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Chairman: Mr. PAPADATOS (Greece)

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 79: DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION (continued) (A/45/3, A/45/25, A/45/64, A/45/73-S/21065, A/45/74-S/21068, A/45/113 and Add.1, A/45/138-S/21161, A/45/160-S/21182, A/45/164-S/21187, A/45/276-E/1990/88, A/45/299, A/45/303, A/45/310-S/21355, A/45/334-E/1990/100, A/45/350, A/45/381-E/1990/118, A/45/451, A/45/487, A/45/491, A/45/584, A/45/597, A/45/598-S/21854; A/C.2/45/5; A/C.2/45/L.4)

- (a) INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE (1991-2000) (continued) (A/45/41)
- (d) FOOD PROBLEMS (continued) (A/45/19, A/45/583)
- (e) NEW AND RENEWABLE SOURCES OF ENERGY (continued) (A/45/36 and Add.1)
- (f) DEVELOPMENT OF THE ENERGY RESOURCES OF DEVELOPING COUNTRIES (continued) (A/45/274-E/1990/73 and Corr.1)

1. Mr. VASILIEV (Union of Soviet Socialist Republics) said that his delegation welcomed the completion of work on the international development strategy for the fourth United Nations development decade. The emphasis on the eradication of hunger, poverty and disease, the protection of children, and environmentally and demographically sound development were in keeping with the times, as were the recommendations on the reduction of military expenditure. His delegation underscored the importance of the strategy's assessment of the radical changes taking place in the Soviet Union and Eastern Europe and the observation that the integration of those countries into the world economy could contribute to the strength and dynamism of world trade. The Soviet Union hoped that the General Assembly at its current session would not only unanimously adopt the agreed text of the international development strategy but would also take other decisions to develop further specific parts of the strategy.

2. The effective solution of food problems was an important aspect of international co-operation in the economic and social fields. An analysis of the current world food situation and of prospects for its development pointed to the inadequacy of the current efforts to overcome the steady increase in number of cases of malnutrition throughout the world. In addition to effective national measures to mobilize domestic material and human resources - which should constitute the basis for a solution of food problems in specific countries - a favourable external economic environment was essential; in particular, the situation in the area of the international food trade should be improved. His delegation agreed with the conclusions of the World Food Council (WFC) at its sixteenth session that the last decade of the century should be marked by a more just and open world trading system. In that regard a successful outcome to the Uruguay Round of trade negotiations would be of great importance.

3. The introduction of new techniques and technologies for food production, processing and storage and the widespread use of the achievements of biotechnology

(Mr. Vasiliev, USSR)

were becoming increasingly important, and international co-operation in that area and the exchange of technology should be open to all States without exception. The active contribution of the United Nations system to the successful solution of world food problems required improved co-ordination and complementarity of the efforts of the numerous international governmental and non-governmental organizations dealing with food problems under the auspices of WFC, the Food and Agriculture Organization of the United Nations (FAO), the World Food Programme (WFP) and the International Fund for Agricultural Development.

4. His delegation supported the inclusion of the economic bodies, organs and organizations of the United Nations system in the comprehensive analysis of energy problems. An assessment of various aspects of the energy situation could be carried out by experts from the United Nations and other international institutions, and also by non-governmental organizations and scientific centres.

5. The destabilization of the world energy situation had revived interest in new and renewable sources of energy. While those sources of energy would not be able to replace oil, gas, coal or nuclear energy in the foreseeable future, they could serve as supplementary sources of energy in regions where conditions favoured their efficient use. Another advantage of such sources of energy was that they were relatively benign. A long-term strategy for the development of energy resources should be based on the optimum combination of traditional and non-traditional sources of energy.

6. His delegation consistently supported the measures being taken to improve the co-ordination of energy programmes within the context of the Nairobi Programme of Action for the Development and Utilization of New and Renewable Sources of Energy. The Soviet Union hoped that the Committee on the Development and Utilization of New and Renewable Sources of Energy would make its contribution to the preparation of the United Nations Conference on Environment and Development.

7. In his report on human resources for development (A/45/451), the Secretary-General once again drew attention to the enduring significance of the human factor in the successful achievement of social and economic objectives. Effective United Nations action in the area of human resources development, in particular the promotion of a broad exchange of information and experience, was becoming increasingly important.

