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EXTERNAL DEBT CRISIS AND DEVELOPMENT

Report of the Second Committee

Rapporteur: Mr. Ryszard RYSINSKI (Poland)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 21 September 1990, the General Assembly, on the recommendation of the General Committee, decided to include in its agenda the item entitled "External debt crisis and development" and to allocate it to the Second Committee.
2. The Second Committee considered the item at its 20th, 25th-28th, 30th, 31st, 44th and 54th meetings, on 23, 30, 31 October, 5 and 19 November and 11 December 1990. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/45/SR.20, 25-28, 30, 31, 44 and 54).
3. Attention is also drawn to the general debate held by the Committee at its 2nd to 9th meetings, from 8 to 11 October 1990 (see A/C.2/45/SR.2-9).
4. For its consideration of the item, the Committee had before it the following documents:

A/45/334-
E/1990/100

Letter dated 2 July 1990 from the Chargé d'affaires a.i. of the Permanent Mission of Venezuela to the United Nations addressed to the Secretary-General, transmitting the text of resolution I and its annex, entitled "Latin American and Caribbean Proposal for a Solution to its External Debt Problem", adopted at the Regional Conference on External Debt, held at Caracas from 18 to 22 June 1990

- A/45/380 Note of the Secretary-General transmitting the report prepared by his Personal Representative on Debt
- A/45/531 Letter dated 20 September 1990 from the Permanent Representative of Yugoslavia to the United Nations addressed to the Secretary-General, transmitting the report on debt and development in the 1990s of the Round Table on Debt and Development, held at Sveti Stefan, Yugoslavia, on 28 and 29 June 1990
- A/45/584 Letter dated 4 October 1990 from the Permanent Representative of Bolivia to the United Nations addressed to the Secretary-General, transmitting the declaration of the Ministers for Foreign Affairs of the member States of the Group of 77, adopted on 3 October 1990 at their fourteenth annual meeting
- A/45/656 Report by the Secretary-General on the recent evolution of the international debt strategy
- A/45/675 Letter dated 26 October 1990 from the Permanent Representative of Venezuela to the United Nations addressed to the Secretary-General, transmitting the documents issued by the Presidents of the Rio Group at the Presidential Meeting of the Permanent Mechanism for Consultation and concerted Political Action, held at Caracas on 11 and 12 October 1990
- A/45/803 Letter dated 14 November 1990 from the Permanent Representative of Trinidad and Tobago to the United Nations addressed to the Secretary-General, transmitting a communiqué issued by the Meeting of Commonwealth Finance Ministers, held at Port-of-Spain on 19 and 20 September 1990

5. At the 20th meeting, on 23 October, an introductory statement was made by the Personal Representative of the Secretary-General on Debt (see A/C.2/45/SR.20).
6. At the 26th meeting, on 30 October, the Secretary-General made a statement (see A/C.2/45/SR.26).

II. CONSIDERATION OF PROPOSALS

A. Draft decision contained in document A/C.2/45/L.5

7. By its decision 44/445 of 22 December 1989, the General Assembly, on the recommendation of the Second Committee, decided to defer until its forty-fifth session consideration of the draft decision entitled "Establishment of an advisory commission on debt and development" (see A/C.2/45/L.5).

8. At its 54th meeting, on 11 December, following a statement by the Vice-Chairman of the Committee, Mr. Carlos Gianelli (Uruguay), and on the proposal of the Chairman, the Committee decided to recommend to the General Assembly that it should defer consideration of the draft decision contained in document A/C.2/45/L.5 until its forty-sixth session (see para. 17).

B. Draft resolutions A/C.2/45/L.44 and L.97

9. At the 44th meeting, on 19 November, the representative of Bolivia, on behalf of the States Members of the United Nations that are members of the Group of 77, introduced a draft resolution entitled "International debt crisis and development: enhanced international co-operation towards a durable solution to the external debt problem of developing countries" (A/C.2/45/L.44), which read as follows:

"The General Assembly,

"Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988 and 44/205 of 22 December 1989,

"Recalling also the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted on 1 May 1990 by the General Assembly at its eighteenth special session, 1/

"Recalling further Trade and Development Board resolutions 165 (S-IX) of 11 March 1978, 2/ 222 (XXI) of 27 September 1980, 3/ 358 (XXXV) of 5 October 1988, 4/ 375 (XXXVI) of 13 October 1989 5/ and 388 (XXXVII) of 17 October 1990, 6/

"1/ Resolution S-18/3, annex.

