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at 3 p.m.

New York

SUMMARY RECORD OF THE 28th MEETING

**Chairman:** Mr. PAPADATOS (Greece)  
**later:** Mr. GIANELLI (Uruguay)  
(Vice-Chairman)

CONTENTS

- AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)
- AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)
- (a) OFFICE OF THE UNITED NATIONS DISASTER RELIEF CO-ORDINATOR (continued)
- (b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)

Draft resolution A/C.2/45/L.21 entitled "Revitalization of the Economic and Social Council"

1. Mr. ZULETA (Bolivia) introduced draft resolution A/C.2/45/L.21 on behalf of the member countries of the Group of 77. The sponsors of the draft resolution believed that the report on the revitalization of the Economic and Social Council, requested by the Council in its resolution 1990/69, should be considered in detail as a separate agenda item of the forty-sixth session of the General Assembly. The draft resolution was being submitted for that reason.

Draft resolution A/C.2/45/L.24 entitled "Code of Conduct on Transnational Corporations"

2. Mr. ALVAREZ (Mexico) introduced draft resolution A/C.2/45/L.24 and said that the text of the code of conduct had been circulated in the annex to document E/1990/94. He added that the international community had long been interested in having a legal instrument in that field. That had been confirmed in a series of informal consultations.

3. Recently, the importance of direct foreign investments for both investors and the recipients of financing had finally begun to be realized. The international community must therefore support the draft resolution and adopt a code of conduct which would govern the relations between transnational corporations and Governments.

Draft resolution A/C.2/45/L.25 entitled "Prevention and control of acquired immunodeficiency syndrome (AIDS)"

4. Mrs. HJELT af TROLLE (Sweden) introduced draft resolution A/C.2/45/L.25 and said that Brazil and Thailand had joined as sponsors. She summarized the most important elements of the document, drawing attention, in particular, to the need to respect the human rights and dignity of AIDS-infected persons. She also expressed the hope that the draft resolution would be adopted by consensus.

AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(a) OFFICE OF THE UNITED NATIONS DISASTER RELIEF CO-ORDINATOR (continued)

Draft resolution A/C.2/45/L.22 entitled "Strengthening of the Office of the United Nations Disaster Relief Co-ordinator"

5. Mr. ZULETA (Bolivia) introduced draft resolution A/C.2/45/L.22 on behalf of the member countries of the Group of 77 and announced that some corrections must be made to the text.

(Mr. Zuleta, Bolivia)

6. Paragraphs 4 and 5 should be merged into one paragraph. To that end, the words "and invites" should be added at the end of paragraph 4, and "calls upon" should be deleted at the beginning of paragraph 5. Paragraph 6 would then become a new paragraph 5.

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolution A/C.2/45/L.19 entitled "Assistance for the reconstruction and development of Djibouti"

7. Mr. AL-TAYEB (Saudi Arabia), introducing draft resolution A/C.2/45/L.19, announced that Gabon and Turkey had joined as sponsors. He summarized the most important elements of the document and expressed the wish that the Committee would adopt it by consensus.

8. The CHAIRMAN informed the Committee that Burkina Faso had joined the sponsors of draft resolution A/C.2/45/L.15 entitled "Special assistance to the front-line States" and draft resolution A/C.2/45/L.18 entitled "Assistance to Mozambique".

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/45/334, 380, 531, 584, 656; A/C.2/45/L.5)

9. Mr. MUCHANGA (Zambia) supported the views expressed by the Chairman of the Group of 77 and expressed his delegation's appreciation for the report of Mr. Bettino Craxi (A/45/380), which added new dimensions to efforts to resolve the external debt problem of developing countries.

10. Both that report and the report on the recent evolution of the international debt strategy (A/45/656) led to the conclusion that mishandling the debt problem would not do anyone any good. The degradation of the environment, illegal drug production, migration to developed countries with a better economic situation, poverty, malnutrition and rising illiteracy rates were among the by-products of the debt crisis, and their effects would be felt across the entire globe. Clearly, then, the interests of creditors coincided with the well-being of debtors.