8. Mr. DJOGHLAF (Algeria) noted that the specific measures proposed in the Nairobi Programme of Action had still to be implemented, and that its promises had still to be translated into deeds. In August 1981, when the Programme had been adopted, new and renewable sources of energy had met about 15 per cent of world energy demand. Currently, they accounted for only 14 per cent. That state of affairs could not be attributed solely to the increasing instability of the energy market over the period. The replacement of development plans by short-term structural adjustment programmes in response to the worsening debt crisis, and the various attempts to undermine multilateral co-operation, had also contributed to the failure to achieve the goals of the Programme. The drying up of resources available from the UNDP Energy Account and from the United Nations Trust Fund for

(Mr. Djoghlaif, Algeria)

New and Renewable Sources of Energy, testified to the lack of interest in the promotion of international co-operation in the field of new and renewable sources of energy. That was undoubtedly one of the reasons for the failure to implement one of the areas for priority action under the Programme - namely, transfer, adaptation and application of technology for the benefit of the developing countries. Third world countries continued to be at a disadvantage with regard to such transfers, on account of its prohibitive cost. In that regard, it was reassuring to note that, at its fifth session, the Committee on the Development and Utilization of New and Renewable Sources of Energy had agreed to set up a committee of experts with a view to revitalizing the recommendations adopted at the Castel Gandolfo Colloquium of High-level Experts on New and Renewable Sources of Energy. His country reiterated its willingness to participate in setting up and consolidating the network of international multidisciplinary centres of excellence proposed by the participants in the Colloquium.

9. Despite its considerable hydrocarbon resources, at the start of the 1980s Algeria had committed itself to promoting other forms of energy, so as to meet its long-term development needs and those of future generations. In 1983, it had set up a programme to develop new and renewable energy sources, exploiting the country's abundant solar energy potential. Implementation of that programme had led to the setting up of a research and development centre for new and renewable sources of energy, and of a number of experimental energy plants and production units. The long-term objective of the programme was to make solar energy generally available throughout the south of the country. Algeria was intending to strengthen its co-operation in that field with all interested countries, particularly those of the Mediterranean basin.

10. Turning to the question of the implications of the oil price issue on the development of new and renewable sources of energy, he said that his delegation saw no need to link the two questions. Development of new and renewable energy sources must continue, regardless of fluctuations in oil prices. Any proposal aimed at creating a mechanism, institution or fund must be based on firm and reliable data, rather than on transitory considerations. Furthermore, any initiative on the matter by the Secretariat or the Secretary-General must be taken only after prior consultation with all United Nations Member States without exception.

11. Mr. QUALI (Burkina Faso), speaking on agenda items 79 (e) and (f), said that his country was faced with a twofold energy problem: on the one hand, excessive felling of trees for use as firewood threatened the country's ecological balance; on the other, the fact that Burkina Faso had no petroleum resources and no refinery led to an ever-increasing trade deficit. The population, urban and rural alike, relied mainly on biomass energy. Conscious of the threat to the country's development, the Government had defined a comprehensive energy policy, which emphasized development and utilization of new and renewable sources of energy. Burkina Faso had abundant solar energy resources, and agricultural residues also constituted a considerable energy potential. Over the past eight years, the Research and Development Programme of the Energy Institute of Burkina Faso (IBE) had developed alternative technologies to meet communities' needs and achieve energy savings concentrating on solar thermal energy and photovoltaic systems.

(Mr. Ouali, Burkina Faso)

Solar thermal energy was used, inter alia, for drying agricultural produce, thus contributing to solving the fundamental problem of achieving self-sufficiency in food. Wind energy was being used in irrigation and water supply projects. Several sites with hydroelectric potential had been identified, and one dam was already operational.

12. His country's policy in recent years had been to rely primarily on its own human and financial resources. Nevertheless, it now looked to the international community to support its efforts in that area. His delegation wished to thank donors for the aid they had provided, and to appeal for more financial resources for research in the sector of new and renewable sources of energy.

