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December 30, 1986

To: Members of the Executive Board

From: The Secretary

Subject: United Nations General Assembly - Forty-First Session

The attached report by the Fund's Special Representative to the United Nations, on the forty-first session of the UN General Assembly, held in New York from September 16 through December 19, 1986, is circulated for the information of the Executive Directors.

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INTERNATIONAL MONETARY FUND

United Nations General Assembly--Forty First Session

September 16-December 19, 1986

Report prepared by the
Special Representative to the United Nations

December 29, 1986

Introduction

Global concerns in the political, economic and social fields featured again on the agenda of the UN General Assembly when it met at United Nations Headquarters in New York from September 16 to December 19, 1986, but the Assembly's main preoccupation was with the United Nations' own future.

The Assembly succeeded, after protracted negotiations, in dealing with its future by adopting a lengthy resolution which set in motion a reform process proposed in a report by an 18 member intergovernmental expert group, which had been established a year earlier for that purpose. The resolution broadly endorsed the report's numerous recommendations for improving, streamlining and consolidating the UN machinery and introduced savings, including a reduction in the number of meetings and of the present 11,423 regularly budgeted staff posts by 15 percent. The resolution's central issue was, however, the establishment of a budgetary planning and decision-making process based on a consensus approach. This approach was endorsed with reservations.

The acceptance of a reform agreement had been accelerated by the pressures of a serious UN cash flow problem due to a 1986 shortfall in national assessed (obligatory) UN contributions. However, the financial picture was far rosier with respect to the voluntary contributions to various specially targeted UN programs and organizations, pledged at a two-day pledging conference at UN Headquarters in mid-November 1986. A record total of \$1.1 billion in grants was committed by 96 countries with some major donors, such as the United States and Japan, still to come later owing to different budgetary timetables. The United Nations Development Programme (UNDP) received pledges for \$596 million, a figure that, according to UNDP Administrator William B. Draper III, could rise to a record \$800 million when delayed pledges were counted.

Among the economic subjects discussed--which ranged from food and agricultural policies to debt problems and monetary reform--delegations focused their principal effort on the debt issue and ultimately arrived at their first consensus resolution on the subject (Attachment). The text emphasized the need for productive investment and largely endorsed current approaches, as explained in more detail in the body of this report.

The General Assembly also appointed UN Secretary-General Javier Pérez de Cuéllar to a second five-year term as Secretary-General from January 1, 1987 to December 31, 1991. It acted by acclamation on October 10, 1986, at the unanimous recommendation of the UN Security Council.

The General Assembly elected as its President Humayun Rasheed Choudhury, Minister for Foreign Affairs of Bangladesh. The session as a whole was attended on behalf of the Fund by Jan-Maarten Zegers, Special Representative to the United Nations.

General Debate

The somewhat artificial euphoria reflected in the 1985 debate of the General Assembly, when it celebrated the 40th anniversary of the United Nations, was notably absent in the General Debate of the fall 1986 Assembly session. Indeed, while the United Nations itself was again a major subject for the more than 130 speakers in the Assembly's General Debate, the organization's financial problems as well as its managerial and administrative shortcomings led to concerned introspection. Representatives of industrial as well as developing countries reiterated that the problems of the United Nations went well beyond the organization's current liquidity crisis caused by a shortfall in expected income. They focused, therefore, in their comments, on the proposals for United Nations' reform, contained in an expert report which is discussed further in the body of this paper. Many of these proposals received broad support in the General Debate.

Global political and economic issues which traditionally dominate the General Debate, did so again but in a seemingly more subdued manner. The main political issues ranged again from the Middle East and Afghanistan to South Africa and Nicaragua, while the principal economic comments were concerned with protectionism and debt problems. However, the warnings against protectionism were often associated with satisfaction that agreement had been reached about a new GATT-round.

The following are some of the comments which can illustrate the economic and financial concerns expressed in the General Debate.

King Juan Carlos of Spain referred to the debt issue in stating that:

The foreign indebtedness of certain nations, and among them some particularly close to Spain, is a serious problem that affects us all. There is no easy solution. No doubt many factors and paths of action have contributed to bringing about this situation. The responsibilities are manifold and have to be shared. Let historians pass a final judgement on them. What matters today is to encourage those policies of adjustment necessary to correct domestic situations, not only by applauding them but also through generosity and specific support. These policies have certain limits which, if exceeded, can put at risk domestic peace and solidarity, thus hindering delicate processes of political and social change.

President Ronald Reagan of the United States centered his remarks in this area on the promotion of optimal free market conditions, stating that "protectionism is destruction" and adding:

That is why the United States seeks the assistance of all countries represented here in the General Assembly in protecting the practice of free and fair trade. We applaud the success of the meeting of the General Agreement on Tariffs and Trade (GATT) trade ministers . . . in Uruguay, where agreement was reached to launch a new round of multi-lateral trade negotiations covering a wide range of topics important to economic growth. With over 90 other countries members of GATT, the United States is working to maintain the free flow of international trade.

