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To: Members of the Executive Board

From: The Secretary

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

Attached for the information of the Executive Directors is a report on the forty-fourth session of the United Nations General Assembly held in New York from September 19 through December 29, 1989.

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

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Report on the United Nations Forty-Fourth General Assembly Session

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

Approved by A. F. Mohammed

February 1, 1990

I. Introduction

The United Nations General Assembly held its Forty-fourth session at UN Headquarters in New York from September 19 to December 29, 1989. H.E. Major-General Joseph N. Garba, Permanent Representative of Nigeria to the United Nations, was elected president of the Assembly. The improving climate of political cooperation and trust among major powers had a marked impact on both the tone and content of the general debate, while the increasing economic and financial difficulties facing the developing world in general brought out more openly than before demands for a more sympathetic response by the industrial countries to their plight. However, in view of the forthcoming major meetings in 1990 relating to the formulation of the International Development Strategy (IDS) for the 1990s, the Special Session of the General Assembly on the revitalization of growth in developing countries, and the [UN] Interministerial Conference on the Least-Developed Countries, no major initiatives were launched in the economic field. Among economic issues discussed were external debt, net transfer of resources, terms of trade, and protectionism. In addition, decisions were adopted to give a major reorientation to the technical assistance activities ("Operational activities") of the UN system. The following section summarizes these discussions.

II. General Debate

The opening address of the President recognized the remarkable changes taking place in superpower relations and the emergence of a climate of trust and hope. He regretted, however, that progress in the political field had not been accompanied by corresponding improvements in international economic cooperation, and that the vast majority of developing countries had witnessed continued deterioration in their economic and social well-being, resulting in a loss of development momentum. He pointed to the external debt crisis, large net outflows of capital to developed countries, and the deteriorating terms of trade as issues of grave concern.

The problem of the environment received most attention from speakers in the general debate. President Bush stressed the international aspect of threats to environment, and Prime Minister Thatcher devoted virtually her entire address to the issue. Mrs. G. H. Brundtland, then Prime Minister of Norway identified ecological degradation as a clear danger. Mr. E. Shevardnadze of the U.S.S.R. underscored the importance of the proposed 1992 Conference on Environment and Development as a watershed in establishing universal cooperation and working out a code of civilized ecological behavior. Mr. R. Dumas, speaking on behalf of the EC, stressed that economic development hinged on efforts to protect the environment. Mr. T. Nakayama expressed Japan's intention to mobilize its scientific and technical capabilities to address global environmental problems. Mr. B. V. Rao of India reiterated the Indian proposal for the creation of a Planet Protection Fund to protect the environment by developing and purchasing conservation compatible technologies in critical areas which could be brought into the public domain for the benefit of all countries.

The main emphasis of speakers from the developing world was on economic and financial issues. President Sarney of Brazil noted that Latin America shows signs of negative growth and, in 1988, transferred nearly \$29 billion abroad ("a Marshall Plan in reverse"). In his opinion there was an urgent need to create conditions that would permit developing countries to return to their status as recipients of capital. Mr. I. Nwachukwu of Nigeria, while welcoming the Brady initiative as a means of resolving the debt problem, felt that the resources committed for the plan were inadequate. He added that policy reforms, by themselves, are no guarantee of growth unless adequately financed. The Malaysian representative, referring, inter alia, to the deteriorating terms of trade for developing countries, urged industrial nations to provide greater market access and larger financial resources.

On all these issues, speakers looked forward to the Special Session of the General Assembly as an opportune forum to provide a fresh political impulse for development cooperation through the formulation of concrete proposals.

III. Economic Issues

General debate on economic and financial issues was characterized by disappointment that progress on the international political front had not been paralleled by advances on economic and social issues. Many speakers from developing countries expressed disappointment with the results of the structural adjustment programs, suggesting that these programs: (1) have not generated any significant growth in most of the countries implementing reforms; (2) have produced adverse social effects, especially for poor and vulnerable sections of the population;

(3) have not been adequately designed to fit the specific circumstances of each country; and (4) have not attracted sufficient external finance to make it possible for countries to implement structural and other reforms. In addition, several speakers regretted that continued large financial imbalances between major industrial countries, the lack of progress in trade liberalization, large negative net transfers of resources, worsening terms of trade, etc., have all produced an international environment that is not supportive of the adjustment efforts of developing countries. In light of this sentiment, while almost all speakers emphasized the need to continue with domestic reforms, the recurring theme relating to development was that the international community should strive for "sustainable development" in developing countries, which should include a growth-oriented adjustment with equity that also emphasizes human resource development, and takes into account improvements in ecology and environment. Some of the more important issues discussed widely are summarized below.

