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Chairman: Mr. HAMBURGER (Netherlands)

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The meeting was called to order at 10.05 a.m.

AGENDA ITEM 94: MACROECONOMIC POLICY QUESTIONS (continued) (A/51/87, A/51/208-S/1996/543)

(a) EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/51/294)

(b) FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (continued) (A/51/291 and A/51/388)

1. Mr. AMORIM (Brazil), speaking on behalf of the countries members of the Southern Cone Common Market (MERCOSUR) and of Bolivia and Chile, said that the tremendous changes that had occurred in international economy in recent decades challenged conventional economic policies. Although some countries had taken advantage of the globalization of financial flows, others, in particular, the least developed countries, had been marginalized and were unable to reap the benefits of that new phenomenon. The international community should help to ensure that the advantages of global financial integration were more widely distributed. It was also essential to promote an enabling international economic environment which ensured a minimum of stability to counter adverse effects arising from sudden movements in private capital flows. All countries, in particular, the industrialized countries, should endeavour to lessen global economic imbalances and cooperate with the developing countries in that area.

2. It was essential to strengthen the mechanisms which provided concessional loans to developing countries. Fulfilment of commitments, particularly with regard to the eleventh replenishment of the International Development Association (IDA) was therefore an urgent priority, and it also was important to ensure the continued financing of the Enhanced Structural Adjustment Facility (ESAF) of the International Monetary Fund (IMF). The quality of concessional loans should be improved so that they could be fully utilized for development purposes.

3. While there were undoubted benefits to be derived from the increased international financial flows, it should be remembered that they were volatile since interest rates and exchange rates in the major industrialized countries were key factors in determining such flows.

4. The globalization of financial markets had made international cooperation an essential ingredient of an effective strategy to reduce systematic risk. IMF, the Bank for International Settlements, and the Basel Committee on Banking Supervision had important roles to play in that regard. Enhanced supervision by international financial institutions tended to encourage market institutions to exercise discipline, as did greater public availability of information, in particular, on the current risks of exposure of financial institutions.

5. A stable macroeconomic environment - when accompanied by low inflation, competitive exchange rates, manageable public debt, democratic institutions and principles of good governance - was conducive to increased domestic and foreign investment. However, although domestic policies were the essential determinants of private capital flows to developing countries, international policies also

played a significant role. Confidence in markets should be promoted through enhanced surveillance of developing and developed countries alike. Supplementary financing mechanisms, such as the General Arrangements to Borrow established by IMF, were also needed.

6. Analytical work concerning global financial integration should be intensified, and IMF and other international institutions such as the Bank for International Settlements had the requisite technical expertise and the ability to act on the measures adopted. The United Nations must strengthen its cooperation with IMF so that it would be better equipped to follow issues relating to global financial integration and contribute to the promotion of a more stable, sound and open international economic system. The draft resolution calling for such cooperation deserved special attention from Member States.

7. Mr. ABDELLATIF (Egypt) said that, although the subjects under discussion were interrelated, they were of such significance for the developing countries that they should have been dealt with separately. After noting with concern the continued decline in official development assistance, he said that while the new World Bank initiative for heavily indebted poor countries had merit, the long waiting period and conditions it imposed would be disastrous for the developing countries, particularly the least developed among them. While global financial integration had its positive aspects, it posed enormous challenges to some developing countries, particularly in view of the fluctuating international financial markets. Efforts should, indeed, be made to merge the money markets in the developing countries with the international financial markets; however, it would not be feasible unless those countries also enjoyed the right to participate in the coordination of macroeconomic policies at international level. It was therefore essential to increase such coordination and to renew the commitment to international cooperation for development.

8. Mr. PRENDERGAST (Jamaica) speaking on behalf of the countries members of the Caribbean Community (CARICOM), welcomed the measures which had emerged over the years to alleviate the debt burden of developing countries, including the recent initiative of the World Bank and IMF to resolve the debt problems of heavily indebted poor countries. However, debt problems remained an important challenge to the international community. Even with bilateral debt relief under the Naples terms, the debt burden of a number of heavily indebted poor countries remained unsustainable owing to their multilateral debt obligations. The CARICOM countries agreed that the Enhanced Structural Adjustment Facility should become self-sustaining and should continue to be the centrepiece of IMF's strategy to help lower-income countries.