In addition to resistance to protectionism, the United States is also seeking to stimulate world economic growth in other ways. Our Treasury bill interest rate is now just over 5 per cent, the lowest it has been in nine years--which provides enormous relief to debtor countries. America's new tax structure will open the way for greater prosperity at home, which will contribute to greater prosperity abroad.

Prime Minister Dato Seri Mahathir Mohamad of Malaysia focused on a very specific aspect of the debt issue when he gave the following example of what, in his view, was the impact of currency realignments on the national debt of certain developing countries:

. . . When the seven rich countries had trade imbalances, their solution was to force the revaluation of the yen and the deutschmark. Many countries of South-East Asia borrow yen extensively. The appreciation of the yen alone has increased Malaysia's Japanese debts by 60 per cent. Other countries are even worse off.

If the problem is massive Japanese imports into North America and Europe, it would have caused less damage to the poor countries if very high import duties are imposed. But yen revaluation which has caused havoc to our economy has done nothing to limit imports of Japanese goods into North America or Europe.

The Prime Minister also emphasized the enormous impact of commodity price declines caused, as he said, by the competition of new technology products and aggravated by subsidization of production and sale of these commodities when produced by the industrial countries. The developing countries could never subsidize to that level and consequently lost their traditional markets.

Hans-Dietrich Genscher, Vice Chancellor and Minister for Foreign Affairs of the Federal Republic of Germany, who concentrated his economic remarks on the areas of development cooperation, debt, "modernization of GATT" and the reestablishment of the North South dialogue, noted with respect to these issues, inter alia, the need for agricultural growth in the developing countries. He added that "all aid devoted to rural development

can bear fruit, however, only if the industrialized countries do not engage in ruinous competition with third world food producers by subsidizing their own products. A stop must be put to the world-wide dumping of agricultural produce". He went on to state:

We have managed so far to keep the problems of indebtedness under control by means of a co-operative strategy, but the crisis of indebtedness itself remains unresolved. It continues to pose a political challenge, but if it is to be overcome the international financial institutions, the governments of creditor countries and the private banks must play their part. Capital must at last begin to flow again from North to South instead of financing budgetary deficits in industrialized countries. It is of central importance that the private transfer of capital should be set in motion again.

Prince Saud Al-Faisal, Minister for Foreign Affairs of the Kingdom of Saudi Arabia, emphasized, inter alia, the area of development aid and launched an urgent call to the industrial countries of the West and East to provide appropriate financial aid. Having emphasized Saudi Arabia's own commitment to this cause, he added:

We should like to take this opportunity to appeal to the industrialized countries not to waste the opportunity for them to establish a basis for useful co-operation with the developing countries. We call upon them to resume, without further delay, the serious dialogue required to begin a new era of comprehensive international negotiations in a spirit of mutual confidence and sincere co-operation in the best interests of the international community. At the same time, we appeal for a continuation of the trend in the developing nations towards greater realism, objectivity, and flexibility.

Elijah W. Mwangale, Minister for Foreign Affairs of Kenya, deplored worsening economic conditions for the developing world and stated:

In that regard the existing economic system requires thorough reform, including the restructuring of the international monetary, financial and trading systems for the mutual benefit of the developed and developing countries.

He added that:

International trade is going through one of the most disturbing periods in history. Current trends of protectionism and threats of unilateral restrictive actions comparable to those which plunged the world into the depression of the 1930s

are increasingly being erected in most developed countries to the point where protectionism seems to be the order of the day. While tariff barriers are the most obvious of all protective measures, non-tariff barriers have, under many euphemisms, become more and more insidious and widespread. The international community has a duty to ensure the smooth working of the international trading system and to correct inherent disparities.

Minister Mwangale welcomed, therefore, the activities of GATT and UNCTAD in this respect and called also for a conference on international monetary reform.

Prime Minister Jacques Chirac of France said, in addressing the subject of debt, that for all too many developing countries it had become a dominant concern. The day-to-day effort to meet payments on due dates mobilized all their energies and did not leave governments the freedom to resolve their long-term development problems. Short-term facilities or simplistic miracle remedies could not solve the issue. The root causes of the situation had to be attacked. For this reason, he stated that:

. . . France, for its part, believes that we must increase international cooperation in three areas. First, there must be increased financing for developing countries to loosen the grip of debt. I should add that there is no instance of a country that has not had to have recourse to substantial external financing during its industrialization phase. This is obvious, and in this area I note some progress, both in thinking and in conduct.

Board agreement is now emerging on the need to expand the role and enhance the intervention capabilities of multilateral development institutions. Each of us recognizes that every other kind of financial assistance is also needed, in particular from international commercial banks and from States, in the form of aid for development and commercial credit.