1. External debt and net transfer of resources

External debt has become a major recurrent theme in General Assembly debates since it was first included in the agenda at the Forty-first (1986) session. Over time, the debate has become increasingly focused and better informed on the key issues involved and the implications of various proposals. Debate in the Forty-fourth session was particularly influenced by the launching of the Brady initiative.

In conformity with last year's resolution, the Secretary-General had submitted a report to the General Assembly on "External Debt Crisis and Development." The report recognizes that some progress has been made to resolve the debt problem, and recommends that the new strategy for debt and debt service reduction should be applied rapidly, cover a large variety of debts, and encompass a wide range of countries. The report reiterates that the debt crisis stands at the center of economic difficulties facing developing countries, and expresses doubt whether the recent proposals for debt reduction will be sufficient to improve adequately the net resource transfer situation of these countries. Furthermore, the negotiating process of debt reduction schemes is proving to be much too slow and cumbersome, and would benefit from clarification of a firm framework for negotiations and the commitment of concerned governments to such a framework. In the opinion of the Secretary-General, current debt reduction efforts are severely underfunded, and more needs to be done regarding official debt (e.g., extension of the Toronto terms to all least developed countries) and debt owed to multilateral financial institutions. On the other hand, the Secretary-General also warns that debt reduction is no panacea, nor is it a substitute for policies to restore internal and external balance; it is a necessary condition for such policies to succeed.

Formal debate polarized around those who felt that the current debt strategy was too limited and had come too late, and those who felt that this strategy needs to be given a chance to work, and that any serious new proposals at this stage could be counterproductive and impede progress in the implementation of the Brady initiative. Also, while the G-77 tended to look at the debt issue within an aggregative framework, many others emphasized the need to disaggregate it in terms of individual countries or groups of countries, noting that the phenomenon of negative net resource transfer is confined to a few (mostly Latin-American) countries, and emphasizing the merits of a case-by-case approach. In addition, speakers differed as to the respective roles of domestic policy reforms and debt reduction in the resumption of growth in highly-indebted countries, although most recognized their complementary nature. Some speakers emphasized that the implementation of domestic policy reforms was hindered by the debt overhang, while others felt that these reforms were central to a resolution of the debt and development problems.

Negotiations on a possible General Assembly resolution were based on a draft resolution introduced by Malaysia on behalf of the G-77. The draft referred to the debt crisis as global in impact and political in nature and effect, and regarded the "internationally supported" structural adjustment programs as having had negative political, economic, and social consequences; it proposed extension of recent debt reduction initiatives to all indebted developing countries. The draft also asked for a larger reduction in debt stock and debt service, conventional rescheduling of official debt of all debtors, rescheduling of debt owed to multilateral financial institutions, a substantial increase in resource flows to developing countries, and adoption of adjustment policies in developed countries for "a prompt reduction of imbalances" in and among those countries. Finally, it called for the establishment of an advisory commission "to develop innovative approaches and evolve specific proposals" to solve the debt problem.

The G-77 draft met with resistance from industrial countries, whose representatives felt that it departed substantially from the recent [UNCTAD] Trade and Development Board resolution on debt (cf. SM/89/235, pages 10-12), on which consensus had been reached in Geneva, and which could be a better basis for a resolution in the General Assembly. Moreover, they contended that the G-77 text made no mention of domestic efforts, politicized the debt problem, placed undue weight on an aggregative rather than a case-by-case approach, and gave no credit to efforts of international financial institutions and donor countries in this sphere. It became clear in the course of the debate that the G-77 draft could not pass without inviting a substantial number of negative votes and thus depriving it of significance. A new and substantially revised text was negotiated and was adopted with no abstentions and with only the United States voting against.

The resolution (Attachment 1) recognizes the recent initiatives and the role of international financial institutions in dealing with the debt problem. For the new initiatives to be effective, the resolution recommends specific measures such as providing the Fund and World Bank with adequate resources to carry out their respective mandates, negotiation of financial packages to support growth-oriented adjustment programs, a more open international trading system, multilateral surveillance aimed at addressing imbalances in industrial countries, and efforts by indebted countries to raise savings and investment, reduce inflation, and improve efficiency.

Action on the proposal to appoint an advisory commission was deferred until next year's General Assembly. However, in the meantime, the Secretary-General announced the appointment of Mr. Bettino Craxi, former Prime Minister of Italy, as his Personal Representative on Debt. Mr. Craxi will meet with various government leaders and heads of financial institutions and banks during the course of the next year with a view to proposing actions to "promote the effective and speedy lowering of the debt burden" of indebted countries.