9. A number of debt-related issues had not yet received adequate attention. Those included the funding of debt relief; burden-sharing between bilateral and multilateral creditors and among multilateral creditors themselves; the eligibility criteria for debt relief; and the unreasonably long waiting periods and the conditions required to trigger multilateral debt relief. It also was necessary to take into account the unique characteristics of each country's economic position, including the fiscal burden of debt, when determining debt sustainability. It was to be hoped that the steps being taken to address those concerns would help to alleviate the burden of debt of the increasing number of countries with unsustainable levels of debt.

10. Middle-income countries which had continued to service their debt also faced debt problems, and they required special consideration to ensure that they continued to receive adequate positive net transfers and that a proper balance was maintained between concessional and non-concessional financing from bilateral and multilateral sources.

11. The CARICOM countries believed that it was necessary to ensure the adequate replenishment of the soft loan windows of multilateral financial institutions in order to provide the required resources on affordable terms without imposing sacrifices on other countries and that the debt owed to bilateral creditors which had not participated in the Paris Club must be addressed.

12. He expressed concern that the continued decline in official development assistance might jeopardize efforts to implement commitments emanating from the recent international conferences on development. Aid for developing countries was an investment in development, and thus was more than just a transfer of financial resources. The long-term sustainability of IDA as a key instrument of development cooperation must be ensured, and he hoped that progress would be made on that issue at the spring meeting of the Development Committee.

13. The CARICOM countries continued to emphasize the call for further coordination between international financial and trade institutions and the United Nations system in order to improve macro-economic coordination and enhance international development cooperation. The objective should be a comprehensive strategy addressing all types of debt and debtor countries, the further reduction of the debt service burden, increased flexibility of rescheduled debts, the creation of new and innovative programmes and the expansion of IDA facilities.

14. Mr. AHMED (Assistant Administrator, United Nations Development Programme) said that the debate was timely given the need to find new and innovative ways of financing development in order not to jeopardize the implementation of the agreements reached at various recent major United Nations conferences. Member States should consider the possibility of requesting donor countries to establish their own timetables for attaining the target of providing 0.7 per cent of their gross national product for official development assistance. One possible target might be the highest level of ODA which the country had previously attained. Moreover, whenever donor countries experienced a revitalization of economic growth, they might consider contributing 0.7 per cent of their increase in income for international development cooperation.

15. He envisaged seven concrete possibilities for new and innovative ways of financing development. First, private investment should focus on people-centred and environmentally sound development and on strengthening the capacities of developing countries in those respects. Secondly, new incentives should be provided for private investors. Rather than offering incentives such as export-credit subsidies, it would probably be more efficient to reward entrepreneurs who invested successfully in least developed countries and regions (which would have to be clearly identified) through tax concessions on the profits stemming from such investments. Additional types of risk insurance could be offered, over and above what organizations such as the Multilateral Investment Guarantee

Agency (MIGA) currently offered in respect of insurance against non-commercial risks.

16. Thirdly, in order to attract more funding for, inter alia, environmental regeneration and human development, it was urgent to re-examine current concepts and methodologies for determining the feasibility and profitability of such investments. Non-governmental organizations and other international development agencies had much to teach the private sector, for example, on the profitability of lending to the poor, in general, and on the benefits of providing credit to poor women.

17. Fourthly, it was important to find ways to strengthen bilateral and multilateral development cooperation by generating stronger support and finding new supporters and allies. Two such allies were private financial investors and the re-insurance industry, both of which had an interest in development, stability and sustainability.

18. Fifthly, it was desirable to strengthen the case for development cooperation among the public at large and politicians in donor countries by pointing out that aid consisted of much more than providing assistance to poor countries to help them attain their national objectives. Indeed, much of the financial assistance provided to those countries was in support of the global commons, i.e., it targeted concerns of interest to all, such as the ozone layer, biodiversity, the global climate, global health and global stability through human security.

19. Sixthly, it was necessary to widen the circle of donors. Some developing countries had made such rapid progress that they were becoming donors themselves. Moreover, the persistence of poverty and environmental deterioration had awakened in the public at large a willingness to contribute to development as consumers rather than taxpayers, for example, by supporting "fair price" initiatives.