Secondly, he stated that the adjustment efforts of developing countries, especially the most heavily indebted ones must be continued and, thirdly, that the current disorders in the international economic and financial system must be corrected, including the correction of financial imbalances. He was of the opinion that it was not a healthy situation when the world's greatest industrial country continued to drain off such a sizable proportion of the world's savings.

Sir Geoffrey Howe, Chancellor of the Exchequer of the United Kingdom, who also spoke on behalf of the European Community, emphasized the support of his country and the Community for a solution for the debtor countries based "on growth through structural adjustment and economic liberalization with the necessary external financing". He stressed the

role of the Fund and Bank in this respect, mentioning their closer collaboration. Sir Geoffrey also set out the Community's position towards the new GATT round.

The spokesman for Jamaica, Oswald G. Harding, Senator and Minister without Portfolio in the Ministry of Foreign Affairs, stated that, notwithstanding difficult global economic conditions, new opportunities for North South cooperation have arisen because of the efforts of developing countries. He listed actions over the past years which led to structural adjustment, export diversification, budget and current account reduction, reduction also or elimination of distortions in goods and factor market and the emergence of more realistic exchange rates. This period of austerity and change should offer new opportunities, provided the industrial countries contributed their part by improving their monetary and fiscal policies as well as their net financial flows to developing countries.

Enrique Iglesias, Foreign Minister of Uruguay, stressed in particular the "hopeful signs for change which had emerged from the GATT conference at Punta del Este", adding that, in his view, the most important even vital aspect of the agreement was that it must be regarded as a declaration of peace in the trade war.

William G. Hayden, Foreign Minister of Australia, associated his country's position on agricultural subsidies with that of developing countries and hoped "that the issues of trade subsidies, and particularly agricultural trade reform can be dealt with on a basis which is fair and realistic". The Australian Foreign Minister also offered his country's general support for the Baker proposals for the solution of the debt problem, adding:

. . . We also support the general approach of the International Monetary Fund to adjustment and conditionality, noting that it should continue to be handled with care. Democratic institutions, sometimes at delicate stages of development, should not be undermined by the process. The economic benefits of conditionality have to be balanced against their potential for causing distress and dislocation.

Ambassador Wilbert K. Chagula, Tanzania's Permanent Representative to the United Nations, reflected upon the same issue and said:

. . . that until the international community indeed recognizes the economic interdependence of developed and developing countries, until the international community fully recognizes that developing countries will be unable to pay their debts unless sufficient resources are available to them for growth and development from the international banking system, international multilateral financial institutions and official sources - that is, official development assistance, until the international

community puts in place for developing countries adjustment conditions that promote growth and development, and until developing countries cease being net exporters of capital to developed countries, growth and development in developing countries will not be feasible and the debt crisis will remain a time bomb threatening the international community indefinitely.

Foreign Minister Mandungu Bula Nyati of Zaire referred to his country's adjustment efforts stating that:

Out of a desire to achieve the recovery of its economy, the Republic of Zaire has agreed to make heavy sacrifices, accepting the plan for economic and financial restructuring proposed by the International Monetary Fund. Broadly speaking that plan consists of reducing public expenditure, freeing prices and encouraging the private sector.

However, the "rigorous implementation of that policy", as he put it, had, in his view, serious social and economic repercussions on the population. He stated, therefore, that:

Zaire, while reaffirming its readiness to pursue the program with the International Monetary Fund, nevertheless considers, in the light of its own experience, that the Fund's policy should take greater account of the demands of our countries' economic and social development instead of pursuing a policy that could, at the present time, be regarded as a new form of veiled colonialism.

Zaire considers that debt repayment should not be achieved at the cost of the living standards of the peoples of the third world and of investments that are necessary for their countries' progress and development.

India's then Minister for External Affairs, P. Shiv Shankar, noted that, in addition to the negotiations planned in the framework of GATT and UNCTAD, India also supported the proposal made by the Group of 24 in Washington to constitute a representative committee of ministers to examine further the different proposals for monetary improvement and reform. Such an examination, he said, could be an important preparatory process leading towards the convening of an international conference on money and finance for development.

While the General Debate in the Assembly Plenary produced the comments provided in the above illustrative sample, the Assembly's Committee of the Whole on economic and financial issues (Second Committee) conducted afterwards its own General Debate on a variety of issues including, very prominently, the debt issue.

In this debate many thoughtful and interesting observations were offered, which tended mainly to elaborate on points made elsewhere such as the General Assembly's own General Debate. Consequently, it would go beyond the scope of this report to provide another more detailed sampling. However, Ambassador Joseph V. Reed, U.S. Permanent Representative to the Economic and Social Council, who participated, inter alia, in the Second Committee's debt discussion, raised a question there, pertinent to the UN consideration of such economic and financial issues, when he said:

. . . The question we should now address is how the Second Committee discussion on debt can help this process. The answer, we believe, must be weighed very carefully. The Second Committee does not operate in a vacuum. What we do and say here can and will influence efforts already underway elsewhere. We can contribute, or we can detract. We can take responsible positions which are in keeping with the general consensus on the existing debt strategy. Alternatively, we can use this forum to 'blow off steam'. We urge a responsible approach. Any other tactic could jeopardize the delicate debt and financial arrangements that many member states are currently negotiating. It could undermine the substantial success at economic adjustment that many members have already painfully achieved.