2. Environment

While the environment emerged as probably the dominant issue in the Forty-fourth session (nine resolutions and two decisions were adopted), the debate was complicated by an attempt to link action on environmental issues with financing of economic development. Developing countries' representatives argued that environmental degradation (e.g., deforestation) in their countries was a reflection of poverty which, itself, was exacerbated by external debt burdens and worsening terms of trade. Accordingly, the developed world should make concessions on these and similar issues in return for asking developing countries to pay greater attention to protection of the environment. Developing countries also noted that a major part of the degradation of the global environment is caused by industrial countries which should, therefore, finance the cost of "cleaning up," including assuring the financing of the transfer of environmentally sound technology to developing countries. Developed countries, on the other hand, wished to emphasize only the environmental aspects and to de-link them from the issue of development finance. In the event, delegates gave up the search for balance between these considerations by postponing all substantive issues to future negotiation. The General Assembly decided to hold a UN Conference on Environment and Development in 1992 in Brazil; and set out a broad thematic and institutional framework, including the preparatory process leading up to the Conference. Substantive negotiations on arrangements at the intergovernmental level will be held within the Preparatory Committee of the Whole beginning in March 1990. In a separate resolution, the General Assembly reaffirmed that the UN system is the appropriate forum for concerted political action on global environmental problems.

3. International Development Strategy (IDS) and the Special Session, 1990

It may be recalled that the United Nations intends to formulate an IDS for the decade of the 1990s, to follow the one for the 1980s. The discussions have been influenced by the realization that the IDS for the 1980s became irrelevant as soon as it was finalized by the UN in the early 1980s due to rapidly changing circumstances and, at least in part, to unrealistic targets incorporated in it. Various participants have urged that the new IDS be a flexible economic framework for growth, while at the same time instilling a sense of urgency in promoting development. In keeping with this sentiment, the General Assembly recommended to the Ad Hoc Committee of the Whole for the Preparation of the IDS that it should address, inter alia, problems of external debt, international trade and commodities, industrial and agricultural policies, economic policy frameworks, poverty, human and institutional development, environment, and development assistance. It also recommended that the IDS spell out the role of the United Nations organizations in the implementation of the strategy. The Preparatory Committee is scheduled to meet in March and June, 1990 for an in-depth consideration of these and related issues.

The General Assembly adopted, without vote, a decision on preparations for the 1990 Special Session on the revitalization of economic growth and international economic cooperation. The decision, which was preceded by wide-ranging discussions as to the scope of the session, recommended that the outline should include the main developments of the 1980s and an assessment of obstacles to development, reactivation of growth in developing countries, and strengthening of international economic cooperation. The United States, which abstained from voting, regarded the outline as a useful contribution to the work of the Preparatory Committee, but wished that the proposed assessment of the world economy could take into account the diversity of situations among countries.

4. Operational activities

The Forty-fourth session undertook a comprehensive triennial policy review of the operational activities for development of the UN system. In preparation for that review, the Director-General of the Department of International Economic Cooperation had submitted a report. Debate was wide-ranging and dealt with topics such as programming at the country level, strengthening and utilizing national capacities, harmonization and decentralization of procedures, rationalization of field office structures, and the role of the Resident Coordinator. The resolution adopted by the General Assembly calls for a move away from the current "project approach" to a "program approach" for operational activities, a more active utilization of national capacities and a more direct role for national authorities in the execution of projects, a

greater decentralization of decision making, and an enhanced role for the Resident Coordinator. The resolution is a significant step towards concrete changes in the modalities of technical assistance by the UN system.

5. UN Program of Action for African Economic Recovery and Development (UNPAAERD)

The UN had already completed a mid-year review of UNPAAERD last year, and initially no plans had been made to discuss developments relating to Africa in the Forty-fourth session. However, Egypt, on behalf of the current Chairman of the Organization of African Unity (OAU), and Guinea-Bissau requested that the General Assembly discuss a report prepared by the Economic Commission for Africa (ECA) entitled "The African Alternative Framework to Structural Adjustment Programs" (AAF-SAP). That report characterizes the "traditional" Fund-Bank supported structural adjustment programs as too rigid and not conforming to the realities of the situation in Africa and recommends alternative measures, including when necessary, government controls and intervention, multiple exchange rates, subsidized interest rates, etc. It also places emphasis on appropriate changes in the area of public expenditure (away from military) and building up a strong institutional base. The initial draft resolution, introduced by Lesotho, recommended AAF-SAP as "the" basis for dialogue and consultation but many other delegates, while acknowledging the analytical contribution of AAF-SAP, considered that other viewpoints also exist on an appropriate policy mix, and that dialogue must continue in other competent fora in order to find the best approach. In the end, the General Assembly passed a resolution inviting the international community to consider the framework "as a basis for constructive dialogue and fruitful consultation."