11. The developing countries required additional financial flows. In that connection, his delegation had noted with interest the proposal to establish a Mediterranean development finance institution in order to stimulate public and private investment, although it recognized that the idea was also motivated by the desire to control immigration into Europe. The countries of southern Africa which participated in the Southern African Development Co-ordination Conference (SADCC) had also requested the establishment of a financial institution similar to the proposed Mediterranean development bank, but donors had paid little attention to the idea. None the less, southern Africa required urgent rehabilitation and reconstruction measures in order to deal with the adverse effects of an undeclared war. His delegation therefore hoped that the proposal to create a southern African development finance institution would receive the support of the international community.

(Mr. Muchanga, Zambia)

12. The debt problem was also aggravated by the imposition of excessive premiums on the imports of developing countries within the framework of aid programmes. That could end up offsetting additional aid received. Such overpricing, tied aid and restrictive business practices in developed countries could create costs equivalent to the current volume of external debt in some developing countries.

13. His delegation supported the proposal to create an agency within the Bretton Woods institutions to co-ordinate debt-reduction operations. With regard to GATT, the current situation in the Uruguay Round did not offer encouraging signs that trade would be liberalized to levels that would enable the developing countries and the countries of Eastern Europe to undertake structural-adjustment programmes that would lead to productivity gains.

14. In conclusion, his delegation reiterated the call made by the Organization of African Unity in 1987 for the convening of an international conference on debt. The practical result of debt-relief efforts must not be the creation of new debt, as frequently occurred with debt-rescheduling operations.

15. Mr. AMAZIANE (Morocco) said that the principal causes of the external debt crisis of the developing countries had been the loss of exports due to increased protectionism in the markets of the industrialized world, the replacement of imports by synthetic substitutes, the deterioration in the terms of trade and rising interest rates. The radical transformation of the world economic climate in the 1980s had stripped of their meaning the decisions taken and predictions made by the developing countries on the basis of the situation in the 1970s.

16. In the view of his delegation, the developed countries thus bore the main responsibility for the debt crisis in the developing countries, that debt amounting to one half the gross national product of the developing world and approximately twice its export receipts. The debtor countries, whose debt was a function of the changes in international interest rates, had been forced to implement structural-adjustment programmes that not only had yielded mediocre results, but had also brought about social upheaval in a number of those countries. The external debt had thus become a grave threat to the social and political stability of those countries.

17. At the social level, the debt crisis had led to a drastic reduction in expenditure for education and health and a decrease in the purchasing power of the average citizen, a rapid expansion of the non-structured sector of the economy and growing transfrontier migration by persons who, often illegally, were seeking a decent and dignified existence in other countries.

18. With regard to the initiatives taken unilaterally by the creditor countries in an attempt to redress an already intolerable situation, he referred to the Baker Plan, which in 1985 had proposed the resumption of loans to the developing countries in debt and had been greeted with little enthusiasm by the international financial institutions and commercial banks, and also to the summit meeting held in Toronto in 1988, at which the seven main Western industrialized countries had

(Mr. Amaziane, Morocco)

adopted various measures to alleviate the official external debt of the poorest developing countries, in particular those of Africa south of the Sahara, albeit without reducing real interest rates. The 1989 Brady Plan had called for a voluntary reduction, for 17 developing countries with average receipts, of 20 per cent of the outstanding debt through various mechanisms, such as debt buy-back, conversion into investments and granting of new credits. Later, the number of countries that could avail themselves of such debt-reduction measures had risen to 39. But like the afore-mentioned debt reduction initiatives, the Brady Plan was insufficient for helping the developing countries to overcome the grave scarcity of financial resources afflicting them. In addition to their other shortcomings, all those initiatives also called for the implementation of structural-adjustment programmes approved by the International Monetary Fund and the World Bank; such programmes not only were of limited effectiveness but also had an adverse social impact on the developing countries.

