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To: Members of the Executive Board
From: The Secretary
Subject: United Nations Economic and Social Council (ECOSOC) -
Second Regular Session, 1989

There is attached for the information of the Executive Directors a report on the 1989 second regular session of the Economic and Social Council, held in Geneva from July 5 to July 28, 1989.

Att: (1)

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INTERNATIONAL MONETARY FUND

External Relations Department

Report of the United Nations Economic and Social Council (ECOSOC)
Second Regular Session, Geneva,

July 5-28, 1989

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

Approved by A. F. Mohammed

August 23, 1989

I. Introduction

The 1989 second regular session of ECOSOC was held at the Palais des Nations, Geneva, from July 5 to 28, 1989 under the chairmanship of Ambassador Kjeld Mortensen of Denmark. At its 1988 Geneva session, ECOSOC had passed a resolution aimed at a reform of its functioning through, inter alia, organizing discussions on a thematic basis. Accordingly, general discussions during the July 1989 session were to be focused on "structural changes and imbalances in the world economy and their impact on international economic cooperation, particularly with the developing countries." In addition, the agenda of ECOSOC included questions relating to trade and development, food and agriculture, environment, the forthcoming Special Session of the General Assembly on the revitalization of economic growth of developing countries, and the preparation of an international development strategy for the 1990s.

The July session was seen as a run up to several major conferences to be held by the United Nations, i.e., the Special Session on economic growth in February 1990, an interministerial conference on Least Developed Countries in September 1990, a conference on environment and development in 1991, and the meetings of the Ad Hoc Committee of the Whole (of the General Assembly) on an international development strategy for the 1990s. While delegates were reluctant to take decisions on matters to be dealt with in these forthcoming meetings, they agreed during the general debate that revival of growth in developing countries is imperative, that social conditions cannot be allowed to deteriorate, and that the environment must not be degraded. They concluded that the interaction between economic developments and policies on the one hand, and social progress and policies on the other, should be addressed more explicitly in ECOSOC's future deliberations.

II. General Debate

Ambassador Mortensen, in his opening remarks as the President of the Council, noted the improved climate for multilateral cooperation and pleaded that such cooperation be adapted to the technological and other changes that have taken place in the 1980s. He identified the following major issues that could possibly be addressed in the forthcoming Special Session of the General Assembly and other appropriate fora: growth of the world's urban population, external indebtedness, net outflow of capital from developing countries, failure to meet the agreed targets in respect of ODA, and environmental deterioration.

In his statement, the Secretary-General emphasized the close connection between economic and political stability and suggested that the international community make a renewed effort to ameliorate economic and social conditions in developing countries. While recognizing that both developed and developing countries had a responsibility toward this goal, he introduced the concept that "responsibilities must be shared in proportion to the ability to share them." The Under-Secretary-General for International Economic and Social Affairs recognized that growth in developed market economies had been better than expected, and that developing countries had benefited in terms of a perceptible increase in their overall rate of growth and a large rise in exports. Nevertheless, he noted that imbalances among the three largest developed economies had persisted, and African and Latin American countries had continued to register declining incomes. He echoed the Secretary-General's remarks that negative flows from the developing world were imposing a heavy social and economic cost, that the Toronto decisions have not thus far had a significant impact, and that additional debt relief measures are called for, adding that for middle-income countries the implementation of the Brady Plan could be facilitated by the establishment of a multilateral debt reduction facility. The Secretary-General of UNCTAD, noting that the recent acceleration in growth of OECD countries was accompanied by only modest rates of price increase, suggested that current estimates of the sustainable growth rates in these countries may be too low. Commenting on the new thinking on debt, he felt that unless debt reduction is of an adequate size, and made available in good time and on reasonable conditions, the expected benefits for developing countries may not accrue.

The G-77 position (as represented in the statement of Malaysia, as the Chairman of the Group) was that the unexpectedly higher global economic growth had failed to help many developing countries which were affected adversely by persistent imbalances between themselves and the developed countries. The Group noted that the present international trading system favored developed countries and expressed concern at the

increasing tendency for the formation of trading groups among the industrialized countries. The G-77 statement called for addressing the interrelated issues of money, finance, debt, trade, and development in a comprehensive, wider, decision-making process. France, speaking on behalf of the European Community, rejected the call for a new international monetary order, noting that the IMF has the appropriate tools to enhance international cooperation. The French delegate noted the principal structural imbalances as those between: the rates of growth of population and budgetary resources; the demand and supply of renewable natural resources; availability of savings and capital requirements; exports and import prices (terms of trade); and the growth rates of richer and poorer countries. In his view, a three-pronged approach encompassing official assistance, new commercial loans, and debt relief for developing countries could facilitate the necessary adjustments in regard to these imbalances. Other major industrialized country representatives expressed general satisfaction with recent developments, including those affecting developing countries, and supported the revised debt strategy but emphasized that a larger part of international assistance will go in support of strong policy reforms. There was also great concern regarding environment which, in their view, had become a major problem requiring urgent coordinated international action.