6. Other issues

Debates in the Forty-fourth session covered many other economic issues of continuing interest to the General Assembly, including commodities, international trade and protectionism, etc. Developing countries regarded growing protectionism as a serious impediment to increasing their share in world trade, and regretted the deterioration in their terms of trade. Some delegations from industrial countries, while recognizing the importance of the commodities issue, felt that detailed discussions on this item could be more profitably undertaken within UNCTAD, and that the General Assembly should confine its role to giving general guidance for discussion in UNCTAD. Most delegates emphasized the importance of the Uruguay Round and urged that these discussions be brought to a mutually satisfactory conclusion. The resolution adopted emphasizes the importance of stable market conditions for the development of developing countries, expresses concern about the negative effects of declining terms of trade, and urges governments to

halt and revert protectionism, and developed countries to facilitate increased access to their markets by developing countries.

Eradication of poverty also received wide attention, especially in the context of discussions on IDS and the Special Session. Unlike last year, when no consensus could be reached on any resolution on this issue, the Forty-fourth session of the General Assembly adopted one without a vote. It asks the Committee for Development Planning to submit for the preparation of IDS concrete proposals for action in the eradication of poverty, and invites governments to introduce this issue, along with relevant environmental issues, in the forthcoming Conference on Environment and Development.

Towards a durable solution of external debt problems

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987 and 43/198 of 20 December 1988,

Recalling also Trade and Development Board resolutions 165 (S-IX) of 11 March 1978, 6/ 222 (XXI) of 27 September 1980, 7/ 358 (XXXV) of 5 October 1988 8/ and 375 (XXXVI) of 13 October 1989, 9/

6/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 15 (A/33/15), vol. I, part two, annex I.

7/ Ibid., Thirty-fifth Session, Supplement No. 15 (A/35/15), vol. II, annex I.

8/ Ibid., Forty-third Session, Supplement No. 15 (A/43/15), vol. II, sect. II.A.

9/ Ibid., Forty-fourth Session, Supplement No. 15 (A/44/15), vol. II, sect. II.A.

Concerned that a large number of developing countries experiencing debt difficulties, with serious social consequences, have recorded unsatisfactory rates of growth of output and development for many years, and that overall prospects for these countries are for a continuing unsatisfactory performance in 1989,

Recognizing that such a weak growth aggravated by the external debt crisis can pose a threat to their social and political stability,

Convinced that, in this context, overcoming the longstanding external indebtedness of developing countries would require, inter alia and as appropriate, a significant reduction in the stock and service of debt sufficiently large to contribute to the attainment of the objective of the resumption of vigorous growth and sustained development in debtor developing countries,

Recognizing that a number of recent initiatives aimed at a reduction of the stock and service of debt of developing countries, as well as debt relief measures, represent a conceptual advance and an important contribution to the efforts aimed at dealing with the debt crisis and that, in this regard, those initiatives need to be rapidly implemented to enhance their impact on the resolution of the debt crisis of developing countries,

Noting the close interrelationship among money, finance, resource flows, trade, commodities, development and external debt, and recognizing in this regard the important policy implications of this interrelationship for a durable solution to the debt problems,

Concerned at the decline of external resources available to developing countries for development, which is, inter alia, due to severe external indebtedness,

Recognizing that overcoming the debt problems and ensuring that financial flows are fully and effectively utilized require continuing adjustment efforts 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,

Emphasizing that the efforts being undertaken by developing countries to foster sustained economic growth, although important, cannot succeed in reactivating growth and development without a favourable international economic environment,

Recognizing that such a favourable international economic environment requires, inter alia, adjustment in the economies of the industrialized countries having a major impact on the world economy, including appropriate fiscal, monetary and trade policies, in order to eliminate the major imbalances in the world economy,

Welcoming the recognition of the need to continue efforts by all parties concerned to resolve the severe debt crisis and to forestall its proliferation and prevent its further aggravation,

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Noting with deep concern the changes that have continued to occur in the destination and pattern of flow of external resources and the decline of those resources to developing countries, which have made the economic recovery and sustained development of developing countries more difficult,