19. His delegation expressed its appreciation for the report of the Personal Representative of the Secretary-General on Debt, (A/45/380), and commended it in particular for not situating the problem of the debt crisis in the context of economics and finance, but rather for seeing it as an ethical issue that obligated the rich countries to show solidarity with the poor countries. It made no sense to regard the crisis as reflecting normal relations between creditors and debtors, which in reality was a conflict between human beings, some of them rich and the others poor.

20. Another positive aspect of the Craxi report was that it defined various categories of debt and debtors and suggested solutions geared to each of those categories. In particular, it proposed a new, intermediate category, i.e., lower middle-income countries, for which it recommended concrete debt reduction measures. Another of the Report's commendable recommendations was to set up a Mediterranean bank to face the serious problems created by the debt and also those related to migration, population growth and the environment in the region.

21. Among the report's general recommendations that should be given special attention were the proposals for the establishment of a debt-restructuring agency within the international financial institutions, the creation of incentives for the participation of regional and commercial banks in the mechanisms being set up, the implementation by the developed countries of fiscal policies to reduce considerably interest rates, which were currently very high, the conversion of part of the debt into investments in development projects, environmental protection and the development of human resources, and an increase in official development assistance in order to reach the objective of 0.7 per cent of the developed countries' gross national product.

22. The political consensus reached at the eighteenth special session of the General Assembly must give rise to concrete activities that contributed to strengthening the international debt reduction strategy. In particular, the international community must reach an agreement on the total debt reduction that the developing countries needed in order to free themselves from the heavy debt burden.

23. Mr. AL-SULPITI (Qatar) said that the debt burden posed a grave threat to many developing countries, whose economic situation had also worsened as a result of the steep decline in raw-material prices during the 1980s. In the case of the countries of West Africa, that development had had a destabilizing impact not only at the economic but also at the social and political levels.

24. The developing countries were not in a position to pay the debt or to reduce their chronic trade deficit, and only the industrialized creditor countries could find a solution to the crisis. On 5 October 1990, the Minister for Foreign Affairs of Qatar had stated in the General Assembly that, as a gesture of solidarity with the Arab States in debt and with the developing countries in general, Qatar had decided to cancel the debt of those countries, and it was to be hoped that other countries would adopt similar measures. Furthermore, it was essential to remove the trade barriers facing the developing countries so that, by increasing their exports, those countries could close the gap separating them from the industrialized countries. The crisis not only had adverse consequences for the development efforts of the debtor countries, but also posed a grave threat to the world economy.

25. Mr. Gianelli (Uruguay), Vice-Chairman, took the Chair.

26. Mr. HAMAI (Algeria) praised the reports of the Personal Representative of the Secretary-General on Debt (A/45/380) and said that the external debt crisis, far from being merely a question of monetary and financial arrangements, was basically a major political problem in international economic relations, as could be seen from the failure of all the monetary and financial arrangements that had been tried out to date. There were still attempts to apply selective, ad hoc solutions, when what was needed was to work out an international strategy encompassing all dimensions of the problem - political, economic, social and human. In that regard, he thought it fitting that the item under consideration should be entitled "External debt crisis and development", since the debt burden was now the main obstacle to development.

27. The international development strategy for the fourth United Nations development decade, adopted by consensus, placed the debt crisis in a global perspective of equity, constructiveness and solidarity, highlighting, in particular, the spirit of solidarity that must govern economic relations between the members of the international community. For that reason, the measures provided for in the strategy, including those concerning the debt crisis, must be implemented in strict compliance with that text, and every State must fulfil the obligations it had entered into in that regard.

28. For their part, the developing countries would have to pursue their efforts to adopt appropriate economic policies. It should be pointed out, however, that those countries already bore the burden of the economic reforms which they were implementing, but had yet to see the results, because of an unpropitious international economic environment. Urgent steps were needed to rid the global economic context of the factors which most severely inhibited development, namely,

(Mr. Hamal, Algeria)

where the debt crisis was concerned, rising interest rates, negative resource transfers, scarce external resources, protectionist barriers and falling commodity prices.