Reform of the United Nations

Growing discontent among the major financial contributors to the UN budget with the administrative and financial functioning of the organization provided the fall 1986 General Assembly with its major theme: reform of the United Nations.

The basis for the discussion was a document entitled "Report of the Group of High-level intergovernmental experts to review the efficiency of the administrative and financial functioning of the United Nations". The General Assembly had established this 18-member group in a decision of December 18, 1985, following a Japanese proposal to this effect.

The discussion of administrative and financial management issues had gained added urgency during the course of 1986 when a reduced UN cash flow rapidly took on the proportions of a financial crisis. Irregular payments of assessed contributions to the United Nations' regular budget--which for calendar year 1986 amounted to approximately \$820 million--have always caused problems, particularly as numerous UN member countries increasingly have run up delays and arrears in their payments or applied withholdings on these obligatory contributions. Withholdings have been applied by countries for a variety of reasons including political considerations such as disagreement with certain General Assembly decisions and their budgetary implications. For instance, in the past the USSR has withheld amounts that would have represented their part of the financing of UN Peace-keeping forces, while the United States has applied restrictions to some UN activities related to Palestinian issues.

As the General Assembly neared the end of its fall session, UN Secretary-General Javier Pérez de Cuéllar reported in a November 25, 1986 UN document on the "Current Financial Crisis of the United Nations" that his organization had in the past months "operated on the brink of bankruptcy" and would "begin 1987 with only \$10 million cash in hand, substantially less than the cost of one week's operations". The report made it clear that in 1987 the United Nations may have to live a hand-to-mouth existence, spending assessed contributions from member countries as they come in. A number of countries have promised to pay their calendar year 1987 assessments, due from the first of the year but often paid much later--as early as possible in January and February 1987. This could ease the immediate cash flow problems for several months.

At the same time the Secretary-General emphasized again in his report that "full payment of assessed contributions is a clear obligation of Member States under the Charter" but added that "given the experience of the present year, and the continuing existence of national legislation that has the effect of restricting payment by the principal contributor" financial planning for 1987 must for the time being be based on receipts of \$650 million against projected 1987 appropriations of \$735 million (including past and future economies).

In his comments, the Secretary-General alluded, inter alia, to certain U.S. Congressional actions which affected the United States' assessed contribution of 25 percent of the UN regular budget. Principal factors were, on the one hand, the general effect of Gramm-Rudman-Hollings legislation and, on the other hand, the action, originally proposed by Senator Nancy Kassebaum, which would limit actual U.S. payments to 20 percent--rather than 25 percent--until UN budget decisions reflected the views of the major contributors more clearly, as would happen if a system of weighted voting were applied.

Indeed, in the past several years, UN budgets have been approved increasingly without the support of the main contributors.

In this connection, Sir John Thomson, Permanent Representative of the United Kingdom, speaking in the General Assembly on the subject for the European Communities, had quoted approvingly an earlier statement of UN Secretary-General Javier Pérez de Cuéllar who had pointed out that the previous budget had been adopted even though member countries accounting for almost 80 percent of the assessed budget had either cast a negative vote or had abstained. This group included leading OECD countries as well as the socialist countries of Eastern Europe.

These cash flow and other financial problems continued to loom over the United Nations throughout its 1986 fall session and continued to add pressure for UN reform which was discussed in the context of the Group of 18 report. The members of this group were mostly present and former ambassadorial representatives to the United Nations with the addition of some former senior UN officials. The group drew the majority of its members from developing countries and further included besides the permanent

members of the Security Council, also Norway's Permanent Representative to the UN, Ambassador Tom Vraalsen, who chaired the group. Their report dealt, on the one hand, with the need for streamlining and improving current UN administrative and managerial practices and, on the other hand, with the need to improve the budgeting process. It did not focus on the short-term aspects of the financial crisis as its aim was to set longer-term and more permanent improvements in motion.

Deploring the proliferation and occasional overlapping of UN activities and the corresponding growth in intergovernmental meetings and UN staff, the group called for streamlining and improved management in each of these areas. It noted, however, that its recommendations were preliminary and that fundamental change would require a more comprehensive, in-depth study particularly of UN involvement in the economic and social fields which represent the single most important area of UN concerns. It proposed such a study which should try to rationalize and simplify the UN intergovernmental machinery and its activities.