20. Lastly, exploring new, additional sources of funding would be justified if it were possible to demonstrate that enhancing the use of private finance for development and making a better case for development cooperation based on current funding mechanisms did not achieve the desired result, namely, adequate financing for all critical development needs. Most new "global" resources also would reflect national revenue resources. Any additional resources at the international level should be channelled through existing ODA channels. A guiding concern in the search for new and innovative sources of financing should be to free resources for use where they were most urgently needed, namely, for the least developed countries, notably those in sub-Saharan Africa, and for the priority objectives established by the recent conferences sponsored by the United Nations.

21. Mr. VIVAS (Venezuela) said that economic integration and globalization were irreversible; thus countries had no alternative but to pursue disciplined economic policies if they wished to benefit from sustained growth. Venezuela was convinced that the key to progress and development was to adopt sound macroeconomic policies combined with appropriate social policies. However, just as Venezuela and other developing countries were having to adjust to the

pressures of globalization, so, too, should multilateral bodies modify their decision-making structures if they wished to preserve their future relevance. It was inconceivable that key decisions affecting international financial and monetary markets should continue to be taken without the participation of the developing countries. Moreover, the major industrialized countries had a special responsibility for the impact of their policies on the global economy and the growth and development of the rest of the world.

22. Venezuela welcomed the importance attached by the International Monetary Fund to social factors. In addition to stressing the need to increase expenditure on education and training, overhaul public health and provide an effective social safety net, IMF was calling for improved efficiency in public administration and the elimination of corruption. His country endorsed those goals, and was itself implementing a programme of stabilization and structural change, the Agenda Venezuela, to promote economic growth and social solidarity.

23. Finally, he paid tribute to the significant role played by IMF and the World Bank in improving the economic environment in Latin America thanks to their tireless efforts to promote sound macroeconomic policies and provide development financing.

24. Mr. INKIRIWANG (Indonesia) said that long-term debt relief was essential to the economic progress of the developing countries since, without such relief, the severely indebted countries could not hope to achieve the necessary level of growth to lift their populations out of poverty. His delegation therefore welcomed the recent initiative of the Bretton Woods institutions designed to further reduce the overall debt of the heavily indebted poor countries to sustainable levels. Debt payments should be reduced to manageable levels which did not cripple the economic growth and development efforts of the poorest developing countries.

25. While his delegation supported the initiative on the heavily indebted poor countries, it considered that the World Bank and IMF could have been more forthcoming in their contributions. Nevertheless, his delegation welcomed the commitment of IMF to participate in the enhanced assistance to be provided under the initiative through special operations of the Enhanced Structural Adjustment Facility (ESAF). His delegation strongly supported the establishment of a trust fund and the initial contribution of $500 million promised by the World Bank, and urged the Bank to make a much larger contribution in future.

26. With regard to the modality and framework for debt relief, many questions still remained to be answered. First, his delegation regarded the six-year period to be too long and too restrictive for vulnerable economies to bear. The adjustment period should therefore be shortened to three years. The initiative on the heavily indebted poor countries should be automatically applied to countries that had already demonstrated a good track record in the past three years. Secondly, while his delegation appreciated the need to monitor economic reforms over a period of time in order to ensure that they were well-funded and effectively implemented, it hoped that decisions on the eligibility of a country to receive debt-relief would be taken after due consideration of the problems faced by that particular country. It was also important that the number of heavily indebted poor countries declared eligible for debt-burden relief should,

in the near future, be expanded beyond the current eight countries. His delegation also supported the call for increased transparency and participation by the debtor countries in any reviews and analyses that would be conducted during the adjustment period.

27. While his delegation welcomed the decision of the Paris Club to go beyond the initial Naples terms of 67-per-cent debt reduction to 80 per cent, that would, in fact, result in only 17 to 20 per cent effective relief. Debt reduction would therefore have been more substantive if the Paris Club had considered a 90-per-cent reduction of debt.

28. With regard to the net transfer of resources, his delegation noted that while capital flows to capital-importing developing countries had been increasing, only a limited number of developing countries had benefited from the increased transfer of financial resources from the developed countries. A large number of developing countries, particularly those in Africa, had thus far been unable to attract such transfers and, as a result, were forced to rely entirely on the declining flows of official development assistance (ODA) to promote their development efforts.