"2/ See Official Records of the General Assembly, 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.

"4/ Ibid., Forty-third Session, Supplement No. 15 (A/43/15), vol. II, sect. II.A.

"5/ Ibid., Forty-fourth Session, Supplement No. 15 (A/44/15), vol. II, sect. II.A.

"6/ Ibid., Forty-fifth Session, Supplement No. 15 (A/45/15).

"Deeply concerned that the problem of external indebtedness of developing countries continues to persist, obstructing their growth and development and eroding their political and social stability,

"Reaffirming that one of the principal aims of any debt solution strategy should be that developing countries achieve sufficient growth levels to satisfy their social, economic and development needs,

"Recognizing that a durable solution of the debt problem is not achievable without a significant reduction in the stock and service of debt and, in that context, welcoming the increasing acceptance by creditor countries of the need to write off and/or reduce the debt stock and debt service of developing countries,

"Stressing the need to broaden the scope, increase the financial resources and speed up the implementation of the various initiatives and measures aimed at debt reduction,

"Recognizing that measures for debt reduction need to be accompanied by vigorous efforts to create a favourable international economic environment to facilitate the reactivation of growth and development in developing countries,

"Concerned at the decline in the flow of financial resources to the developing countries for development and at the huge net transfer of financial resources from those countries, depriving them of the much needed resources for their growth and development,

"Convinced that a lasting solution to the debt problem of developing countries requires a co-ordinated and systematic approach, involving the full participation and co-operation of Governments of creditor and debtor countries, multilateral financial institutions and private banks,

"Stressing the need for the urgent and full implementation of the commitments and policies contained in the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, particularly those pertaining to the problem of external debt, as well as of the relevant provisions of the International Development Strategy for the Fourth United Nations Development Decade, 7/

"Recognizing the need for the intensification of efforts by the international community to resolve the severe debt crisis and to forestall its proliferation and prevent its further aggravation,

"1. Expresses its appreciation to the Secretary-General for his efforts to promote co-operation among debtor and creditor countries and multilateral

"7/ Resolution 45/___.

financial institutions with a view to finding a solution to the external debt problem of developing countries and, in that regard, stresses the need for the continuation and intensification of his efforts;

"2. Takes note with interest of the reports of the Secretary-General 8/ and of his Personal Representative on Debt, 9/ as well as the introductory statements made before the Second Committee by the Secretary-General on 30 October 1990 10/ and by his Personal Representative on 23 October 1990; 11/

"3. Acknowledges the various proposals made by developing countries to find a lasting solution to the external debt problem, and draws the attention of the international community to those proposals;

"4. Recognizes that the persistence of the debt problem constitutes a major obstacle to the economic growth and development of developing countries and poses a threat to their economic, social and political stability;

"5. Recognizes also that the revitalization of economic growth and development of the developing countries is not possible without an immediate solution to the problem of external indebtedness;

"6. Stresses therefore the need, during the initial years of the present decade, to search, through dialogue and shared responsibility, for a durable, equitable and mutually agreed growth and development oriented solution to the debt problem of developing countries, including those whose debt is mainly to official creditors or to multilateral institutions;

"7. Recognizes that economic growth and development of developing countries is essential for generating the necessary resources to enable them to service their debt;

"8. Recognizes also that there is a close interrelationship between the external debt problem of developing countries and the global economic environment, which needs to be markedly improved through the adoption of an appropriate mix of fiscal and monetary policies by the industrialized countries and the enhanced access to markets of the products of the developing countries, as defined in paragraph 12 of resolution 44/205;

"8/ A/45/656.

"9/ A/45/380, annex.

"10/ See A/C.2/45/SR.26.

"11/ See A/C.2/45/SR.20.