A major part of the report addressed the present UN Secretariat structure which was considered "both too top-heavy and too complex". It called for a considerable reduction, by 25 percent, in the number of Under-Secretaries-General (36) and Assistant Secretaries-General (52) in the UN and its programs and dependent organizations, as well as an overall reduction of staff by 15 percent. Also needed was a restructuring of the Secretariat as a whole because of its excessive fragmentation. As the report put it, "a leaner Secretariat will enhance productivity and improve efficiency". With this in mind, the report made a number of recommendations for the reduction and redeployment of staff, the reorganization and streamlining of departments. It also went into considerable detail with respect to the recruitment, employment and promotion of better qualified staff and expressed concern about present (high) levels of remuneration and other entitlements.

However, the group was unable to agree about the final and most important section of the report which dealt with improvements in the budget process. It presented on this subject a variety of procedural proposals intended to link the planning of UN activities far more closely than before to the establishment of desirable and/or available levels of financing. The main purpose of the alternatives was to find a balance between the Assembly's current decision-making process based on the one-country-one-vote principle, strongly defended by the developing countries, and the desire of the UN's major contributors to make the budget process far more dependant on their support.

The report went through several discussions, first in the General Assembly Plenary, then in the Assembly's Committee of the Whole for administrative and budgetary questions and ended up in an ad-hoc negotiating group of 27 senior UN delegates chaired by the President of the Assembly.

In this process most of the reform recommendations gained a broad measure of support and the discussions focused largely on finding a generally acceptable formula for the budget process.

In this negotiating round the number of principal players grew smaller and smaller until there were only five principals left, i.e., the representatives of Cape Verde, China, India, the United States and the USSR. The somewhat unexpected appearance of Cape Verde in this group was due to the fact that the monthly rotating chairmanship of the group of African UN member countries was held in December by the Ambassador of Cape Verde. He proved to be a major participant, not only because the 50-member African group is the largest such entity in the UN--and thus also holds the largest number of votes, nearly one third--but also because the African countries showed considerable wariness towards most reform proposals, in particular also those promoting a consensus approach on budget decisions. In their view, a consensus approach could also be translated as a de facto veto for the UN voting minority of industrial countries or even a single major financial contributor such as the United States. Consequently, the African countries feared a decline of their considerable power in the UN General Assembly and a potential decline of UN activity on their behalf.

Out of the final negotiations which dragged on well beyond the originally scheduled adjournment date of December 5, emerged the key draft resolution which was adopted in the Assembly's last 1986 meeting on Friday afternoon, December 19.

The principal resolution dealt with all major aspects of the reform issue and endorsed most of the 68 agreed recommendations of the Group of High-level Experts. These recommendations dealt largely with streamlining and austerity measures and with improvement in management procedures. However, the central issue, particularly for the United States, was the question of a consensus procedure for budgetary and planning decisions. Not only had UN budgets increasingly been adopted in recent years without the support of the organization's main contributors, the budget drafting process also left only limited opportunities for these countries to become involved in budget planning at an early stage or to have major changes enacted before the final decision.

The principal negotiations centered, therefore, on the question how to marry the UN Charter's provisions for a one-country-one-vote procedure with the strong demands for a consensus approach. This led to two rather convoluted key paragraphs which on the one hand reaffirmed that the decision-making process was governed by the provisions of the UN Charter and the rules of procedure of the General Assembly and on the other hand agreed that, without prejudice to the above-mentioned paragraph, decisions should be reached by consensus in the UN's key planning committee.

For this purpose a subcommittee of ECOSOC, the Committee for Program and Coordination (CPC) was given greatly increased responsibilities for determining the desirable short- and medium-term activities and programs of the UN. This Committee should then work in tandem with the Assembly's own existing Advisory Committee on Administrative and Budgetary Questions (ACABQ) in order to establish a procedure with the required checks and balances so as to ensure maximum compatibility between activities and resources.

As Assembly President Humayun Choudhury put it in his final appeal for unanimous support for the resolution, "it was the best possible compromise".

Resolutions

After years of trying unsuccessfully, the UN General Assembly succeeded at its fall 1986 session in reaching agreement on an extensive resolution (Attachment 41/202) on debt issues.

Most Assembly delegations hailed the agreement as an example of positive UN involvement in global financial issues. At the same time, it was largely recognized that the agreed resolution tended to highlight and endorse existing approaches, previously established elsewhere, rather than explore alternative avenues.

After its adoption and speaking in the General Assembly for the Group of 77, the Representative of Yugoslavia called the resolution "of great importance", and stressed the "constructive spirit which surrounded the discussion of this resolution".

Ever since the international debt crisis had emerged in the early eighties, Heads of State and Government of major debtor countries had chosen the United Nations as a major forum to raise the alarm and to demand solutions. This, in turn, had led the Group of 77, the Assembly's majority of developing countries, to propose various debt-related texts to the industrial countries as possible approaches towards solutions. Initially, the position of the latter group was to downplay UN involvement, emphasizing the responsibilities of such institutions as the Fund in the area of debt management. The wariness of the industrial countries towards the G-77 proposals was compounded by the fact that these proposals tended to emphasize generalized rather than case-by-case approaches and solutions.

