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To: Members of the Executive Board

From: The Secretary

Subject: United Nations Economic and Social Council (ECOSOC) -
Second Regular Session, 1988

There is attached for the information of the Executive Directors a report on the 1988 second regular session of the Economic and Social Council, held in Geneva from July 5 to July 29, 1988.

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Report on the United Nations Economic and Social Council (ECOSOC)
Second Regular Session, 1988, Geneva
July 5-29, 1988

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Approved by Azizali F. Mohammed

August 15, 1988

1. Introduction

The 1988 second regular session of ECOSOC was held at the Palais des Nations, Geneva, from July 5 to July 29, under the chairmanship of Ambassador Aguilar of Venezuela. The deepening financial crisis of the United Nations and the (earlier) failure of the Special Commission on the In-Depth Study of the United Nations Inter-governmental Structure and Functions to arrive at agreed recommendations on the reform of its operations formed the background to the session, which traditionally deals with economic issues. In addition, the political breakthrough for the UN in Afghanistan and the Middle East and the growing rapprochement between major powers tended to moderate the debate, which avoided the usual polemics between the East and West therein.

ECOSOC adopted 29 Resolutions and 32 Decisions on a wide spectrum of issues, many of them dealing with customary subjects and procedures (such as approval of reports of subsidiary bodies) but some concerning more important subjects. Two issues, i.e., the debt problems of developing countries and African economic recovery, which have dominated past discussions on economic issues, surfaced during the ECOSOC session but were not treated in depth pending the issuance of the Secretary General's reports on these subjects in preparation for the forthcoming General Assembly session beginning on September 13, 1988.

2. General debate

This year's general debate on international economic and social policy focused on structural imbalances in the world economy and their consequences for developing countries. The debate was held against a background description of the recent economic and financial developments as reported in the UN's "World Economic Survey, 1988." In his opening remarks, the Secretary General noted that recent developments had been characterized by contrasting trends (favorable in industrial countries and in Asia, but unfavorable in Africa and Latin America), lack of

significant progress in resolving the debt problems of middle-income countries, and a difficult commodity situation. The Secretary General commended the results of the Toronto Summit Conference, particularly in strengthening the mechanism of international coordination, but then made a serious plea for widening the participation in such conferences (à la Cancún), remarking that "global issues require global solutions based on global consultations." The Under-Secretary General Department of International Economic and Social Affairs, noted the general slowdown in world economic growth and international trade in the 1980s, the persistence of structural imbalances among major market-economy countries, and the instability of key variables (exchange rates, interest rates, and commodity prices). He also noted that the country of the principal reserve currency had become the world's largest debtor, with implications for the international monetary system that necessitated a review of the role of the SDR as the principal reserve asset and as a source of international liquidity.

The Managing Director also addressed the session on July 8, in a speech in which he outlined the role various parties (industrial countries, multilateral financial institutions, commercial banks, and indebted countries) could play in the present international cooperation strategy. In the informal question-and-answer session that followed his address, delegates' questions to the Managing Director reflected their preoccupations. Among the subjects raised were: the effects of recent increases in interest rates and the appreciation of the U.S. dollar on developing economies; the consequences for the present debt strategy if commercial banks do not provide enough new money and the Fund's role in ensuring adequate and timely flows of capital; ways in which efforts to mitigate social costs of adjustment could be integrated into adjustment programs and their accompanying financial packages; negative financial flows from Africa to the Fund; assuring expanding and open markets for LDC exports; and insulating adjustment programs from declining commodity prices.

The subsequent general debate, while indicating a great deal of convergence in the analysis of the world economic situation and expressing relief at the resilience of the global economy in the aftermath of the October 1987 stock market developments, also brought forth the major concerns of different countries and regions. Ambassador Walters of the United States emphasized that priority attention should be given to a multilateral response in the areas of international economic relationships, foreign debt, commodity prices, and protectionism. He praised the "active and constructive role" played in these areas by multilateral institutions, such as the IMF and the World Bank. He also made a plea to allow market forces to operate more freely. Ambassador Kerkinos of Greece, speaking on behalf of the European Community, emphasized the key importance of the reduction in the U.S. fiscal deficit and the pursuit of growth-oriented adjustment policies by developing countries. Sir Crispin Tickell of the United Kingdom noted that the reduction of major imbalances would take time and

require persistence and vigilance by countries concerned and by the IMF. He commended the ESAF as "one of the most valuable ideas to have emerged in recent months." He made a strong plea that the Uruguay Round should be used to bring about major reductions in agricultural subsidies and price supports and to bring agricultural trade more fully into the CATT frame work. Ambassador Taniguchi of Japan reiterated his country's intention to expand ODA to more than US\$50 billion over the next five years, to improve the quality of its aid, and to promote closer cooperation with international organizations and other major donor countries. Ambassador Levitte of France observed that OECD countries were finally out of economic recession and that France was putting greater emphasis on multilateral aid and increasing the proportion of GNP going to development assistance. Speaking on behalf of the Group of 77, Ambassador Ghezal of Tunisia asked for economic dialogue at a global level, noted that the prosperity of the industrial world contrasted with "the deepest and longest structural development crisis of the developing world," but felt that "modest optimism" was justified on the basis of the declaration of the Toronto Summit. Ambassador Teja of India observed that a fresh allocation of SDRs should be considered and supported the Secretary General's view that the management of the world economy should be more broad-based so as to reflect the interests of all groups of countries. Mr. Yoloh of Nigeria chided multilateral institutions for complicating the current problems of developing countries by becoming net recipients of resource flows, by tightening conditionality, and by insisting on privileged creditor status.

