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To: Members of the Executive Board

From: The Acting Secretary

Subject: Report on the Forty-Third Session of the United Nations
General Assembly

Attached for the information of the Executive Directors is a report on the forty-third session of the United Nations General Assembly held in New York from September 20 through December 22, 1988.

Mr. R. J. Bhatia (ext. 6959) is available to answer any technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

External Relations Department

Report on the United Nations Forty-Third General Assembly Session

Prepared by the Director of the Fund Office in the United Nations

Approved by A. F. Mohammed

January 25, 1989

I. Introduction

The United Nations General Assembly held its Forty-Third session at the UN Headquarters in New York from September 20 to December 22, 1988. The Foreign Minister of Argentina, Mr. Dante M. Caputo was elected President of the Assembly. The improving climate of international political relations, and the recognition of an increasing role for the United Nations therein, provided a relatively positive background to the debates during the session. But as counterpoint to the developments in the political field was the opening statement of the President, that little or nothing has been done "to prevent the continued widening of the gap between the rich countries and a large part of the developing world." Discussions on major economic problems facing the developing world were wide-ranging and encompassed a number of topics of interest to the Fund. The following section summarizes these discussions.

II. General Debate

In his opening address, the President of the Assembly proposed that instead of being treated as separate problems, issues of external debt, trade, and protectionism should be considered within an integrated framework; many speakers followed with emphasis on the growing interdependence between the developing and developed world. While specific mention was made of issues such as food shortages, debt burden, protectionism, commodity prices, etc., speakers also noted that the envisaged formulation of the International Development Strategy (IDS) for the 1990s provided a unique opportunity to deal with those issues within a global framework. Also, many speakers showed interest in the holding of a special session of the General Assembly on the question of revitalizing development of the developing countries. Special concern was expressed about the occurrences of natural disasters and environmental degradation.

III. Economic Issues

As is the practice, economic and financial issues were discussed primarily in the Second Committee, and draft resolutions adopted in that Committee were passed by the General Assembly. A notable exception was the resolution on the Mid-term Review of the UN Programme of Action for African Economic Recovery and Development (UNPAAERD), a separate report on which was issued to the Executive Board on December 14, 1988 (SM/88/268).

1. External debt

As reported last year (SM/88/46), the 42nd session of the General Assembly had requested the Secretary-General to prepare, after consultations with "the relevant bodies and eminent personalities" a comprehensive report on the international debt situation. In preparation for this report, the Secretary-General chaired a high-level meeting, attended by, among others, the Managing Director of the Fund. The Secretary-General's report was personally presented by him to the Second Committee. The report noted that the debt problem was far from being solved; instead, the growth process had stalled and the debt problem now affected a greater number of countries. The recent modest improvement in debt indicators was characterized as fragile and as accompanied by an increasing strain in debtor-creditor relations. The report advances the view that a substantial reduction in debt service obligations is necessary to enable debtor countries to resume growth; it recommends that indebted countries continue efforts to mobilize domestic resources, and that policies be designed to ensure their efficient use.

The debt issue was also frequently evoked in addresses to the General Assembly by heads of states and governments, including President Mitterrand of France, and the Amir of the State of Kuwait. The former urged the international community to be "more realistic and more imaginative." He referred to the current proposals to create a multilateral fund which would lower the cost of servicing loans by guaranteeing interest payments. He proposed the creation of such a fund in the IMF, to be financed by the developed countries setting aside their share of a new issue of SDRs. The Amir of Kuwait put forward a three-point plan of action: creditor nations to write off the interest due on loans to debtor countries, coupled with a write-off of a portion of the principal of loans to the poorest debtor nations; introduction of greater flexibility in lending by the IMF and the World Bank; and expansion of scientific and technical assistance to the developing world.

The debate in the Second Committee focused on what further role the UN and the Secretary-General could play in any resolution of the debt problem. Contrasting views were expressed, with one group envisaging a special commission of the UN to examine this question and to advance

specific solutions, or mandating the Secretary-General to engage in consultations with heads of governments and states, of international institutions and commercial banks, and to propose specific solutions. Some other delegations felt that effective discussions on this issue must be held in more appropriate fora, such as the IFM and the World Bank, and that the role of the UN (and the Secretary-General) could best be focused on the socio-political aspects of the issue. Finally a resolution (see Attachment I) was passed (with the United States voting against and Japan abstaining) which recognizes the need to broaden the scope of debt reduction and requests the Secretary-General to continue his efforts "through a process of high-level consultations" with a view to contributing to a common understanding on a solution to the debt problem, and to report to the next session of the General Assembly.