1. Takes note of the report of the Secretary-General on the external debt crisis and development; 10/
2. Welcomes the contributions of the United Nations Conference on Trade and Development to the international search aimed at resolving the external debt crisis of developing countries and, in this regard, takes note of Trade and Development Board resolutions 165 (S-IX) and 375 (XXXVI) on debt and development problems of developing countries;
3. Expresses its appreciation to the Secretary-General for his efforts to find a solution to the debt problems of developing countries and, in this regard, encourages him to continue further his efforts;
4. Recognizes the role of the international financial institutions in dealing with the debt problems of developing countries;
5. Urges all parties concerned to continue their efforts in pursuit of a durable, equitable and mutually agreed growth-oriented and development-oriented solution to the debt problems of developing countries, which requires concerted international action;
6. Stresses that the deterioration in the economic situation of the debtor developing countries constitutes a major obstacle to their economic growth and sustained development, which can be a threat to their economic, social and political stability;
7. Welcomes the increasing acceptance by creditor countries of the need for writing off and/or reducing the stock and service of debt of developing countries and also welcomes, in this regard, the contributions that the recent initiatives aimed at the reduction of the stock and service of debt of the developing countries can make;
8. 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 programmes and adjustment fatigue, thus contributing to the restoration of their economic growth, development and credit-worthiness;

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

10. Stresses the urgent need for the broadest implementation of the recent initiatives;

11. Emphasizes that in order to ensure that the recent initiatives, in particular those for debt reduction, in conjunction with appropriate economic policies and a favourable international environment, have effective and comprehensive impacts on the reactivation of economic growth and sustained development in the developing countries, the following measures would be required:

(a) Financial packages should be negotiated that are adequate to support growth-oriented adjustment programmes, including, as appropriate, debt reduction, debt-service reduction, new lending and other measures, so that the financial obligations and payment capacity of individual debtor countries are made more compatible; the combination of these elements should lead to the release of sufficient resources to generate higher levels of investment, the resumption of vigorous growth and development and the satisfaction of the needs of the populations;

(b) Creditor Governments should review tax, regulatory and accounting practices in order to remove unnecessary obstacles with respect to new lending to developing countries and to debt reduction and debt-service reduction in order to ensure that a supportive policy environment is achieved and maintained;

(c) The medium-term and long-term perspective of the rescheduling process should be enhanced by ensuring that it takes fully into account the policies and programmes oriented towards development and adjustment with growth that are formulated by each country concerned; in this context, consideration should be given, where appropriate, to rescheduling agreements in a multi-year basis;

(d) The Governments of member countries of the International Monetary Fund, the World Bank and other multilateral financial institutions should ensure that these institutions have adequate resources, sufficient for the full discharge of their mandate, including, where appropriate, their role in the implementation of recent initiatives;

(e) Serious consideration should continue to be given to mutually agreed ways and means of assisting debtor developing countries faced with large and bunched debts to the multilateral financial institutions;

(f) The parties concerned should continue to exercise increased flexibility in the development of innovative approaches, including those devised by banks and debtors, to take advantage of discounts prevailing in secondary markets;

(g) All those involved should take into account the above, as appropriate, in working towards a growth-oriented solution of the problems of external indebtedness

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of developing countries that are facing serious debt-servicing problems, including, inter alia, those whose debt is mainly to official creditors or multilateral institutions;

12. Stresses that a durable solution to the debt problems and the revival of growth and sustained development in the developing countries require, inter alia, the following:

(a) All Governments should work towards a more open international trading system that improves access especially for the export products of developing countries, particularly in the context of the Uruguay Round;

(b) Increased efforts should be directed to the diversification of exports of developing countries in order to enable them to achieve more stable earnings; strengthened existing compensatory financing arrangements for shortfalls in export earnings from commodities can facilitate this process;

(c) External resources should be increased to complement domestic measures conducive to capital formation in developing countries with insufficient savings and inadequate flow of resources from abroad;

(d) Industrialized countries should intensify efforts to continue structural adjustment, maintain the vigour of their expansion while reducing and/or containing inflation, and work towards a mix of fiscal and monetary policies that would allow interest rates to come down, and hence induce a more favourable international economic climate;

(e) It is essential for debtor developing countries to pursue and intensify their efforts to raise savings and investment, reduce inflation and improve efficiency, taking into account their own individual characteristics and vulnerability of the poorer strata;

(f) Coherent and co-ordinated policies should be developed on the part of the industrialized countries, including multilateral surveillance, aimed at addressing the imbalances in the world economy;

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

14. Requests the Secretary-General to report to the General Assembly at its forty-fifth session, on the implementation of the present resolution including an assessment of the impact of the external debt crisis on the availability of resources for the growth and socio-economic development of developing countries.

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