3. Specific economic issues

As stated above, discussions on the debt problem were subdued but covered a wide spectrum of views, from assertions that the present debt-strategy is working relatively satisfactorily to declarations that the problem had worsened and required a fundamental change in the strategy. In their interventions, delegates noted with satisfaction the Toronto declaration regarding the indebtedness of low-income countries, but decried other difficulties, such as delays in establishing financial packages (especially new money from commercial banks) in support of the adjustment programs of middle-income, highly indebted countries. Some of the delegates felt that the debt problems of these countries remain unresolved and require new initiatives.

Discussions about the United Nations Program of African Economic Recovery (UNPAAERD) were mostly procedural. The Council decided that the ad hoc Committee of the Whole of the General Assembly, which will review the mid-term implementation of the Program from September 12-23, 1988, would establish two working groups; one on "the critical economic situation in Africa and the problems and constraints facing Africa's development efforts;" and another on "the response of the international community, including the United Nations System, and its commitment to support and complement Africa's efforts." Speakers acknowledged the recent positive initiatives by the international community (especially

those by the Fund and the World Bank and on debt) and urged that disbursements be speeded up.

On the issue of a new International Development Strategy (IDS) for the decade of the 1990s, in response to a request from the last session of the General Assembly, the Secretary General had submitted a report outlining some preliminary thoughts. He recommended that the IDS focus on a limited set of essential and realistic objectives and the policies needed to achieve them. He also proposed that poverty alleviation be the main theme of the new strategy and that indicators of strategic developments in the world economy be established and monitored to trigger attention and remedial action in case of significant deviations. In the subsequent debate, although some delegates questioned the need to proclaim a fourth development decade and others emphasized different objectives and goals (e.g. narrowing the gap between developing and developed countries), there was a certain convergence around the Secretary General's report. The Council accordingly decided to recommend that the General Assembly convene a special session in 1990 to look at ways to achieve sustained growth in the world economy and to launch the IDS for the 1990s.

Net transfer of resources from developing to developed countries also received much attention and culminated in a Decision calling upon the Secretary General to address this question in next year's "World Economic Survey." The Council had, as background documentation, the Secretary General's report on this phenomenon, pointing out that since 1983 capital-importing developing countries have experienced an increasingly negative net transfer of capital flows, reaching \$22.5 billion in 1987. The report also notes that at the same time these countries suffered a deterioration in their terms of trade. The report regards the phenomenon of negative net transfers as one dimension of the debt problem and suggests that a number of different approaches be devised and tailored to meet the specifics of a country or a region. It concludes that the international community "consider these proposals against the need to ensure that the balance between finance and development is not struck at the expense of long-term requirements for growth and development."

Other items, which the Council debated and passed resolutions on, included early identification of world economic developments (urging that the UN continue to collect, update, and analyze data from a wide range of sources in order to provide timely information to governments), the contribution of national entrepreneurs to the economic development of developing countries (the Secretary General was asked to study measures to promote entrepreneurship, including the role of the international economic environment and international factors affecting the growth and competitiveness of enterprises in developing countries), and the contribution of women to economic development.

4. Revitalization of ECOSOC

In the wake of the failure of the Special Commission to reach agreed recommendations for the reform of the UN inter-governmental machinery dealing with economic and social issues, ECOSOC came under increasing pressure to propose a meaningful reform of its own functioning. It was perhaps the most notable achievement of this session that it adopted, without vote, a resolution on the revitalization of ECOSOC. The main features of the resolution include proposals to: (i) organize discussions on a thematic basis and to reduce the time devoted to general debate; (ii) re-emphasize the coordinating role of the Council through a request to specialized agencies to resume submission of analytical reports of their activities and by inviting their Executive Heads to participate more actively in the deliberations of the Council; (iii) rationalize working methods, including preparation of consolidated agenda items and issue-oriented reports. The Secretary General was also requested to submit proposals on the structure and composition of a separate and identifiable secretariat-support structure for the Council and to report on the feasibility and comparative costs of holding one consolidated regular session or two regular sessions at the U.N. Headquarters in New York.

5. Conclusion

The second regular session of ECOSOC ended with a number of concrete and workable resolutions and decisions, the most notable being that on its revitalization. Discussions were advanced on such issues as the IDS, net transfer of resource from developing to developed countries, aid to Afghanistan, human aspects of development, environment, and AIDS. Specific arrangements were devised for the forthcoming mid-term review of the UN Program for African Recovery. As the President noted in his concluding statement, "the appeal for greater attention to the social and human dimensions of policies of austerity and adjustment in developing countries is meeting a broad response." The conclusions of the session should prove to be a valuable starting point for discussions within the forthcoming 43rd session of the General Assembly.