13. With regard to the role of the United Nations, his delegation noted that, on the eve of the tenth anniversary of the Nairobi Programme of Action, nothing agreed on in the Programme had as yet been accomplished and the developing countries continued to face numerous difficulties. If environmental protection was to be secured, the United Nations must play its role in the multilateral process of organizing a transition towards the use of new and renewable sources of energy, as part of a global energy policy and organs of the United Nations system responsible for those questions must be strengthened.

14. Mr. WILENSKI (Australia), speaking on agenda item 79 (d), on behalf of the Cairns Group of agricultural exporting countries, which comprised Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay, said that despite the fact that the level of world food production had been improved by advances in technology, dissemination of knowledge and the adoption of more effective agricultural policies, starvation and malnutrition remained a regular occurrence in some parts of the developing world, and there continued to be a great discrepancy between international levels of food production and access to food supplies. It was in the interests of both developed and developing countries that food should be produced and available at the most efficient market prices. Yet agricultural trade and production was currently governed, not by the efficiency of the market, but by an elaborate system of protection that distorted economic realities.

15. One major contribution that could be made to addressing international food problems would be the reform of the international trading system. A more liberal and market-oriented framework for agricultural trade would encourage stable and competitive food prices, promote greater predictability and diversity of supply, and provide a more favourable environment for investment in improved agricultural productivity. Developing countries would benefit thereby, both as producers and consumers of food. Their food security situation would be further enhanced through an expansion of trading opportunities, leading to an increase in foreign exchange earnings to support both debt servicing and necessary food imports.

16. Agricultural trade reform was one of the most important issues under discussion in the Uruguay Round of GATT negotiations and little time now remained in which to reach agreement on a reform package with the potential to benefit both developed and developing countries. Given the urgency of the task, progress in the

(Mr. Wilenski, Australia)

negotiations had been very disappointing. The Uruguay Round negotiations were focused on four elements of agricultural support and protection: border protection, internal support, export subsidies, and sanitary and phytosanitary regulations and barriers. Failure to agree on that agricultural package would signal the revival of creeping protectionism and the growth of exclusive trading blocs, to the serious detriment of prospects for growth and poverty eradication in developing countries.

17. The Cairns Group was comprised of those developed and developing countries which were able to produce food efficiently through application of market-oriented agricultural policies. Its members had urged those who distorted world agricultural markets to adopt a constructive approach to the negotiations. The Group was determined to ensure that the Uruguay Round did not conclude without a substantial outcome in agriculture. Having themselves undertaken major economic restructuring efforts and trade liberalization programmes, they called upon the industrialized countries to show leadership in the negotiations by presenting substantial offers for progressive reductions in market access barriers, internal support and export subsidies, and increased disciplines on sanitary and phytosanitary measures.

18. The Uruguay Round represented the last opportunity in the present century to provide an efficient framework for agricultural trade in the future. The prospects for resolving international food problems were closely linked to the outcome of the Uruguay Round negotiations. The Cairns Group therefore urged all parties to make every effort to advance the negotiations towards a successful and balanced outcome.

19. Mr. PIBULSONGGRAM (Thailand), speaking on agenda item 79 (d), said that while improved agricultural policies and techniques had enabled many former food-importing countries to become self-sufficient or even to export foodstuffs, starvation and malnutrition remained facts of life in many parts of the world. Furthermore, distorted market forces had deprived many developing countries of agricultural trade opportunities.

20. During its 16 years of operation, the World Food Council had had a profound impact on efforts to solve the problems of world hunger and malnutrition. At its sixteenth session, held at Bangkok in May 1990, the Council had concluded that the persistence of economic problems cast a disturbing shadow on the prospects for reducing world hunger in the 1990s, a view which his delegation shared. Consequently, co-operative action by all countries must be strengthened.

21. With regard to the Council's recommendation that food strategies should be integrated with macro-economic policies, his delegation believed that a conscientious food strategy framework would ensure low-income groups with security during periods of economic adjustment. Developed countries should endeavour to attain the target set for international official development assistance (ODA) to ensure the success of hunger alleviation programmes. His delegation also endorsed the Council's focus on the importance of improving the overall economic environment, as reflected in paragraphs 25 and 26 of its report (A/45/19).