29. The current rise in the price of oil was due mainly to speculative manoeuvring outside the Organisation of Petroleum Exporting Countries (OPEC), which had endeavoured to resolve the situation by increasing production. Furthermore, the circumstances surrounding the price rise precluded any forecasts, since the oil price might very well return before long to its level of a few months previously.

30. In order to find a rapid and durable solution to the crisis, which was of concern to all mankind, it must be approached from a global and concerted standpoint by improving the international economic environment and substantially reducing the debt stock and debt service of all the developing countries.

31. Mr. SILALAH (Indonesia) said that the perennial question of external indebtedness has caused stagnation and even negative growth in the economies of many developing countries, an increasing number of which were adopting adjustment measures based on sounder economic principles. However, the results were not very encouraging. His delegation considered the Craxi report (A/45/380) to be a very timely document and was gratified to note that the debt issue was being given the attention it deserved and had moved to the top of the international agenda and to a high political level. There was clearly a greater political willingness to address the problem, as was demonstrated by the recent initiatives to reduce the stock of debt and debt service. However, as a complement to such initiatives, multilateral financial institutions should adopt a positive approach to the problem of arrears and provide additional resources to support debt-reduction operations and facilitate adjustment measures. Above all, the initiatives should encompass all types of debt and all categories of debtor developing countries.

32. There was now wide recognition of many major components of the debt issue, i.e. that a solution to the crisis was a prerequisite for the reactivation of development, that the problem was systemic and that a durable solution required growth-oriented policies. In the previous two years, two major changes in international debt policies had opened up a new phase of major potential significance - the decision taken at Toronto to reduce the principal or interest on bilateral official debt for poor countries and the recognition in the Brady Plan of the need for debt relief, especially through the reduction of middle-income countries' debt to commercial banks.

33. For a debt strategy to be effective it should be durable, comprehensive and equitable. A comprehensive strategy should include facilities to assist the heavily indebted countries which had consistently honoured their obligations. In that regard, Indonesia agreed with the Italian delegation that some countries that had managed their economies prudently and had maintained good access to financial

(Mr. Silalahi, Indonesia)

markets had seen an increase in their debt, and official resources must therefore not be diverted from them, since that would entail the risk of spreading the debt crisis and increasing the number of affected countries.

34. Indonesia strongly believed that the economic environment must be improved if growth-oriented policies were to be effective. It therefore recognized the need, as stated in the report, to increase the flows of financial resources and put an end to the fluctuations of major currencies, and trusted that there would be a successful outcome to the Uruguay Round with a liberalization of trade and an increase in export earnings through stabilized commodity prices.

35. His delegation believed that the proposals contained in the Craxi report and other ongoing efforts to achieve a durable, equitable and comprehensive solution to the debt crisis were imperative if growth and sustained development in the developing countries were to be restored. Countries' hopes had been raised by the commitments entered into in connection with the proposals at the eighteenth special session of the General Assembly and in the new international development strategy, and the debt crisis should not be allowed to retard those processes or to continue to frustrate the development efforts of the developing countries.

36. Mr. DEL ROSARIO (Dominican Republic) said that there seemed to be a broad consensus that the desperate socio-economic situation of the developing countries resulting from the very grave problem of external debt was a crisis situation, and that the 1980s could be called a lost decade for development. In the region of Latin America and the Caribbean, the findings of the first phase of the study on poverty were appalling.

37. His delegation agreed with the Director-General for Development and International Economic Co-operation that the debt problem must be solved once and for all and that the increase in the external debt was one of the most serious constraints on developing societies.

38. The Dominican Republic considered that words must be translated into deeds and that agreement must be reached with the creditor countries on rapid and effective plans to ease the crisis. Mr. Craxi's report should be carefully studied by the major economic Powers. The debt could not be repaid on the present terms and no one doubted the truth of that assertion. The time had come to look for solutions, not to assign guilt, and in that context his delegation welcomed President Bush's initiative for the Americas, which it considered to be the basis for a dialogue that could yield positive results.

