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SM/87/205

August 11, 1987

To: Members of the Executive Board

From: The Secretary

Subject: United Nations Economic and Social Council (ECOSOC) -
Second Regular Session, 1987

There is attached for the information of the Executive Directors a report prepared by the Fund Special Representative to the United Nations on the session of the Economic and Social Council, held in Geneva from June 23 to July 9, 1987.

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INTERNATIONAL MONETARY FUND

United Nations Economic and Social Council
Second Regular Session, 1987, Geneva

June 23-July 9, 1987

Report prepared by
The Special Representative to the United Nations

Approved by A. F. Mohammed

August 10, 1987

Overview

Delegates at the UN Economic and Social Council (ECOSOC), which met at the Geneva Palais des Nations, June 23-July 9, 1987, tended to view their activities against the backdrop of the far larger UNCTAD VII gathering which began at the same Palais on the day ECOSOC ended.

Both UN events dealt with a broad spectrum of global economic concerns. However, the fact that the ECOSOC and UNCTAD meetings had been scheduled back-to-back largely preempted the earlier meeting. There was the usual General Debate on the world economy with dozens of statements by heads of delegations. There was a flurry of last-minute resolutions on economic issues such as capital formation in developing countries, net capital reflows from the same group, on debt and trade issues, and on enhancing competition in economic relations. These tended to serve as rehearsals for the larger UNCTAD event.

ECOSOC also focused on certain housekeeping activities in the exercise of its responsibilities as overseer of the numerous UN organizations, programs and funds which report to ECOSOC. In this category could also be brought the discussion of reform issues, begun at last year's General Assembly, as a major attempt to streamline the United Nations. ECOSOC's own role in this exercise was also of major concern to the delegations.

In the view of many delegates, the two highlights of the ECOSOC session were two statements in the General Debate, rather than any decisions taken later. In the economic field, it was the Managing Director's address on the Fund's role in an environment of adjustment with growth, and, in the social field, the address of Dr. Halfdan Mahler, Director-General of the World Health Organization, who described the importance of public health programs and called for global support for the campaign of his organization to combat the AIDS epidemic--a call which led ECOSOC to endorse this campaign in a unanimous resolution.

The President of ECOSOC was Ambassador Eugeniusz Noworyta, Permanent Representative of Poland. The Fund was represented at the session as a whole by Jan-Maarten Zegers, Special Representative to the United Nations.

An illustrative summary of statements made in the General Debate and some of the resolutions adopted, follow.

General Debate

UN Secretary-General Javier Pérez de Cuéllar opened the ECOSOC session on June 23, 1987 with a wide-ranging address. However, the main UN Secretariat statement on economic issues came the following day from Rafeeuddin Ahmed, Under-Secretary-General for the Department of International Economic and Social Affairs. He based his statement largely on the UN World Economic Survey, an annual review of past and prospective global economic developments, similar to the Fund's World Economic Outlook, but pitched somewhat to particular UN concerns. Under-Secretary-General Ahmed's summary of the Survey tended to be quite gloomy with respect to both the past and future of the developing countries, particularly those in Africa. Crucial to any improvement was, in his view, an increase in international trade as well as increased trade liberalization. He also called for greater policy coordination among the industrial countries and for "expeditious and flexible access" of the developing countries to the Fund's CFF together with an increase in resources for the CFF and the EEC stabex. He also urged new approaches to foreign debt issues and mentioned, inter alia, that:

A more comprehensive approach would be the establishment of a multilateral agency - preferably as part of an existing institution - to purchase the debt of developing countries from commercial banks at current market value and to convert it into new forms of liability that would allow debtor countries some relief and a different maturity structure. Under the auspices of the United Nations University, the World Institute for Development Economics Research is considering a proposed debt reconstruction facility containing these elements. It would be funded primarily through recycling part of the external surplus of Japan and would receive financial support from other countries.

In other comments, Ambassador J. S. Teja of India emphasized the importance of international trade liberalization, noting, however, that:

The GATT Secretariat in the latest report on developments in the trading system has drawn attention to the clear contrast between the pace of work in the GATT related to negotiations under the Uruguay round and the difficulties and tensions that have marked the actual conduct of trade policies. This is evidenced by the fact that the GATT

contracting parties have not kept to their commitments, including on standstill and roll back, solemnly reiterated at Punta del Este. The number of 'grey-area measures' is continuing to expand. What is even more disquieting is that these measures continue increasingly to be espoused by certain major trading nations as a means to solving their trade problems.

Ambassador Makoto Taniguchi, Head of the Japanese delegation, reaffirmed Japan's commitment to constructive action, inter alia, in the trade and financial field and mentioned in particular its projected ODA increase as well as Japan's intention to "recycle more than \$20 billion over the next three years," an amount to be extended both bilaterally and through the multilateral development banks.