2. International development strategy (IDS)

Since the 1960s, the United Nations has adopted an IDS for each of the decades of the 1960s, the 1970s, and the 1980s. In anticipation of a substantive discussion on this issue in the 43d session of the GA, the Secretary-General submitted a report on the preparation of a new IDS for the 1990s. It was hoped that the GA would provide a clear mandate to proceed with the work, and to indicate the broad nature of such a strategy. However, as noted below, country delegations showed greater interest in convening a special session of the GA on the subject of revitalizing development of developing countries, and the debate on the IDS proved less substantive. The resolution that passed was procedural in nature, establishing an ad hoc Committee of the Whole for the preparation of the IDS, and inviting the Committee for Development Planning (CDP) to continue its work on the preparation of the strategy.

3. Special Session

The concern with slow growth in developing countries, prompted those countries to seek the convening of a special session of the General Assembly in 1990. Subsequent discussions in the Second Committee revealed that most member countries favored such a session but that wide differences remained as to the objectives to be served. The relationship of such a session with the preparation of the IDS also could not be defined. In the event, it was decided to hold a further meeting of the Second Committee not later than the end of February 1989 to consider and take a final decision on the convening of a special session. An informal paper (presented by China) was attached as annex to the Decision, proposing that the purpose of the envisaged session should be to assess the significance of the transformation of the world economy, to consider how to meet the opportunities and challenges ahead, particularly for the developing countries, and to provide more effective ways of multilateral cooperation in the economic field. The session, according to the informal paper, should focus on international and regional economic cooperation, improved policy coordination and policy recommendations, recognizing "the respective competences of the specialized institutions."

4. Food and agriculture

A number of countries raised the problem of food shortages in developing countries and the deteriorating international environment facing them, as evidenced inter alia, by depressed international commodity prices, protectionism, and worsened terms of trade. They noted with concern the tensions in trade in agricultural commodities, especially relative to agricultural subsidies and import restrictions. Many delegates appealed for more assistance to improve food production and access to the markets of developed countries. The debate on the draft resolution was non-contentious. The final resolution was adopted by consensus just a few days before the ending of the Montreal talks and affirms the need for liberalization of trade in agricultural commodities, and the need for additional resource flow into developing countries to encourage agricultural development. It also stresses the unique opportunity provided by the Uruguay Round to develop an open trading system and to bring agriculture under the rules and discipline of the GATT.

5. Official Development Assistance (ODA)

Some delegations, pointing to the problem of increased poverty in developing countries, attempted to seek donor countries' commitment to a specific timetable for achieving the ODA target (0.7 percent of GNP) adopted by the GA in 1970. However, this met with resistance by major donor countries who preferred to put emphasis on improving the quality of ODA. In the event, the final resolution merely reaffirms the commitment to the original target, including the sub-target of 0.15 percent of GNP for the least developed countries, and appeals to donor countries to reach this as quickly as possible.

6. Other economic issues

In the UN tradition, various resolutions were passed, recalling earlier ones and reaffirming the need for actions recommended therein. These resolutions included special economic and or disaster relief assistance to Chad, Somalia, Sudan, Lebanon (for reconstruction and development), Mozambique, the "front-line states" in Southern Africa, a special plan for economic cooperation for Central America, the second UN conference on the least-developed countries to be held in 1990, development and utilization of new and renewable sources of energy, a request to the Secretary-General to submit a report analyzing the impact of the economic crisis on the intensity of poverty in those countries, etc.