29. Mr. HERMAN (Department for Economic and Social Information and Policy Analysis) said that, when a country was exposed to an external shock, the financial community began to worry about that country’s capacity to repay its debt and could deny it access to needed resources. For that reason, IMF had established the Compensatory Financing Facility, which was supposed to be a quick-disbursing, low-conditionality facility to help countries when they were exposed to external shocks. In the 1980s, the low-conditionality aspect of the Facility had disappeared, and the Facility had evolved into a mechanism to support countries under standby arrangements with the Fund. Since then, the General Arrangements to Borrow had been enlarged, and there was a $50 billion pool of funds for countries that did not have standby arrangements but were under enhanced surveillance because they were emerging market countries. The question was whether the Arrangements would be an adequate emergency supply line for all the countries that had access to and wished to draw on private finance. Those matters required further discussion and analysis.

30. Mr. TALBOT (Guyana) said that his delegation supported the initiative to alleviate the debt of the heavily indebted poor countries and joined with other delegations in urging its swift and flexible implementation, beginning before the end of 1996. Coordinated action by all creditors and the provision of adequate resources for its financing, particularly in the short to medium term were crucial to the initiative’s success. His delegation hoped that the proposed multilateral trust fund, to be administered by the International Development Association (IDA), would prove effective, and it welcomed the proposed $500 million initial contribution to be made by the World Bank.

31. The international community should endeavour to ensure the full and expeditious implementation of the initiative and make any adjustments that its application might require. The full participation of debtor Governments was essential for its ultimate success, and the capacities of those countries in that regard should, where necessary, be strengthened through the coordinated support of the United Nations system. The General Assembly and the Economic and

Social Council should continue to monitor that initiative and, where appropriate, in consultation with the Bretton Woods institutions, make recommendations on its enhancement. One aspect of the initiative that could be the subject of particular scrutiny by the Assembly and the Council was its impact on the reduction of poverty at the domestic level.

32. The evolving debt strategy must be accompanied by a favourable and supportive international environment, including full implementation of the results of the Uruguay Round of multilateral trade negotiations. In that regard, his delegation agreed with the view of the Chairman of the Group of 77 that the external debt problem needed to be addressed comprehensively and through an integrated, development-oriented approach.

33. Mr. HERMAN (Department for Economic and Social Information and Policy Analysis) said that the debt initiative for the heavily indebted poor countries would proceed on a case-by-case basis. The essential criterion in negotiating each case would be to agree that a country had achieved sustainable debt.

34. There was an imbalance between public debt relief and private debt relief. Commercial banks had been willing to relinquish or reduce their claims on debtor developing countries because they knew that those countries could not pay. Governments, on the other hand, viewed debt relief more as a reward for good behaviour than as a realistic response to the plight of debtor countries. The new initiative acknowledged that the heavily indebted poor countries would not be in a position to service their debt and that it was better to clear the books and proceed with development.

35. Mr. MABILANGAN (Philippines) said that the persistence of the debt crisis could be due, in part, in the failure of the international community to take decisive action to implement the various General Assembly resolutions on the question of debt.

36. Focusing on certain elements of current solutions to the debt problem which might need to be further enhanced in order to meet the needs of developing countries he said, first, that the criteria for debt sustainability should be approached with more flexibility. Excessive dependence on export performance, for example, could easily hide structural weaknesses in an economy. Even though "vulnerability factors" had been added, his delegation would like to see further discussion of sustainability criteria, and suggested that greater weight might be accorded to vulnerability factors and that the elements included therein might be expanded to include some measurement of official development assistance. A set of social indicators similar to the human development index developed by UNDP might also be useful.

37. A second concern of his delegation related to the cut-off dates for debts to be covered by the Naples terms. Only a limited number of low income and severely indebted countries had really benefited from the Naples terms, and considering that the new multilateral debt initiative for the heavily indebted poor countries could only begin after the exhaustion of the flexibility offered under the Naples terms, there was need to take a fresh look at the subject of debt eligibility. Its third concern related to the performance schedule required for eligible countries to begin benefiting from the initiative. His

delegation was glad that the performance period was likely to be three rather than six years, but believed that it could be even shorter, since many eligible countries had already instituted the required reforms and the latter had been monitored by the World Bank and IMF.

38. His delegation was gratified that the international community had finally taken definitive action on multilateral debt. It was essential that the new initiative be implemented as soon as possible. To that end the United Nations must generate sufficient political will, particularly among the creditor countries and financial institutions, to support the initiative and must impress upon the World Bank and IMF its desire for such early implementation by, inter alia, requesting them to report on progress in implementation of the initiative to the General Assembly at its fifty-second session.

