





It was very obvious that all the delegations, everyone, has welcomed the changes in Eastern Europe - the momentous changes that are taking place and the great challenges and opportunities that they are posing for all of us. Of course, neither the panelists nor any of the delegations, and certainly not me, have any clear answers to the questions that we all have. History does not provide a guide for this kind of situation, where centrally planned economies, or command economies as they are called, are going to be transformed into market economies. I am quite sure some study has been made in the past as to how the then prevailing market economies in Russia and in Central Europe were transformed into centrally planned economies, and perhaps there are some lessons for us there.

But everyone agreed, and all the panelists have said, that our friends in Eastern Europe have very difficult times. Declining growth rates, declining production, rising unemployment, latent inflation, and even in some cases hyper-inflation, high external indebtedness, large budget deficits - all these are the difficulties and crises that they are facing. We all have very sincere sympathy and understanding for their problems.

There was consensus that it is very difficult to predict the pace of the duration of this transition. The question was posed as to how long this transition must last because it is a very vital question for all of us. Nobody was able to provide any answer to that, and that is quite understandable. No, I must confess my respect when economists admit that they are not able to give any precise timetable about the duration of this transition from one system to the other; but, it seems to me that this transition is

likely to be rather long and protracted. Not being an economist, I can easily give my own guess - I think it is going to last certainly a period of ten years and probably more than that.

There was a very large measure of agreement among the panelists and certainly among all the participants from the floor about the short-term consequences of the transition and the demands made on resources world-wide will be negative for the developing countries as a whole. They are likely to be particularly severe for Africa and for the least developed countries but overall, I think for developing countries, consequences will not be very pleasant. Of course, if one goes into a little more detail one would find that as far as lending from commercial banks or foreign direct investments are concerned, perhaps the negative effect might be somewhat modest; but when we come to official development assistance - then I think there is no doubt that the picture is rather bleak.

There is also consensus that interest rates will rise, certainly in the short-to-medium term, and the rise in interest rates in its turn will add to the debt problem of the developing countries; and so, even if ODA were to be maintained at these current levels, it would in fact mean a diminished, a net diminution, in ODA. When we take into account the rate of inflation, then ODA will go down even more. This would also have the effect, of course, of fewer investments, and very likely some reduction in the assistance from international financial institutions. We have assurances from the IMF that the current levels will be maintained, but we have no assurance that the

current levels in real terms will be maintained. Certainly, I think that there will be reduction in the additionality of assistance from the IMF and perhaps from the World Bank. Whether or not we are heading for a zero-sum game, I do not know. There are some assurances that that will not be the case; on the other hand, we heard other expert opinions that the best we could hope for is a zero-sum result.

In the long term, we had many assurances from all the experts who had agreed that long-term results should be beneficial for the entire global economy, including developing countries; but, results would be beneficial and very favourable and developing countries would benefit if certain things were done or if certain things were not done, and as for what those things are, wait for the summary prepared by the Secretariat, but, the developing countries have got the message that they also have to reform their own economies, they have to reduce their expenditure on defence, they have to improve their record on human rights, they have to make foreign private investment more effective. Unless these things are done, the developing countries cannot take for granted that they will benefit from improvements the international economic situation.

Some of the panelists referred to the crucial role which budget deficits in some countries are playing and will continue to play, and they emphasized that unless steps are taken to improve this particular situation, the results or the consequences for the entire



world, but particularly for developing countries, would be rather serious.

A lot was said about the peace dividend. It was agreed that as tensions diminished and as disarmament takes place, the savings thus made should be used for financial assistance to achieve development activities. In the same context, it was emphasized that developing countries must reduce their military expenditure; however, it is still not clear as to what resources will be released - a figure of 200 million has been mentioned. It would be understandable that much of this savings would be used in the countries themselves where this savings are going to be released. I think there is an expectation among developing countries that at least a significant portion of it will go for their own development.

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Another point that was made was that the climate is more congenial for solution or settlement of regional conflicts, and this also should help the Third World.

One of the panelists made a very important point that the industrialized countries should avoid during this period - the temptation to impose protectionist policies. Of course, pressures will be there in their own countries for that, just as there are pressures in the developing countries; but I think both industrialized and developing countries will have to be extremely vigilant on the protectionist front, and several delegations referred to the Uruguay Round in this context.

Finally, what I found very useful in this discussion was that some very attractive and concrete suggestions have come forward. I do hope that not only all of us here but in the United Nations Secretariat and elsewhere - something at least can be done to follow up on these suggestions.

One suggestion was that somebody (it was not mentioned who) should make medium-term projections of the needs of developing countries to assure them that the unfinished task of development has not been forgotten. Now, maybe the international financial institutions can make this kind of a study, and certainly I know that the Department of International Economic and Social Affairs can make such kind of assessment.

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Another suggestion was that the international community should develop a consensus on maintaining ODA in real terms. It seems to me that this is a very important suggestion, and perhaps either the Council or certainly the General Assembly at its next session should try to embody this suggestion in some decision or a resolution.

We have all welcomed assurances from our friends in this industrialized world and their firm commitment that resource flows will not be diverted at the expense of the assistance to developing countries. Obviously, these assurances have not gone far enough to assure us the concerns of our colleagues in the developing world, and perhaps we cannot do that in the space of one meeting - we need many more meetings and extensive consultations to do that.

But one suggestion which was made and which could go somewhere in reassuring the developing countries was that our friends in the industrialized world should have separate budget heads for their assistance to eastern and central Europe.

Another suggestion was that the developing countries should be helped over the medium-term in integrating their own economies into global economy. They will need technical assistance, managerial training, and so on.

One other suggestion (which I thought also was very important) was that the international financial institutions should from now on start thinking of the resources that they would need to finance the requirements of the developing countries as well as the new requirement of eastern central Europe and Soviet Union. Instead of waiting till 1993, they should initiate the process from now so that we do lose any precious time.

Several delegations and some in the Secretariat, including Mr. Blanca, made the point about the role of the United Nations in all this. I think it is important that the UN should play a central role in this whole process. The UN has the expertise, has the knowledge - I remember in a paper prepared by the Economic Commission for Europe for 1990; they also talked about whether a new Marshall Plan for eastern Europe is desirable or is feasible at this stage and I think the conclusion of the Economic Commission for Europe (if I am not mistaken) is that, more than financial assistance, the countries in eastern central Europe need technical



assistance - assistance in developing their infrastructure of transport and communication. Of course, let us not forget that one of the main components of Marshall Plan which went a long way towards assuring its success was the offer of the United States at that time to the European partners that they could impose discriminatory restrictions or tariffs against American exports to Europe. This was a very important factor in the success of the Marshall Plan. But anyway, the United Nations must play a role in this - and the European Commission report also said that the UN has all the facilities, all the expertise available, not only for our colleagues in eastern and central Europe, but also for the developing countries, in preparing themselves to face these new challenges. Well the challenge (some countries and some panelists referred to the vision that we all need for the years ahead): how to fulfill the legitimate aspirations of both the eastern and central Europe and developing countries without sacrificing the aspirations of either? how to prevent the emergence of a new bi-polar world divided by the exclusively between the rich and the poor? and, how to use the evolution in the east-west relations to usher in a more equitable and just set of principles, a more humane international order in which all us and our children and grandchildren can live in peace and harmony?

Thank you very much.