IV. Environment and Climate

As reported in SM/88/46, environment issues had been unusually prominent during the 42nd Session of the General Assembly. In principle, these issues are to be considered at a biennial basis in the GA. But interest in environment was equally evident during the 43rd Session of the GA, with various speakers referring to the greenhouse effect, disposal of toxic waste, etc. In the debate, developed countries' delegates took the view that environment was not just a matter for developed countries and that there was a link between development and environment. Developing countries, on the other hand, did not accept such a linkage, for fear that it could lead to new conditionality being attached to external assistance. In the event, two resolutions were passed concerning the climate and the accumulation of toxic and radioactive wastes, calling upon the international community to treat climate changes as a priority issue and to take the necessary steps to halt and prevent the illegal international traffic in, and disposal of, toxic and dangerous product wastes. Delegates generally favored holding an international conference on environment and development no later than 1992.

V. Revitalization of the Economic and Social Council

A background to this issue is contained in SM/88/46 and SM/88/192. Discussions during the 43rd Session revolved around the resolution passed during last summer's session of ECOSOC in respect to the revitalization of the Economic and Social Council. The GA decided to endorse that resolution. According to this decision, the annual general discussion in the ECOSOC on international economic and social policy will be so structured as to allow enough time for an exchange of views between members and executive heads of the organizations of the UN system, with a view to a more active participation of the latter in the deliberations of the Council. Also the joint meetings of the Committee for Program and Coordination, and the Administrative Committee on Coordination (ACC), as well as the reports of the ACC would be "rationalized" to assist the Council to carry out its functions of coordinating the activities of the UN system.

VI. IMF and South Africa

The General Assembly discussed extensively the South African policies on apartheid and colonization. As in the past, there were a number of references to the relationship of the international institutions--including the Fund and the World Bank--with South Africa, particularly in the resolution on the "Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the Specialized Agencies and the International Institutions Associated with the United Nations." The relevant paragraphs of the resolution are reproduced below:

"The General Assembly

"8. Regrets that the World Bank and the International Monetary Fund continue to maintain links with the racist regime of Pretoria, expresses the view that all links should be discontinued and, pending that action, calls upon those organizations not to extend any support or loans to that regime;

"9. Urges once again the executive heads of the World Bank and the International Monetary Fund to draw the particular attention of their governing bodies to the present resolution, inter alia, with a view to formulating specific programmes beneficial to the peoples of the colonial Territories, particularly Namibia."

The resolution was adopted 124 in favor, 4 against, and 27 abstentions (the respective votes on a similar resolution in the 42nd Session were 130, 3, and 23). Among countries that voted against the resolution or abstained, some delegations pointed out that they could not accept an implied assumption in the resolution that the General Assembly is empowered to give instructions to specialized agencies, and specifically to the Fund and the World Bank.

It may be noted that in a similar resolution at the 42nd session, the General Assembly had recommended "the urgent inclusion in the agenda of the Board of Governors of the Fund an item dealing with the relationship between the Fund and South Africa." In a communication (Attachment II) to the Secretary-General, the Fund's Special Representative to the United Nations informed him of the action taken by the Executive Board on this recommendation.

External debt crisis and development: towards
a durable solution of the debt problems

The General Assembly

Recalling its resolutions 41/202 of December 8 1986 on strengthened international economic cooperation aimed at resolving the external debt problem of developing countries and 42/198 of December 22 1987 on furthering international cooperation regarding the external debt problem;

Recalling Trade and Development Board resolutions 165 (S-IX) of March 11, 1978; 222 (XXI) of September 27 1980; and 358 (XXXV) of October 5 1988; and the relevant recommendations of the mid-term global review of progress towards the implementation of the Substantial New Program of Action for the 1980s for the Least Developed Countries;

Recalling the Final Act adopted by the United Nations Conference on Trade and Development at its seventh session;

Recognizing that the deteriorating economic situation faced by those developing countries with heavy debt burden, which constitutes a major obstacle to their economic growth and sustained development, can be a threat to their economic, social and political stability;

Emphasizing that the worldwide impact and the wide range of implications of indebtedness of developing countries on today's increasingly interdependent world economy can be a threat to their political stability;

Recognizing that, in the present circumstances, adjustment efforts are needed on the part of all countries, collectively and individually, each country contributing to the common objective in accordance with its capacities and weight in the world economy, while concern remains about the political and social implications associated with the structural adjustment program in indebted developing countries;

Welcoming the increasing acceptance of further diversifying the range of options that inter alia, reduce the stock and service of debt and contribute to the achievement of a durable solution to the external indebtedness of developing countries;