39. Mr. AL-HITTI (Iraq) said that he was dismayed by the conclusion reached in the report of the Secretary-General on developing country debt situation as of mid-1996 (A/51/294) that the number of severely indebted developing countries was not declining, a situation which was illustrated by the debt indicators contained in paragraph 24. The continuing economic crisis in those countries, which was generated by their external debt burdens, adversely affected their development programmes. It was therefore essential to devote more attention to finding a durable solution to the debt problem by means of negotiations between the parties concerned. Debts should be rescheduled without being subject to political criteria, and a net transfer of resources to the developing countries should be guaranteed in order to provide the impetus for their economic growth. To that end, efforts should be made to create a favourable global economic environment by enhancing international cooperation through all available means.

40. His Government’s position towards the external debt crisis was that arrears should be written off and that the strategies of the International Monetary Fund and the World Bank should be reviewed, as should the matter of reverse financial flows since the aim should be to enable the developing countries to acquire on concessional terms, the funds needed for their economic, social and cultural development programmes. His delegation had voted consistently in support of all the General Assembly resolutions on the subject and it had endorsed the final declaration on the subject adopted in June 1993 by the Standing Ministerial Committee for Economic Cooperation of the Movement of Non-Aligned Countries, as well as the final declaration of the Eleventh Non-Aligned Summit Conference.

41. Mr. ACEMAH (Uganda) said that in order for the concept of debt sustainability to be translated into real terms, the current debt initiative for the heavily indebted poor countries must be enhanced and applied as flexibly as possible and should involve all types of debt, especially multilateral debt, which currently accounted for 46 per cent of the debt of African countries. Policy measures to address demand-side distortion must be accompanied by supply-side interventions that would help boost production, promote diversification, remove supply bottlenecks and thereby enhance developing countries’ export earnings as well as their social conditions.

42. His delegation hoped that the benefits from the initiative for the heavily indebted poor countries would come soon and that more countries would be included. The actual impact of the implementation of the initiative on the

overall flow of ODA required closer examination. His delegation shared the developing countries' concern about the rigid application of the structural adjustment conditionalities.

43. Mr. AYEWAH (Nigeria) said that the debt crisis had been under consideration for more than a decade yet the number of severely indebted developing countries remained the same.

44. Recognizing that the external debt crisis remained the most serious obstacle to its economic development, Nigeria had, since the mid-1980s, sought to implement economic reform measures in the context of structural adjustment programmes, which had entailed much social hardship. The servicing of its external debt, which was well over 30 per cent of its export earnings, constrained Nigeria's capacity to undertake meaningful development.

45. While his delegation welcomed the new debt initiative for the heavily indebted poor countries, it failed to see how any developing country, particularly in Africa, could pursue a programme of debt sustainability at a time when world commodity prices were fluctuating. Furthermore, the need to address social development programmes at the country level was an onerous condition of the new debt initiative. Moreover, the time-frame of three to six years - imposed by the Bretton Woods institutions - for debtor developing countries to achieve debt sustainability appeared impractical in view of the current unsustainable debt level of many developing countries.

46. Any meaningful effort by the developing countries to address the issue of sustainable growth and development must embrace measures to resolve the external debt crisis once and for all. Consequently, the debt crisis required concerted efforts on the part of the international community, which should address the issue of external debt in an international conference.

47. Mr. HERMAN (Department for Economic and Social Information and Policy Analysis) said that, ultimately, the solution to the vulnerability to commodity price fluctuations was diversification of commodities produced and diversification into the manufacturing and service sectors.

48. Mr. OKANIWA (Japan) said that recent trends in total official development assistance (ODA) were not very encouraging. Indeed, such assistance had not increased significantly since 1993. However, the outlook would be bleaker in future since his country, the largest ODA provider in 1995, would find it extremely difficult to continue increasing such assistance while working to revive its sluggish economy and reduce its considerable fiscal deficit. Many developed countries were in a similar situation. Under such circumstances, developed countries must double their efforts to ensure that their taxpayers understood that the development of the developing countries was also in their own interest. They would then be far more likely to support ODA. Developing countries, on their part, should establish output-oriented development targets as part of a new development strategy based on a new global partnership. The establishment of easily understood targets of that kind would provide the people of developing and developed countries alike with a means of clearly gauging the progress of development efforts. His delegation therefore hoped that a new

development strategy based on a new global partnership would be placed at the centre of the United Nations development agenda.