39. The Dominican Republic hoped that the crisis affecting the debtor countries would bring about a decisive change in the attitude of the creditor countries resulting in increased co-operation between the developed and developing nations, and that that would be reflected in better and greater access to their markets, better debt-payment conditions and increased financial flows to the developing economies. That was the only way of arresting the steady decline in the living



(Mr. Del Rosario, Dominican Republic)

standards of the peoples of the developing countries and the massive legal or illegal immigration to the more developed countries, which were already beginning to feel the strain.

40. Mr. SANGA (United Republic of Tanzania) said that, for the first time since the outbreak of the crisis, the debt problem was being linked to war, poverty and environmental degradation. That new trend of thinking addressed new areas of concern, but ignored the root causes of the problem, which were of a different nature.

41. His delegation understood the rationale behind the proposal, in the Craxi report (A/45/380), for the establishment of new categories of debtor countries which included the Eastern European and North African Mediterranean countries, for which special measures would be applied, such as the possible establishment of a Mediterranean development bank and of an Eastern European payments union with the financial assistance of the EEC. It was difficult, however, to envisage the effectiveness of the measures proposed for the remaining debtor countries, because although both the Toronto initiative and the Brady Plan had very positive aspects, they also had deficiencies. The Brady Plan, in particular, was tied up to non-priority areas for most of the debtor countries.

42. It was true that protection of the environment was vital, but it was not appropriate to link the payment of interest on bilateral debts into trust funds indexed local currencies to the financing of development projects for environmental protection and human-resource development. Creditors and debtors should be the only ones responsible for negotiating the financing of agreed projects. It was very difficult, even from the non-technical point of view, to suggest ways and means of solving the debt problem that could also address the problems of war, poverty and environmental degradation by considering only political and social scenarios and leaving out economic aspects. Linking the debt problem to efforts to end poverty and preserve the environment was tantamount to addressing the symptoms of a disease rather than its root causes. The proper course of action was to ensure the implementation of General Assembly resolutions 44/212 and 44/228.

43. Tanzania fully agreed that the debt problem could be resolved only in a climate of generalized growth, in both debtor and creditor countries. The political and social solutions proposed in the report were inadequate to address the debt problem, and the envisaged trickle-down effect to other debtor countries was unlikely to materialize in the foreseeable future.

44. For Tanzania and other commodity-dependent countries, favourable terms of trade, access to world markets, stable and predictable commodity prices and opportunities for commodity diversification could provide viable solutions to the debt problem. Any proposal for a solution to Africa's debt problem that ignored the problems of the commodity sector, particularly of sub-Saharan Africa, could not be realistic. That was why Africa had shown so much interest in the proposal for the establishment of a commodity diversification fund, but that proposal was not mentioned either in the Craxi report or in the recommendations of the report of the Group of Experts on Africa's Commodity Situation.

(Mr. Sanga, Tanzania)

45. In that respect, Africa would have found great merit in the report if the new proposals had also included measures for reactivating the existing commodity agreements as well as improving the effectiveness of the various schemes that were currently in place to compensate shortfalls in export earnings, including the IMF Compensatory and Contingency Financing Facility, the EEC System of Stabilization of Export Earnings - STABEX - and the system for stabilizing export earnings in the mining sector and the Common Fund for Commodities.

46. His delegation hoped that the Secretary-General would come up with more concrete recommendations for solving the debt problems of those countries that did not fall within the new category of debtor countries proposed in the Craxi report. In that regard, his delegation welcomed the new initiatives of the United Kingdom contained in the Trinidad package and those of France and the Netherlands for debt relief for the poorest developing countries made during the Second United Nations Conference on the Least Developed Countries.

47. Mr. TRAORE (Mali) said that the external debt crisis of the developing countries was the salient feature that would be the mark of the lost development decade; moreover, it was likely to threaten, for a long time to come, any hopes of improving the world economic situation, at least as far as the developing countries were concerned.