At the Assembly's fall 1985 session, the Group of 77 introduced a draft resolution on debt along the lines described above. Rather than negotiate on that basis, the European Community, altering previous tactics, then introduced its own draft resolution on debt which clearly reflected the positions and policies of the industrial world, and endorsed Fund and Bank initiatives, the Baker Plan and related actions. With two conflicting draft texts and little, if any, chance of an early compromise, the Assembly decided at its fall 1985 session to postpone consideration for another year and transmit both drafts to the fall 1986 session.

At the fall 1986 session, developed and developing countries opted for an attempt at compromise by concentrating on a draft text on debt problems which drew on both versions of the previous year while still reflecting mostly the concerns of the debtor countries. After protracted negotiations and a thorough revision of this draft, an agreed text emerged in the final days of the Assembly which industrial and developing countries approved by consensus.

Kept over from the previous year was also a draft resolution of the Group of 77 which would have requested the UN Secretary-General to engage in consultations on and preparations for an "International Conference on Money and Finance for Development", a conference first suggested by the March 1983 Non-Aligned Summit of Heads of State and Government in New Delhi, which has, meanwhile also been referred to in G-77 and G-24 communique.

This draft resolution was again held over, until the fall of 1987, while a less ambitious G-77 proposal was adopted with 104 votes in favor, 17 against, and 6 abstentions, which requested the UN Secretary-General:

. . . to prepare a report on the current international monetary situation, taking into account recent discussions and developments on the matter, for submission to the Assembly at its forty-second session, and, in this regard, to provide information on proposals for convening an international conference on monetary issues that have been made in recent years by Governments, prominent persons and organizations.

The OECD countries did not support this decision. The same was true for a draft resolution also sponsored by the Group of 77 and dealing with the "Net transfer of resources from developing to developed countries", which expressed the Assembly's concern over such a trend. The Assembly stated in this resolution that it:

1. Reaffirms the urgent need to take appropriate and effective measures in the fields of money, finance, debt, resource flows, trade and development, in order to halt and reverse the net transfer of resources from developing to developed countries;

2. Requests the Secretary-General, in preparing the report called for in Economic and Social Council resolution 1986/56, also to take duly into account the interrelationship between the issues of money, finance, debt, resource flows, trade and development.

Again, most OECD countries either voted against or abstained, which resulted in 107 votes in favor, 10 against and 10 abstentions.

On the other hand, a resolution to which the industrial countries attached considerable importance and which dealt with the role of indigenous entrepreneurs in economic development, gained a consensus after extensive negotiations. Introduced by the major industrial countries, with particularly active involvement of the United States, this resolution was aimed at strengthening UN support for private initiative and the power of the market place in order to counterbalance the traditional emphasis on state planning and initiative which has characterized many UN policy positions as well as technical and economic assistance activities.

In return for an extensive endorsement of the crucial role of indigenous entrepreneurs in the economies of developing countries, the authors of the resolution accepted even a reference to the role of such entrepreneurs in not only the private, but also the public sector.

The Assembly also requested special attention for the problems of commodity-exporting developing countries particularly at the United Nations Conference on Trade and Development (UNCTAD VII) to be held in Geneva, July 9-31, 1987. (In connection with the establishment of a date for UNCTAD VII, the Assembly also decided on the dates for ECOSOC in Geneva, i.e., July 23-July 9, 1987.)

The General Assembly dealt extensively with food and agricultural issues in a long consensus resolution which, during the drafting negotiations, picked up an increasing number of references to the agricultural aspects of the new GATT-round, agreed at the Special Ministerial GATT session at Punta del Este. Amendments of this nature, offered in particular by the developing countries demanded more emphatic consideration of the problems which impeded liberalization of agricultural trade (and trade in tropical products). The resolution also focused in this context on the problems caused by "structural imbalances, protectionism, heavy direct and indirect subsidies and distortions in the use of resources". While the emphasis on agricultural trade liberalization was possibly the most important part of the resolution, at least as much attention was given to the need for the improvement of agricultural and food production in the developing countries. The international community was requested to increase its bilateral and multilateral aid commitments in this respect. The UN World Food Council was seen as having an important supervisory role in the areas of food production and trade. Among a number of requests addressed to the Council was also one which invited it:

To assess the impact of economic adjustment policies in developing countries on the nutrition levels of low-income groups and to suggest, where necessary, remedial measures in this area, including ways to stimulate the provision of resources to alleviate the sufferings of these groups.

The Assembly also adopted a number of resolutions dealing with the housekeeping requirements of the various UN programs and organizations, particularly those of a technical assistance nature and small-scale investment nature which are usually referred to as UN "operational activities for development".