"9. Welcomes the increasing acceptance by creditor countries of the need to write off and/or reduce the stock and debt-servicing of developing countries and acknowledges the contributions that the recent initiatives can make through urgent and mutually agreed action, which should provide for the maximum possible reduction of debt stock and service;

"10. Stresses the urgent need for the expeditious implementation of the various proposals and initiatives, as well as the need to strengthen those initiatives and broaden the scope of their application so as to include all categories of debt and all categories of debtor developing countries;

"11. Stresses further the need to intensify efforts to find an effective solution to the problem of external indebtedness of the least developed countries;

"12. Recognizes the need for forgiveness of official debt of the low-income countries, particularly of those in Africa, owed to the developed countries, and urges that appropriate action be taken in that regard;

"13. Emphasizes that measures for the reduction of debt stock and service should constitute additional relief and should not be at the expense of existing official development assistance;

"14. Urges the Governments of developed countries, as well as multilateral financial institutions, to take urgent measures to support effectively the debtor developing countries most seriously affected by the latest crisis; the multilateral institutions should, in particular, immediately provide expanded resources to meet the needs of those countries in the present situation and play a catalytic role in mobilizing additional assistance;

"15. Invites the multilateral financial institutions to continue to review conditionality criteria, and stresses the need for increased co-operation between the International Monetary Fund, the World Bank and other multilateral financial institutions, which should not lead to cross-conditionality;

"16. Stresses that multilateral financial institutions should provide enhanced support for debt and debt-service reduction packages, with the necessary flexibility, under their established guidelines, and urges that serious attempts should also be made to find a solution to the debt-servicing problem of those developing countries whose debt is owed mainly to these institutions;

"17. Emphasizes the need to provide increased and substantial concessional resources to the developing countries, with a view to promoting the revival of economic growth and sustained development, and, in that regard, emphasizes the early attainment by the developed countries of the agreed international targets of devoting 0.7 per cent of gross national product to official development assistance, as well as the new target for an increase of official development assistance, including 0.20 per cent of gross national product for the least developed countries;

"18. Recognizes that a durable solution to the debt problem involves, inter alia, a substantial improvement in the access of the products of developing countries to the markets of developed countries and in their terms of trade, and affirms, in this context, the necessity of a timely, balanced and successful outcome of the Uruguay Round of multilateral trade negotiations that would result in the liberalization and expansion of world trade to the benefit of all countries, especially developing countries;

"19. Notes with interest the recommendations of the Personal Representative of the Secretary-General on Debt, and invites the Secretary-General to expeditiously follow up those recommendations, in consultation with Governments of a wide range of countries, at a high level, relevant international organizations and multilateral financial institutions, with special emphasis on the recommendations pertaining to debt forgiveness and reduction, the establishment of a co-ordinating committee within the multilateral financial institutions working closely with the regional development banks and the expansion of the role of the regional development banks, and the setting up of such banks as required, and to report to the General Assembly at its forty-sixth session on the outcome of his efforts;

"20. Also requests the Secretary-General to report to the General Assembly at its forty-sixth session on the implementation of the present resolution."

10. At its 54th meeting, on 11 December, the Committee had before it a draft resolution entitled "International debt crisis and development: enhanced international co-operation towards a durable solution to the external debt problems of developing countries" (A/C.2/45/L.97), submitted by the Vice-Chairman of the Committee, Mr. Carlos Gianelli (Uruguay), on the basis of informal consultations held on draft resolution A/C.2/45/L.44.

11. In introducing the draft resolution, the Vice-Chairman proposed the following revisions:

(a) At the end of the eighth preambular paragraph, add "and the Latin American Economic System (SELA)";

(b) In operative paragraph 21, after "and in this context" the text would read "encourages Governments to give them appropriate consideration, as a new impulse to a better understanding of the different aspects of the debt problem".

12. Before the draft resolution was adopted, the representative of France made a statement (see A/C.2/45/SR.54).

13. At the same meeting, the Committee adopted draft resolution A/C.2/45/L.97 without a vote (see para. 16).

14. After the draft resolution was adopted, the representative of Japan made a statement (see A/C.2/45/SR.54).

15. In the light of the adoption of draft resolution A/C.2/45/L.97, draft resolution A/C.2/45/L.44 was withdrawn by its sponsors.