48. The Craxi report (A/45/380) provided a definite solution for ensuring that the crisis did not get worse and setting the international community on the right course, thus reconciling political discourse with economic practice. The report should also help allay the concerns of creditors regarding the consequences of a radical solution to the external debt crisis of the developing countries. Since the beginning of the crisis, only the quantitative aspect of the problem had been considered, and that had tended to create a psychosis in international opinion. Moreover, the debt had grown almost exponentially, from \$700 billion to the current figure of around \$1,300 billion.

49. The third world was a marginal world which played a very minor part in the world economy. The United Nations should try to correct that situation, taking advantage of the reduction of international tension, with a view to establishing a new international economic order. It must be recognized that so far, the results of the various global negotiations had not been very encouraging, from the North-South dialogue of the 1970s to the successive postponements, from one session to another, of important questions the examination of which could have helped bring the positions of the North and the South closer together.

50. The Craxi report (A/45/380) contained everything necessary to spark the creativity of the parties concerned in seeking solutions to a crisis in which the future of mankind was at stake. All that was missing was political will on all sides, and particularly on the part of the developed countries, whose policy decisions, no matter how secondary, affected all ends of the earth and set the pace for economic activity throughout the world.

(Mr. Traore, Mali)

51. The asymmetry of the structures and schemes that perpetuated the dependency of the developing countries aggravated their debt problem. It was essential to avoid new polarization in the world; international aid should increase the self-financing capacity of the countries that depended on it. In that respect, the net negative transfer of resources of the developing countries gave rise to concern.

52. The proposals contained in the report were in harmony with the positions that had always been held by Africa and the Economic Commission for Africa. For example, the Alternative Framework to Structural Adjustment Programmes, presented by the African countries, represented an important contribution in the search for a solution, and the international conference on the external debt proposed by the African Heads of State and Government could offer an opportunity to discuss with international and regional financial institutions, bilateral official development-assistance institutions, banks, developing countries and industrialized countries, the mechanisms that would be required to put into practice the proposals outlined in the report.

53. Despite the enormous natural resources of the sub-Saharan African countries and their 30 years of independence, their economic indicators were depressing. Their combined gross national product did not exceed \$150 billion and their external debt amounted to almost the same figure. A number of adverse factors affected the region, among them the degradation of the environment, the deterioration of economic and social structures, and economic bottlenecks, to say nothing of the fall in commodity prices and the worsening terms of trade.

54. In the context of that serious debt crisis, Africa and the international community had negotiated the United Nations Programme of Action for African Economic Recovery and Development, derived from the 1980 Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, of 1986. Resumed international co-operation would make it possible to mobilize the financial, scientific and technological resources needed to promote endogenous, participatory and autonomous development by the African countries, which, despite their enormous natural resources, accounted for barely 1.3 per cent of world trade; such co-operation would also help them to benefit from implementation of the institutional reforms and economic policies on which they had embarked.

55. A satisfactory outcome to the Uruguay Round of multilateral trade negotiations was crucial in that regard; within a few months it would become apparent whether the common destiny of mankind was to triumph over selfishness and geopolitical interests, for it was evident that the compensatory financing mechanisms, including the Common Fund for Commodities, were merely palliatives in an intermediate phase leading up to full implementation of the Integrated Programme for Commodities.

56. The increase in poverty in the developing world reflected the serious imbalances that were not being corrected by adjustment policies, which, on occasion, had failed to reactivate economic growth. Consequently, international efforts should focus on the causes of the impoverishment of the developing countries, the scarcity of capital with which to finance development programmes, and implementation of the Integrated Programme for Commodities.

57. Mr. MAYORGA CORTES (Nicaragua) said that the report of the Secretary-General on net transfer of resources from developing countries (A/45/487) revealed the magnitude of that problem, particularly by giving instances of highly indebted middle-income countries and the sub-Saharan African countries, and offered guidelines for ensuring a sufficient volume of resources to reactivate economies and revitalize development.