The Assembly also adopted, after sharply divisive debate, a resolution critical of the trade embargo against Nicaragua. The resolution was adopted with 83 votes in favor, 48 abstentions and 2 votes against. Similarly, a resolution condemning "economic measures as a means of political and economic coercion against developing countries", was adopted by 115 votes in favor, 23 against and 3 abstentions.

The Assembly also set the dates for the 1987 summer (second) session of ECOSOC in Geneva for June 23-July 9, 1987, immediately preceding UNCTAD VII which will have the same venue. It also decided to convene, in 1990 "under the auspices of the United Nations Conference on Trade and Development, a United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices".

Among similar procedural decisions might also be mentioned the Assembly's decision to add Kiribati, Mauritania and Tuvalu to the UN list of "Least Developed Countries". This list was established at the beginning of the seventies in order to focus special aid efforts on this group which now numbers 40 countries.

Finally, the Assembly also approved a set of appeals for assistance to individual countries and groups of countries suffering from internal or external, man-made or natural disasters. Attention was also given to increased cooperation of UN-related organizations with regional inter-governmental organizations such as the League of Arab States and the Organization of African Unity.

Notwithstanding this wide range of interests, the Assembly succeeded in reducing its economic and social resolutions by 50 percent in an effort to streamline its activities.

Decolonization, Namibia, Apartheid

As in previous years, the UN General Assembly agenda contained items dealing with decolonization, Namibia and apartheid. Each of these subjects gave rise to extensive discussions and the adoption by vote of a number of--sometimes controversial--resolutions. A few of these resolutions--including also one under the agenda item of Human Rights--referred to the Fund and its relations with South Africa, requesting the termination of such relations.

Moreover, while the resolutions relating to Namibia and apartheid contained a single such reference, resolution A 41/15 dealing with the implementation of the UN Declaration on the granting of independence to colonial countries and peoples by the UN-related special agencies and organizations, focused extensively on the Fund in a number of paragraphs, which tended to reflect similar language adopted in the past several years under this heading.

It should be noted that despite the rather general nature of the agenda item on decolonization, the UN General Assembly items on this subject have become increasingly devoted to Namibia and South Africa as the number of colonial territories declined over time.

The lengthy resolution A 41/15, specifically addressed to UN-related agencies and organizations, contained references to the Fund in one of its 25 preambular paragraphs and in four of its 28 operational paragraphs.

In the preambular part of this resolution, the General Assembly first stated that it was "Gravely concerned at the continued collaboration between the International Monetary Fund and the Government of South Africa in disregard of relevant General Assembly resolutions, in particular resolution 37/2 of 21 October 1982". It went on to refer to the Fund in the following operational paragraphs by stating that the Assembly:

9. Strongly deploras that the International Monetary Fund has been assisting the racist régime of South Africa, and expresses the view that the Fund should put an end to such assistance to the racist régime;

10. Strongly condemns the collaboration between the International Monetary Fund and South Africa in disregard of repeated resolutions to the contrary by the General Assembly, and calls upon the Fund to put an end to such collaboration, as the Assembly is strongly convinced that the apartheid system implies a serious instability in the South African economy, including its balance of payments, and thus that the International Monetary Fund according to its rules should not, as long as apartheid and the illegal occupation of Namibia by South Africa continue to exist, extend any credits to South Africa;

11. 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 with a view to formulating specific programmes beneficial to the peoples of the colonial Territories, particularly Namibia;

. . .

22. Reiterates its proposal, under article III of the Agreement between the United Nations and the International Monetary Fund, for the urgent inclusion in the agenda of the Board of Governors of the Fund of an item dealing with the relationship between the Fund and South Africa and further reiterates its proposal that, in pursuance of article II of the Agreement, the relevant organs of the United Nations should participate in any meeting of the Board of Governors called by the Fund for the purpose of discussing the item, and urges the Fund to discuss its relationship with South Africa at its annual meeting, in compliance with the above-mentioned Agreement, and to report to the Secretary-General of the United Nations on the action taken;

The resolution was adopted by 123 votes in favor, 4 against and 27 abstentions in the following manner:

In favor: Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Bahrain, Bangladesh, Belize, Benin, Bhutan, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cape Verde, Chile, China, Colombia, Comoros, Congo, Costa Rica, Cuba, Cyprus, Czechoslovakia, Democratic Kampuchea, Democratic Yemen, Djibouti, Dominican Republic, Ecuador, Egypt, Ethiopia, Fiji, Gambia, German Democratic Republic, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, India, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Jordan, Kenya, Kuwait, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Mongolia, Morocco, Mozambique, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Qatar, Romania, Rwanda, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, Sri Lanka, Sudan, Suriname, Swaziland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela, Viet Nam, Yemen, Yugoslavia, Zaire, Zambia, Zimbabwe

Against: Israel, Malawi, United Kingdom of Great Britain and Northern Ireland, United States of America

Abstaining: Australia, Austria, Bahamas, Belgium, Cameroon, Canada, Central African Republic, Chad, Côte d'Ivoire, Denmark, El Salvador, Equatorial Guinea, Finland, France, Gabon, Germany, Federal Republic of, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden

Delegations not mentioned did not participate in the ballot.