Aase Danielsen, Representative of Norway--speaking on behalf of the Nordic countries--stressed that in the view of these countries the "debt crisis is probably the best illustration of interdependence we have witnessed so far. Problems related to the debt of the developing countries are considerable also for the creditors and it is of utmost importance for all parties concerned to find sustainable and joint solutions to the debt problems." She indicated that the Nordic countries want to work in the Paris Club and elsewhere towards "special treatment of the poorest and most heavily indebted developing countries' debt problems. In this connection both an extension of the rescheduling periods and a lowering of interest rates are to be considered. In our view the debt rescheduling terms should correspond better to the actual payment capacities of these countries." In addition, she also pointed to the Nordic group's initiatives at the Washington meetings of the Interim and Development Committees and expressed her hope that debt issues and resource flows would also be an important subject for UNCTAD VII.

Ambassador Amir Habib Jamal of Tanzania--and also a former Chairman of the Joint Boards of Governors of the Fund and Bank--discussed at some length the Managing Director's address which he called "of more than passing interest" noting, inter alia, that "Mr. Camdessus' statement, for the first time, conveys what is hopefully only the beginning of awareness on the part of the IMF that the social aspects of economic policies do matter." He urged the IMF to be more development-oriented.

UNICEF Executive (Managing) Director James Grant also referred approvingly to the successive statements of Fund Managing Directors at ECOSOC regarding the social aspects of Fund programs.

Also speaking about Fund policies, Ambassador Alioune Sene of Senegal called for a rationalization of Fund conditionality in order to arrive at greater coherence, and suggested that reform of the international financial and monetary system be a matter of immediate concern and stressed his country's support for the April 8 communiqué of the Group of 24.

Ambassador Paul Laberge of Canada, who focused particularly on trade and debt issues, repeated Prime Minister Mulroney's views on debt at the Venice Summit, adding that:

Canada continues to attach priority to assisting the poorest countries. We have recently announced the conversion of all outstanding aid disbursements into grants and have placed our whole aid program on an all-grant basis. We want the international community to undertake specific efforts to support the poorest debtors. Canada intends to pursue this issue further at the Francophone Summit in Québec, the IMF/World Bank annual meeting, the Commonwealth Heads of Government meeting in Vancouver and at the Economic Summit to be held in Canada next year.

The head of the Brazilian delegation, Ambassador Paulo Nogueira Batista, devoted his intervention to the same subjects and in the area of trade negotiations emphasized what in his view were the de facto conditions for success in the Uruguay Round: (1) the observance of stand-still commitments and the implementation of rollback engagements; and (2) the exclusion of "trade-offs" between the "goods" and "services" negotiations.

Ambassadors Lautenschläger and Sankey, representing, respectively, the Federal Republic of Germany and the United Kingdom, elaborated on actions taken at the Interim and Development Committees, the OECD Ministerial Meeting and the Venice Summit, stressing also their countries' particular implementation measures.

Finally, Ambassador Vernon Walters of the United States preferred to commemorate the 40th anniversary of the Marshall Plan in his ECOSOC address, leaving an American review of current economic developments to the UNCTAD Conference.

Resolutions

ECOSOC received a great number of reports--requested in earlier resolutions and prepared by the UN Secretariat--on an equally broad variety of subjects. Other reports were submitted by various ancillary intergovernmental committees and other organs of the UN General Assembly and ECOSOC. However, in the low-key approach ECOSOC took to its session, many of these reports were simply "noted" and others sent to the General Assembly for further action as required.

Consequently, ECOSOC ended with few resolutions of substance and those it adopted tended to be voted on by a majority of developing countries against a minority of industrial ECOSOC members. This applied in particular to a draft resolution introduced by Guatemala on behalf of the Group of 77 and entitled "Net transfer of resources from developing to developed countries." The resolution requested a number of measures to reverse a net outflow of resources from the developing countries estimated

at \$24 billion in the UN World Economic Survey, and asked the UNCTAD VII Conference to give in-depth consideration to the net outflow problem. Finally, it requested the UN Secretary-General "to monitor and report on the evolution of that phenomenon and on developments having a bearing on the implementation of the present resolution to the Economic and Social Council at its second regular session of 1988." Of ECOSOC's 54 member countries, 31 developing countries voted in favor, 11 industrial countries voted against, while Iceland, Norway and Turkey abstained. The remainder did not participate.

The United States and the Soviet Union introduced some draft resolutions reflecting particular political approaches. A resolution on the "role of the public sector in promoting the economic development of developing countries," proposed by the German Democratic Republic, Mongolia and the Syrian Arab Republic, was adopted without a vote after amendments which, inter alia, included caveats such as one which added the words "bearing in mind the need to improve the efficiency and effectiveness of the public sector in the light of various difficulties which have been encountered by developing countries."

A draft resolution introduced by the United States on "creating conditions that encourage capital formation for growth and development" approached agreement during negotiations was held over for a future occasion, as was a U.S. draft resolution on "enhancing competition in economic relations."

ECOSOC also adopted its annual recurring resolution which called for assistance to liberation movements but also, inter alia, requested the IMF to sever its relations with South Africa. It passed with 37 votes in favor, 11 abstentions and 1 vote against (from the United States). Some of the abstaining countries, mostly OECD members, expressed specific objections against the IMF-related paragraph as did Norway, which had voted in favor.

ECOSOC adopted several other resolutions and decisions of only marginal relevance to the Fund and this report, ranging from regional cooperation to the name of the UN Fund for Population Activities (to be called United Nations Population Fund).