58. It was a matter for concern that the negative transfer of resources from the developing countries was not going to cease in the short term and that commodity prices continued to fall, leading to a deterioration in the terms of trade. That situation had chiefly affected the African countries and, to a lesser extent, other highly indebted developing countries whose production base and exports were more diversified.

59. Stabilization of commodity prices and elimination of protectionist barriers to developing countries' products would reduce the need for compensatory financing. Positive results from the Uruguay Round and an opening up of markets in the industrialized countries were important in that regard. It was also important for the developed countries to increase their official development assistance to 0.7 per cent of gross domestic product, a target that had recently been supported by the Nordic countries.

60. Nicaragua considered that the external debt crisis was closely linked to the transfer of resources. Consequently, his delegation paid tribute to the report by Mr. Craxi, Personal Representative of the Secretary-General on Debt, in which that relationship was emphasized. The report also proposed pragmatic, balanced and specific solutions for country groupings, within a systemic approach.

61. Nicaragua supported the view that responsibility for the debt crisis was shared, given that the absence of internationally agreed norms on monetary and fiscal policies and of control of the activities of the banks had prevented regulation and co-ordination of debt growth. Any strengthening of the current debt strategy must include provisions and mechanisms for that purpose. His country also supported a strengthening of the Brady Plan through the creation of legal and institutional mechanisms to co-ordinate the various interested parties' debt-reduction activities. That task, as the report suggested, could be performed by an organization or agency within the Bretton Woods institutions, so as to secure a sufficient flow of resources towards the developing countries, thereby avoiding a resurgence of new debt problems.

62. Adjustment policies were necessary to "put the house in order" through a reduction in financial imbalances, modernization and enhanced competitiveness of production systems and re-establishment of the capacity to obtain and absorb external financial resources. Nevertheless, in addition to its pragmatic aspect, adjustment must have a human dimension, to bring about a proper functioning of the social consultation mechanisms designed to achieve results fully accepted and shared by all segments of society.

(Mr. Mayorga Cortes, Nicaragua)

63. According to estimates by the Economic Commission for Latin America, per capita output had fallen by 16.6 per cent in Central America between 1980 and 1989, and by 8.3 per cent in Latin America as a whole. In the case of Nicaragua, it had fallen by 33.1 per cent. Over the same period, the purchasing power of Nicaraguan exports had fallen by 46 per cent and its external debt had increased from \$1,825 million in 1980 to \$7,570 million at the end of 1989, an increase of 314 per cent. According to recent estimates, the Nicaraguan debt currently stood at around \$11 billion, and was thus one of the largest in the world in per capita terms. The greater part of that debt was owed to bilateral sources.

64. If it was further borne in mind that unemployment was running at 40 per cent and that the adjustment policies adopted to invigorate the economy had not yet had their full effect, leading to difficulties in controlling inflation, the resultant picture was one of a severe economic crisis in Nicaragua which called for the attention of the international community. With regard to debt reduction, Nicaragua should be treated in the same way as the group of least developed countries, which would mean, according to the classification in the Craxi report, that at least between 60 and 80 per cent of Nicaragua's bilateral debt service should be eligible for writing off by the creditor countries. That alternative would be based on the fact that Nicaragua currently had a per capita income of above \$500; however, the integration of some 150,000 to 200,000 persons into the country and the work force as a result of the military demobilization and the return of refugees and persons displaced by the war invalidated any official calculation of per capita output by the international institutions.

65. In general, Nicaragua considered that greater efforts must be made to identify countries experiencing especially difficult circumstances, which must be given better and more concessional access to the resources of the International Development Association, the World Bank and the International Monetary Fund.

66. The recommendations of the Craxi report were compatible with the guidelines and conclusions of the Regional Conference on External Debt, held in Caracas in September 1990 in the framework of the Latin American Economic System and with the regional plan of action adopted on that occasion. The proposals in the plan included specific guidelines regarding different types of creditors and one innovation concerning the method of dealing with the intraregional debt.

The meeting rose at 5.25 p.m.