General Assembly

Strengthened international economic co-operation aimed at
resolving external debt problems of developing countries

The General Assembly,

Noting its decision 40/474 of 20 June 1986, and annexes thereto, 1/

Recalling Trade and Development Board resolutions 165 (S-IX) of
11 March 1978 2/ and 222 (XXI) of 27 September 1980, 3/

* The present text is being submitted to the Committee unedited at the request of the Vice-Chairman.

1/ Official Records of the General Assembly, Fortieth Session, Annexes,
agenda item 84, documents A/40/989/Add.14, paras. 7 and 11, A/40/989/Add.3,
para. 66, and A/40/989/Add.14, para. 12.

2/ Ibid., Thirty-third Session, Supplement No. 15 (A/33/15), vol. I,
part two, annex I.

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

Having considered the report of the Secretary-General entitled "International debt situation in mid-1986", 4/

Taking note of the statements made by Member States under this item, particularly in the debates held in the plenary and the Second Committee of the General Assembly during its fortieth and forty-first sessions, 5/

Recognizing that debt servicing problems constitute a severe, restrictive and continuing burden for the economic and social development of many developing countries,

1. Agrees on the following elements and invites all those involved to take them into account in addressing the problems of external indebtedness of developing countries, with a view to reaching equitable, durable and mutually agreed solutions, taking into account the particular circumstances of each country:

(a) External indebtedness, viewed in an overall approach, should be tackled in the framework of a strengthened and improved strategy of co-operation of the international community for sustained world economic growth and development, particularly for developing countries;

(b) Recognizing the competence of the multilateral financial institutions, as well as of the relevant specialized agencies, organs, organizations and bodies of the United Nations system in their respective mandates, the interrelated issues of debt, money, finance, resource flows, trade, commodities and development should be addressed in the context of their close interrelationship;

(c) In a spirit of common commitment and mutual co-operation, stronger growth and development in developing countries should be encouraged, involving the participation of all countries concerned, particularly creditor developed countries and debtor developing countries, multilateral financial institutions and international private banks, in addressing the debt problems of developing countries;

(d) A lasting solution of the debt problem also requires simultaneous and complementary actions in the areas of economic policy that are mutually supportive and envisages:

(i) Effective national adjustment processes and structural changes, pursued within national development priorities and objectives, should be growth-oriented; due regard should be paid to the economic, social and development needs of each country in the application of conditionality;

4/ A/41/643.

5/ See Official Records of the General Assembly ...

- (ii) Supportive policies which encompass, inter alia, the dismantling of protectionism and expansion of international trade, increased financial flows, lending programmes by the international financial institutions and commercial banks in support of growth-oriented measures, lower real interest rates, and improvements in commodity markets;
- (iii) Coherent and co-ordinated policies on the part of industrialized countries, including strengthened multilateral surveillance, that promote a supportive international economic environment conducive to sustained and non-inflationary growth and adjustments addressing the imbalances in the world economy, including the reduction of trade imbalances and the promotion of greater foreign exchange market stability;

(e) There is an important relationship between a country's mobilization and utilization of its resources, net inflow of development finance and capital and foreign exchange export earnings, and the possibility for the servicing of its external debt; in this context, due account should be taken of the investment and import requirements and the fundamental economic and social needs of a country's population;

(f) Debt restructuring arrangements and innovative development-oriented financial agreements should continue to be worked out, wherever appropriate, on terms and conditions which take into account the internal and external factors affecting the economy of the country concerned;

(g) Special attention should be given to the implementation of specific relief measures in favour of the least developed countries such as, inter alia, those contained in the Substantial New Programme of Action 6/ and resolution 165 (S-IX) of the Trade and Development Board;

(h) Recognizes, in addition to the above elements, that in dealing with Africa's external indebtedness the magnitude and servicing constitute a severe, restrictive and continuing burden for its economic recovery and long-term development. The international community, particularly the donor developed countries, reaffirm their agreement to adopt concrete measures, as well as on the importance of increasing official development assistance to Africa in support of adjustment efforts for development of African countries, in accordance with the provisions of the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990; 7/

2. Invites also all those involved to take into account, as appropriate, the above in addressing the problems of external indebtedness of some other countries with serious debt servicing problems;

6/ Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

7/ Resolution S-13/2.

3. Requests the Secretary-General to present to the forty-second session of the General Assembly an updated version of his report on the International Debt Situation and the indicators related to it, under the same agenda item, taking into account the present resolution.