49. While his delegation supported the new World Bank-International Monetary Fund initiative for heavily indebted poor countries, it viewed that initiative as a last resort for those heavily indebted poor countries whose debt burdens had reached unsustainable levels. His country wished to emphasize the primary importance of self-help efforts by indebted countries to achieve economic reconstruction.

50. Mr. AL-ADBA (Qatar) said that the persistent external debt crisis was the biggest obstacle to sustainable development in the developing countries. Commenting on the report of the Secretary-General on developing country debt situation as of mid-1996 (A/51/294), he said that the most significant new development in the international debt strategy was that attention was now being focused on the heavily indebted poor countries. He urged creditor countries and institutions to pursue measures aimed at alleviating the burden of debtor countries and to implement the international debt strategy, whose benefits should be extended to all indebted developing countries.

51. Mr. AMAZIANE (Morocco) welcomed the new initiative by the World Bank and IMF to create a fund for reducing the external debt of poor countries. That initiative confirmed the international community's awareness of the fact that a concerted effort was needed to tackle the external debt problem. Such effort should involve all creditors and provide enough debt relief for indebted countries, including well-designed adjustment measures. However, his delegation was disappointed that the international community had not envisaged similar measures to enable medium-income countries, that were undertaking painful macro-economic policies, to consolidate their very fragile financial situation. It was regrettable to note that the international community's interest in making external debt manageable had waned ever since it had become clear that the situation of such countries was no longer a threat to the financial stability of international private banks. A just and lasting solution to the external debt crisis of developing countries required reinforced cooperation amongst creditor and debtor countries alike.

52. While it was the responsibility of developing countries to adopt rational national policies to guard, inter alia, against external shocks, the external debt had an adverse impact on developing countries' level of financing for investment and constituted an intolerable drain on national savings. He expressed concern that most of the positive net transfer of financial resources to developing countries in 1995 had been concentrated essentially in a handful of countries in East and South-East Asia. Because of the volatility of portfolio investment flows, there might be disastrous consequences should investors decide to withdraw en masse from the countries concerned. Moreover, the flows of funds into Africa, particularly sub-Saharan Africa, were virtually nil. In addition, the net transfer of resources by multilateral financial institutions to developing countries had been negative virtually every year since 1987.

53. The continuing decline in flows of official development assistance, which were a very crucial source of financing for development for most developing

countries, contradicted the commitments made at recent international conferences and was adversely affecting resources for multilateral cooperation, particularly those earmarked for United Nations operational activities for development.

54. While his delegation urged developing countries to fully shoulder their responsibilities by adopting appropriate national policies, it hoped that industrialized countries would realize that progress in the southern hemisphere would be a natural extension of their own prosperity and that their long-term interest would be better served in the context of an international community characterized by genuine solidarity.

55. Mr. KAID (Yemen) said that the efforts of the developing countries aimed at economic restructuring and trade liberalization had done nothing to alleviate their heavy debt burdens, nor had the annual discussions and resolutions on the subject adopted by the General Assembly produced any practical effect. His country was included among the heavily indebted poor countries referred to in document A/51/291. The reforms which Yemen had introduced with a view to structuring a market-oriented economy, could not succeed unless it received increased assistance. The international community should endeavour to create an economic climate that was conducive to development and creditor countries and financial institutions should fulfil their commitments and make a concerted effort to address the question of debt and debt service.

56. Without international assistance the developing countries would continue to be weighted down by an intolerable debt burden, unable to promote development or to participate in global economic integration. The resulting domestic difficulties and human suffering might ultimately lead to global instability. It was therefore vital to devise an international debt strategy that would resolve the debt problems of developing countries. Accordingly, his delegation welcomed the new World Bank initiative aimed at the heavily indebted poor countries, as well as the Lyon initiative of the Group of Seven concerning development.