The Managing Director addressed the ECOSOC on July 13. He noted some positive developments during the current decade and emphasized that the challenge to the international community was to put developing countries on a steady path of growth, requiring long-lasting effort by all concerned. A growth-oriented strategy must be based on a genuine expansion of productive capacity, incorporate realistic growth targets, be soundly financed, and be backed by firm political commitment. He underscored the supportive role that international environment and financial assistance can play, but stressed that the main responsibility for growth lies with developing countries themselves. Finally, he described the Fund's contribution toward the promotion of growth-oriented adjustment. In the informal exchange of views between delegates and Executive Heads, questions were raised on various subjects, including the design of adjustment programs, the social aspects of adjustment policies, interagency cooperation on social issues, the revised debt strategy, and protectionism.

III. Other Specific Issues

The sections below summarize the discussion on specific issues of interest to the Fund.

1. Net transfer of resources and external debt

Unlike past sessions, the problem of external debt of developing countries was subsumed in the current debate under the issue of net transfer of resources, though most speakers referred explicitly to recent initiatives regarding the debt strategy. Many delegates stressed the reverse net transfer of resources and wanted a comprehensive analysis of the issue. Accordingly, a resolution was passed (with the United States voting against) requesting the Secretary-General to include such analyses in next year's World Economic Survey, including its impact on the growth of developing countries. Explaining its vote, the U.S. delegation noted that the resolution places undue weight on net transfers, to the neglect of domestic policy, as a factor responsible for development; that the concept of net transfers does not take into account earnings derived from borrowed resources; that negative net transfer is not a global phenomenon among developing countries; that permanent positive net transfers generally imply continuous growth in external debt which is unsustainable, and that the concept ignores the crucial element of capital flight. Some other delegates also expressed reservations on the resolution and urged that the Secretary-General's report establish an appropriate balance between various considerations relating to resource transfers and examine those transfers both by country and by country groups.

2. Environment

The environment emerged as an issue of global concern, deserving of high priority in national and international decisions. Most delegates referred to the linkage between environment and development, with the observation that growth in industrialized countries and poverty in developing countries both caused deterioration of the environment. However, there were differences of opinion as to the responsibility of various groups of countries for the deterioration of environment and, thus, about sharing the costs of new environment-related programs and projects. These observations were made in the context of discussions regarding the convening of an international conference on environment. There appeared to be unanimity on convening the conference in 1992 (the final decision is to be taken by the next, forty-fourth, session of the General Assembly) with the aim of strengthening international cooperation and laying down guidelines on policies affecting environment. Several delegates hoped that environmental problems could be addressed in a broader context of economic and social development, and that additional resources would be made available to developing countries to tackle environmental issues without placing a new form of conditionality on development finance.

3. Food and agriculture

Delegates paid particular attention to the areas of food and agriculture. Many noted the slowing down of world agricultural production and the intensification of protectionism in the agricultural sector. Concern was expressed about the impact of structural adjustment programs on nutritional levels in developing countries, and ECOSOC asked the World Food Council to assess this impact, as well as the potential effect on food security in developing countries of a liberalization of trade in agriculture and in tropical products.

4. Special Session of the General Assembly

It may be recalled that the last (forth-third) Session of the General Assembly decided to hold a special session in April 1990, to be devoted to international economic cooperation. A Preparatory Committee of the Whole was established to draw up a provisional agenda, organization of work, and a possible outline of the Special Session's outcome. The Chairman of the Committee reported to ECOSOC that at its first meeting last May/June, delegates looked upon the Special Session to address, in a comprehensive fashion, major interrelated problems (i.e., trade, finance, resource flow, and environment) facing the world economy. The exercise is being viewed as a political one, which could lead to policy guidelines for the international community and provide a framework for international cooperation. In this regard, delegates were generally appreciative of the latest Caracas communiqué of the G-77 as contributing significantly to the preparatory process toward the special session.

5. International development strategy (IDS)

ECOSOC also heard a report from the Chairman of the Ad Hoc Committee of the Whole for the Preparation of the IDS for the 1990s. He reported that substantive progress was made during the last meeting of the Committee; delegates had felt that the strategy should be realistic, flexible, and reflect the willingness of governments to cooperate. He also reported some division as between those who wish to see the IDS as a global plan encompassing a number of quantitative targets in specified areas, and those who prefer to focus on a limited number of selected issues of special importance for the 1990s. The Chairman noted that a number of specialized agencies are already formulating targets in their respective areas of work, which would need to be set in the wider framework of the IDS. There appears to be no consensus on the issues on which to focus, although the Chairman detected a convergence of views on some of the important ones, e.g., accelerating growth in developing countries, the alleviation of poverty, human resource development, and environment.

IV. Conclusion

While speakers tended to share common concerns (e.g., disparity in economic performance, environment degradation, protectionism, external debt, etc.), the debate brought to light different perceptions as to possible solutions. The number of resolutions passed, mostly by consensus, reflected more an identification of problems facing the international community rather than a convergence of views as to their solution. Indeed the debate probably brought to the fore some differences of emphasis as regards the relative role of domestic policies and net transfer of resources, the relative responsibility of developed and developing countries in the deterioration of the environment, the adequacy of the existing institutional arrangements to foster international economic cooperation, etc. However, delegates were also aware that these and other related issues would be taken up in the forthcoming important international conferences mentioned above. As the President of the Council noted in his concluding remarks, delegates expressed a sense of urgency to tackle issues of economic and social development and that "it is time to forge a consensus that will lead to effective and concerted action."