III. RECOMMENDATIONS OF THE SECOND COMMITTEE

16. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

DRAFT RESOLUTION

International debt crisis and development: enhanced international co-operation towards a durable solution to the external debt problems of developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988 and 44/205 of 22 December 1989,

Recalling also the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, 1/ and noting the International Development Strategy for the Fourth United Nations Development Decade 2/ and the Programme of Action for the Least Developed Countries for the 1990s, adopted by the Second United Nations Conference on the Least Developed Countries,

Recalling further Trade and Development Board resolutions 165 (S-IX) of 11 March 1978, 3/ 222 (XXI) of 27 September 1980, 4/ 358 (XXXV) of 5 October 1988, 5/ 375 (XXXVI) of 13 October 1989 6/ and 388 (XXXVII) of 17 October 1990, 7/

1/ Resolution S-18/3, annex.

2/ Resolution 45/...

3/ See Official Records of the General Assembly, Third-third Session, Supplement No. 15 (A/33/15), vol. I, part two, annex I.

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

5/ Ibid., Forty-third Session, Supplement No. 15 (A/43/15), vol. II, sect. II.A.

6/ Ibid., Forty-fourth Session, Supplement No. 15 (A/44/15), vol. II, sect. II.A.

7/ Ibid., Forty-fifth Session, Supplement No. 15 (A/45/15).

Recognizing that for many indebted developing countries an early and durable solution of the external debt problems is not achievable without, inter alia, a significant reduction in the stock and service of debt and, in that context, welcoming the willingness of several creditor countries to reduce and/or write off debt stock or service on the bilateral official debt of many developing countries,

Emphasizing that it is essential for debtor developing countries to continue to pursue and intensify their efforts to raise savings and investment, reduce inflation and improve efficiency, taking into account their own individual characteristics and the vulnerability of the poorer strata of their populations,

Stressing that measures for debt reduction also need to be accompanied by vigorous efforts to improve the international economic environment in order to facilitate the reactivation of the growth and development of developing countries,

Noting with appreciation the recent developments in the evolving debt strategy,

Noting also the proposals made by developing countries and regional organizations, including the Organization of African Unity and the Latin American Economic System,

Stressing the urgent need for rapid and broad implementation of recent initiatives and measures to reduce the stock and service of external debt and to provide debt relief,

Concerned at the decline in the flow of financial resources to developing countries for development and at the large net transfer of resources from many of those countries, which deprives them of the much-needed resources for their growth and development,

Convinced that a durable solution to the debt problems of developing countries continues to require the full participation and full co-operation of Governments of creditor and debtor countries, multilateral financial institutions and private banks,

Stressing the need for urgent and full implementation of the commitments and policies contained in the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, particularly those pertaining to the problem of external debt, as well as of the relevant provisions of the International Development Strategy for the Fourth United Nations Development Decade and of the Programme of Action for the Least Developed Countries for the 1990s, adopted by the Second United Nations Conference on the Least Developed Countries,

Recognizing the need for the continuation of efforts by all the parties concerned to resolve the severe debt crisis and to forestall its proliferation and prevent its further aggravation,

Recognizing also the role of the multilateral financial institutions in dealing with debt problems of developing countries and the need to safeguard the high standing of those institutions in financial markets,

1. Expresses its appreciation to the Secretary-General for his efforts to promote understanding among debtor and creditor countries and multilateral financial institutions with a view to contributing to a solution to the external debt problems of developing countries and, in that regard, stresses the need for the continuation of his efforts;
2. Takes note with interest of the reports of the Secretary-General 8/ and of his Personal Representative on Debt, 9/ as well as the introductory statements made before the Second Committee by the Secretary-General on 30 October 1990 10/ and by his Personal Representative on 23 October 1990; 11/
3. Acknowledges the recent initiatives and measures taken in the context of the evolving debt strategy with a view to contributing to the solution of the debt problems;
4. Also acknowledges the various proposals made by developing and developed countries with a view to finding a durable solution to the external debt problems, and draws the attention of the international community to those proposals;
5. Welcomes the willingness of several creditor countries to reduce and/or write off the stock and debt servicing of many developing countries;
6. Stresses the urgent need for the broadest and most expeditious implementation of the recent initiatives and for building upon them;
7. Recognizes that for a large number of developing countries external indebtedness impedes their economic growth and development, which is a threat to their economic social and political stability;
8. Stresses, therefore, the need to continue to strive to achieve, through dialogue and shared responsibility, during the initial years of the present decade, a durable, equitable and mutually agreed growth and development-oriented solution to the debt problems of developing countries, taking into account their particular circumstances, including those of the countries whose debt is mainly to official creditors or to multilateral institutions;
9. Recognizes that the economic growth and development of developing countries is essential for generating the resources necessary to enable them to service their debt;