Acknowledging the continuing need for strengthening effective international cooperation in order to resolve the external indebtedness of developing countries on a durable, equitable and mutually agreed basis, in particular through improvement in the international economic environment;

Noting that, although efforts have been made by the international community to deal with the debt problem, it is essential, owing to the gravity of the problem, to reaffirm the shared responsibility of all parties involved;

Deeply concerned that debt-service obligations remain high, that the factors determining the capacity to pay have not moved in consonance with the debt-service obligations of the majority of developing countries, and that prospects for reducing the adverse effects of the debt burden on the development process in developing countries continue to be uncertain;

Noting with concern that the net outflow of financial resources from developing countries as a whole, exacerbated by the debt crisis and the deterioration in the terms of trade, deprives those countries of

1. Expresses its appreciation to the Secretary-General for his involvement in the debt issue and for his report entitled "Towards a durable solution of the debt problem";

2. Stresses that the debt crisis in an increasingly interdependent world economy has a wide impact, often with political implications, having a bearing not only on relations between creditors and debtors but also on prospects for the world community as a whole, thereby requiring a broad approach with political impetus and continued close cooperation;

3. Expresses deep concern that the overall indebtedness of debtor developing countries has persisted and often increased, that their growth and developments are severely limited, and that their economic and social prospects continue to be a cause of serious concern;

4. Stresses that a supportive international economic environment, together with a growth-oriented development approach, is needed for supporting the efforts of debtor developing countries in dealing with their external indebtedness and alleviating the political and social costs of structural adjustment programs and adjustment fatigue, thus contributing to the restoration of their economic growth, development, and credit-worthiness;

5. Urges the international community to continue to search, through dialogue and shared responsibility, for a durable, equitable, and mutually agreed growth-oriented and development-oriented solution to the external indebtedness of developing countries;

6. Invites the multilateral financial institutions to continue to review conditionality criteria, taking into account, inter alia, social objectives, growth and development priorities of developing countries and changing conditions of the world economy, and stresses further the

need for increased cooperation between the International Monetary Fund, the World Bank, and other multilateral financial institutions, which should not lead to cross-conditionality;

7. Reaffirms that a major objective of any debt strategy should be that debtor developing countries achieve an adequate level of growth sufficient to enable them to satisfy their social, economic, and development needs, which will in turn enhance their ability to service debt, and urges all relevant parties to develop new ways and means to sustain effectively policies aimed at attaining such a level of growth;

8. Recognizes that efforts to resolve the debt problem should include, inter alia, policies in creditor countries and debtor countries that are supportive of export growth and diversification in the latter;

9. Recognizes that there is need to broaden further the range of approaches that, inter alia, reduce the stock and service of debt, including expansion of the scope and implementation of currently implemented financial techniques;

10. Recognizes that the external indebtedness of some other countries with serious debt-servicing problems gives rise to considerable concern, and invites all those involved to take into account, as appropriate, the above provisions in addressing those problems;

11. Requests the Secretary-General to continue his efforts, through a process of high-level consultations, as appropriate, with heads of state or government and other parties concerned, to contribute to a common understanding on a solution to the external indebtedness of developing countries in the context of their growth and development;

12. Also requests the Secretary-General to take any other appropriate measures for the implementation of the present resolution and to report thereon to the General Assembly at its forty-fourth session.



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ATTACHMENT II

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
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The Special Representative of the International Monetary Fund presents his compliments to the Secretary-General of the United Nations and wishes to inform him of the following:

In his February 1988 report to the Executive Board of the Fund on the forty-second session of the United Nations General Assembly held in New York from September 15, 1987 through December 21, 1987, the Special Representative drew the attention of Directors to General Assembly Resolution (43/75) and, in particular, to the proposal contained therein "for the urgent inclusion in the agenda of the Board of Governors of the Fund an item dealing with the relationship between the Fund and South Africa."

In July, the Executive Board took this proposal into account in considering the agenda for the 1988 Annual Meeting of the Board of Governors. Following its consideration of the matter, the attached notice and agenda for the 1988 Annual Meeting was approved by the Board on July 17, 1988.

August 4, 1988

[initials]

R.J.B