relevant international bodies and agencies. We express our intention to co-operate with this proposal and to attend the meeting to be held in Colombia.
3. We express deep concern over declining export incomes, resulting from the unprecedented fall in international prices of the region's exports, including commodities and petroleum, and over the proliferation of protectionist policies and measures adopted by the industrialized countries. This has deepened the economic and social crisis in the region, particularly in regard to countries that depend mainly on a single export commodity. Consequently, it is necessary for Latin America and the Caribbean to forge a common position. We therefore pledge our support for the initiative taken by the Presidents of Uruguay and Peru for the holding of a Regional Conference on Commodities and we express our thanks to the Government of Guatemala for offering to hold this Conference in that country in January 1987.
4. We consider that the Uruguay Round will only bring positive results if the objectives agreed to in the Punta del Este Declaration are fulfilled, particularly those in relation to the strengthening of the multilateral trade system and to the expansion and liberalization of world trade, especially for developing country exports. In this context high priority is given to objective iii) which links improvement in the trade situation of debtor countries to their real capacity to meet their financial obligations. Consequently, we have decided to strengthen, making full use of SELA's consultation and co-ordination mechanisms, our joint action and solidarity in order to ensure that the results of the negotiations will reflect the aspirations of the

countries in the region. We reaffirm that it is essential to adhere to standstill and rollback of the protectionist measures adopted by the industrialized countries.

We insist on strict compliance with standstill and roll-back commitments for agricultural products, the elimination of export subsidies within a reasonable time and a readjustment of developed countries' agricultural policies, which have given rise to sizeable surpluses causing serious damage to efficient producing countries.

We emphasize our deep concern that, despite the Punta del Este commitments, in the United States there has been continuing enactment of legislation, such as the recent case of special taxes to finance specific projects that are detrimental to the stability and growth of the region's exports.

5. We reiterate that the external debt is one of the most serious obstacles to autonomous development in the region and that, in spite of the enormous economic adjustment efforts undertaken domestically by Latin American and Caribbean countries at a high political and social cost, we cannot simultaneously meet debt-servicing obligations and the development objectives of our countries. This situation adversely affects political and social stability and we therefore emphasize that the external debt cannot be paid under current conditions and without sustained economic development in our countries.

Accordingly, we insist that the only way to arrive at a comprehensive, permanent solution to the external debt problem is through political dialogue between creditors and debtors, based essentially on the principle of joint responsibility and the right to development. To this end, we consider that it is necessary to adjust debt servicing to the real payment capacity of each country, to limit debt servicing in terms of export income and to the performance of other economic variables, to reverse the net transfer of resources affecting the region and to treat in a differentiated manner current and future debt.

In order to attain the sustained development to which we aspire, it is imperative for resource flows to the region to be increased and for their loan conditions to be improved. It is also important to create mechanisms for countries which cannot fulfil their fixed-term obligations to the international financial institutions, especially the International Monetary Fund.

We consider it necessary for all countries, particularly the industrialized countries, to participate actively in the discussion and adoption of resolutions on the subject of "The Debt Crisis and Development" within the United Nations and in other forums.

6. We energetically reject the repeated application of coercive economic and financial measures for political or other motives, such as the

freezing of funds, suspension of loans and credits, economic embargoes and blockades against countries in our region, and we reaffirm the sovereign right of our peoples to select, free from external threat and aggression, their own political, economic and social system.

7. We reaffirm the principle of peaceful settlement of disputes and the need for strict adherence to international law. We express our firm support once again for the efforts of the Contadora Group and the Contadora Support Group in seeking a negotiated and authentically Latin American political solution to the serious problems confronting the peoples of Central America, the origins of which are intimately linked to deteriorating economic and social conditions. Peace in the region is an essential requirement for freeing resources that must be targeted toward overcoming this deterioration. We urge the international community to contribute to the well-being and development of that region and to promote dialogue and co-ordination, respecting the principles of non-intervention and self-determination of peoples, in order to further peace, democracy and development in Central America, by facilitating the use of policy-making mechanisms to ensure the free, democratic participation of the peoples of Central America in determining and building their own destiny.
8. We stress the importance for Latin America and the Caribbean of the principles on Disarmament and Development adopted in United Nations Resolutions and in the Group of Six proposals, particularly the principle of reallocating to economic and social development resources that could be derived from arresting the arms race. We reaffirm our support for the establishment in Lima of a United Nations Regional Centre for Peace, Disarmament and Development, for which purpose we wish to request the Secretary General of the United Nations to take the necessary steps.
9. We express deep concern with the social and moral problems caused by drug consumption and the illicit trafficking of drugs and we stress that, in addition to the fight against drug production to which our countries are committed, resolute joint action is needed by the countries in the region where there exists massive, illicit drug consumption, since this is the basic motivation for drug production. We reiterate the will of our Governments to continue the struggle against this crime, for which we pledge our commitment to co-ordinated action in preparation for the International Ministerial Conference on Drug Traffic and Abuse, which will take place in Vienna, in June 1987, under the sponsorship of the United Nations.
10. We reiterate our support for sanctions agreed on within the United Nations Organization against the South African regime on account of its Apartheid policy and we note the progress being made in the struggle against that policy in the leading industrialized countries with economic interests in South Africa. We agree to work towards

achieving the adoption of further measures, within the provisions of Chapter VII of the United Nations Charter, to eliminate the system of Apartheid. Accordingly, we undertake to co-ordinate action on a continuing basis within the United Nations and other relevant forums.

11. Convinced that the nature of dialogue that we have started in Lima by the Ministers of Foreign Affairs, Ministers and Heads of Delegations has great operational and political value, we have decided to continue them at future meetings of the Latin American Council at the Ministerial level with a view to reviewing the evolution of the international situation and its impact on Latin America and the Caribbean, together with the activities which may be undertaken by our countries to strengthen Latin American unity. In this regard, we wish to request the Minister of Foreign Affairs of Peru, Chairman of the XII Regular Meeting of the Latin American Council, on the basis of the important proposals of the President of Peru, Alan García, and in the light of the matters we have reflected upon during this first dialogue, to prepare, in consultation with Member States, a set of working proposals aimed at strengthening co-ordination and co-operation among our countries and adapting the present mechanisms to the new circumstances and demands of the international scene. We have also agreed to review these proposals at a Special Meeting of the Latin American Council at the Ministerial level, to be held during 1987.
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