57. Mr. RAGHAVAN (India) said that while it was true that a few developing countries had benefited from the growing globalization of the financial market, most developing countries continued to suffer from the consequences of structural imbalance and from their inability to absorb modern technological advances and the inability to achieve adequate capacity building in critical areas. It was thus imperative for the developing countries to improve their debt service ratio and to generate funds for development activities. The decline of official development assistance should also be reversed. In that connection, in order to achieve meaningful results with respect to the international commitment to eradicate poverty, it was absolutely essential to substantially increase the flow of official development assistance, in particular to low income countries. However, such countries should also make substantial efforts to attract sustained direct foreign investments.

58. He welcomed the new International Monetary Fund and World Bank initiative to deal with the debt problems of the heavily indebted poor countries. There was a need to work towards an early, durable and comprehensive across-the-board solution to the debt problem rather than a piecemeal case-by-case approach. Measures on debt reduction, rescheduling and increased financial flows should be

adopted urgently both for countries which had run into arrears of payments and for those which had met their obligations at considerable cost. He regretted that some rich industrialized donor countries were opposed to the new initiative and were resisting a global approach that included debt forgiveness.

59. India had adopted several measures to avoid the debt trap encompassing a far-reaching programme of macroeconomic stabilization and structural reform. There was room in his Government's policies for both public and private investment. Policies were being devised to stimulate domestic savings and capital formation. In that regard, it had been assessed that India had the capacity to absorb at least $10 billion a year as foreign direct investment. The intention was to channel the bulk of new investments into the core and infrastructure sector.

60. Mr. BOHAYEVSKY (Ukraine) said that he supported the international community's efforts to elaborate and adopt a comprehensive and action-oriented strategy to solve the external debt problem. In his view, such a strategy should be based on measures to restructure and alleviate the debt burden along with sound economic policies and structural adjustment of the indebted economies. While a number of welcome steps had been taken by the Paris Club, and while commendable decisions had been taken at the Halifax and Lyon summits of the Group of Seven, in his view, the key to solving the external debt crisis was to organize competitive manufacturing industries in indebted countries and to ensure the latters' close cooperation with other countries in such areas as transfer of technology and access to markets of the developed world.

61. His country's external debt had increased from $3.5 billion in 1992 to $8.3 billion in 1996 as a result of the underdeveloped export sector of its economy and of import substitution schemes. The situation had been aggravated, inter alia, by the considerable budgetary expenses for the structural transformation of the economy, the ongoing conversion of the military-industrial complex, efforts to minimize the effects of the Chernobyl nuclear disaster and implementation of his Government's commitment to decommission the Chernobyl nuclear power plant by the year 2000. Moreover, Ukraine, which had suffered substantial losses as a result of the sanctions imposed on the former Yugoslavia, wished to call, once again, for the elaboration of a mechanism that would ease the impact of United Nations sanctions on third countries. In the efforts to find a fair and effective solution to the external debt crisis, a differential approach, based on the special problems of each individual State, should be applied.

62. Mr. HERMAN (Department for Economic and Social Information and Policy Analysis) said that the most important theme which had emerged from the discussion was the change in international debt strategy and the treatment of debt, especially for the heavily indebted poor countries. A new meaning had been given to exit strategies, which had shifted their focus to the debtor rather than the creditor. Some concern had been expressed at the introduction of conditionalities into debt relief measures, yet they were in response to concerns on the creditor side and helped to promote the idea that creditors were getting something in return for debt relief. Debt relief was seen as one part of a package of financial measures that included domestic and bilateral funding.

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The main difference in the new approach was that it changed the view of a country's future.

63. With regard to the problems surrounding net transfers of resources and official development assistance, the representative of Japan had hit on a difficult issue when he had spoken of the loss of confidence among donor countries. Multilateral institutions needed to make a better case to domestic legislatures and taxpayers that providing official development assistance was actually in their interest as well as that of the recipient countries.

64. Significant inflows of private financing had been reaching several developing countries, but the question arose of how to broaden and deepen access to such financing. Direct investment was beginning to receive higher priority and to be seen as a complement to domestic investment. The best way to stimulate investment, however, was to foster a better enabling environment. The international community must broaden its view of that environment to include social indicators, and one of the objectives of the new view of structural adjustment was to raise the importance of its social aspects.

65. The focus of global financial integration had shifted to establishing an appropriate global economic environment to facilitate the efforts of developing countries and countries with economies in transition. In his view, the concerns expressed regarding policy coordination among developed countries reflected the concern for the establishment of that enabling environment.

The meeting rose at 12.45 p.m.