8/ A/45/656.

9/ A/45/380, annex.

10/ See A/C.2/45/SR.26.

11/ See A/C.2/45/SR.20.

10. Also recognizes that there is a close interrelationship between the external debt problems of developing countries and the global economic environment, which needs to be markedly improved through the adoption of an appropriate mix of fiscal, monetary and trade policies by all countries in accordance with their respective capacities and impact on the world economy;
11. Further recognizes that debtor countries should continue their efforts to attain efficiency and return to a path of sustained growth by adopting appropriate national economic policies;
12. Takes note of the ongoing efforts to address the debt problems of the least developed countries, and stresses the need to intensify ongoing efforts to find an effective solution to the problem of external indebtedness of those countries;
13. Welcomes the steps taken to forgive or reduce the official development assistance debt of the low-income countries, and urges that further appropriate action be taken in that regard, particularly for the countries in Africa;
14. Emphasizes that measures for the reduction of official debt stock and service should be implemented, taking into account the need for debtor countries to benefit from increased new financial flows, particularly official development assistance;
15. Invites the multilateral financial institutions to continue to provide support for debt and debt-service reduction packages, with the necessary flexibility under their established guidelines, and urges that serious attention be given to continuing to work towards a growth-oriented solution of the problems of developing countries with serious debt-servicing problems, including those whose debt is mainly to official creditors or to multilateral financial institutions;
16. Recognizes that increased co-operation between the International Monetary Fund, the World Bank and other multilateral financial institutions is welcomed but should not lead to cross-conditionality;
17. Emphasizes the need to provide substantial concessional resources to the developing countries, with a view to promoting the revival of economic growth and sustained development, and in that regard emphasizes that developed countries should implement their undertakings to attain the agreed international target of devoting 0.7 per cent of gross national product to official development assistance, as well as the agreed targets established at the Second United Nations Conference on the Least Developed Countries;
18. Recognizes that a durable solution to the debt problems involves, inter alia, a substantial improvement in the access of the products of developing countries to the markets of developed countries and in their terms of trade, as well as diversification of their exports, and reaffirms, in this context, the urgent need for a balanced and successful outcome of the Uruguay Round of Multilateral Trade Negotiations that would result in the liberalization and

expansion of world trade to the benefit of all countries, especially developing countries;

19. Urges the multilateral financial institutions and the donor countries to take appropriate steps to assist effectively those developing countries adversely affected by the situation between Iraq and Kuwait; in particular, the multilateral financial institutions are invited to respond promptly, flexibly and with expanded resources to the needs arising from the present situation and to play a catalytic role in mobilizing additional assistance;

20. Recognizes that the external indebtedness of some other countries with serious debt-servicing problems also gives rise to considerable concern, and invites all those involved to take into account, as appropriate, the provisions of the present resolution in addressing those problems and in working towards an early growth-oriented solution to the external debt problems;

21. Takes note with appreciation of the very useful efforts made by the Personal Representative of the Secretary-General on Debt in producing a wide-ranging analysis and in producing recommendations, and in this context, encourages Governments to give them appropriate consideration, as a new impulse to better understanding of the different aspects of the debt problem;

22. Requests the Secretary-General to report to the General Assembly at its forty-sixth session on the implementation of the present resolution.

17. The Second Committee also recommends to the General Assembly the adoption of the following draft decision:

Establishment of an advisory commission on debt and development

The General Assembly decides to defer until its forty-sixth session consideration of the draft decision entitled "Establishment of an advisory commission on debt and development". 12/