(Mr. Pibulsonggram, Thailand)

22. His delegation supported the Council's call for a renewal of the Green Revolution, which necessitated a transfer of technologies and assistance to the developing countries. He commended the Council's decision to encourage an enhanced hunger focus and improved co-ordination between all relevant international agencies and governing bodies of the United Nations system.

23. The action-oriented recommendations of the Bangkok session should be fully implemented. Because Thailand was fortunate enough to be a food-exporting country, it had sought to play an active role on the Council. However, Thailand did not feel that its work on the Council was finished, and consequently hoped to be nominated to another term.

24. Compliance with GATT rules and procedures would help to ensure the success of food security programmes. Domestic support for agriculture and export subsidies had proven to be far too expensive and ultimately detrimental to all countries. The Cairns Group had put forward a comprehensive proposal for a long-term reform of agricultural trade which called for: reduction in existing tariffs and the conversion of non-tariff barriers to tariffs as a means of improving market access; a substantial reduction in domestic support measures; the prohibition of new export subsidies and a phasing out of existing subsidies; and special and differential treatment for developing countries, in accordance with their individual trade, financial and development needs, recognizing also the particular concerns of the net food-importing developing countries.

25. Special and differential treatment would help developing countries, particularly the least developed among them, to participate in the agricultural reform process, while implementation of the other provisions would help them achieve and sustain social and economic development. Although the Uruguay Round was nearly over, progress had been very slow. On 3 October 1990, the Association of South East Asian Nations (ASEAN) had appealed to the European Economic Community at Brussels to make a substantial improvement in the Community's offer to reduce the aggregate measure of support for the period 1986-1995. ASEAN also maintained that sustained or increased levels of protection for any product were unacceptable. A positive response to that request would go a long way towards ensuring the success of the Uruguay Round.

26. Mr. SORENSEN (Denmark), speaking on behalf of the Nordic countries, said that human resources development was increasingly being recognized as a prerequisite for development as well as a top priority by developing and donor countries alike. The conclusions of the Secretary-General's report on that question (A/45/451) made it clear that human resources development was both an instrument of development and an end in itself.

27. National human resources development policies would continue to be based on national sectoral strategies; however, a cross-sectoral approach was also critical. Cross-sectoral considerations had been analysed in depth in the Secretary-General's report and in the UNDP Human Development Report 1990. The importance of such considerations had also been demonstrated at the recent World Summit for Children. From those publications and forums, it had become clear that

(Mr. Sorensen, Denmark)

important components of human resources development were: the decentralization of authority and involvement of the people in the decision-making process; accountable government and respect for human rights and fundamental freedoms in order to motivate the population to contribute to the development process; the implementation of economic policies that stimulated market forces in the productive sector; the development of an efficient public sector which stimulated the development of the private sector; the full participation of women as agents in the development process; and the integration of non-governmental organizations, particularly indigenous ones, in development efforts at all levels.

28. At the global level, such cross-sectoral considerations must be reflected in development policies, including adjustment programmes. Even though structural adjustment might occasionally complicate the implementation of human resources activities, the Nordic countries were convinced that even adjusting economies could maintain human resources development as a top priority and secure new sources of funding for that purpose. The Nordic countries had many years of experience and considerable expertise in that area and were prepared to assist the developing countries through bilateral and multilateral channels.

29. Mr. SERSALE di CERISANO (Argentina) expressed support for the statement made by the representative of Bolivia on behalf of the Group of 77 on the item as a whole. His delegation believed that the sub-items on the international development strategy and food problems were interrelated and, in the case of his own country, interdependent, given that the implementation of the recommendations contained in the strategy would help to solve problems in international agricultural trade.

30. In the international development strategy, States undertook commitments that were consistent with the move towards liberalized trade which was to be the hallmark of the 1990s. The strategy made clear recommendations concerning appropriate trade policies, particularly in the area of agriculture and agricultural development, which his delegation supported. In reality, however, some of the major industrialized countries were taking measures that ran totally counter to the thrust of the strategy, hampering the reactivation of development in developing countries. The representative of Australia had just shown how certain practices distorted international agricultural trade. Protectionism in its many forms had obvious implications for the concept of food security. Moreover, the industrialized countries were being inconsistent. While applauding the political and economic changes taking place in developing countries, changes which were the prelude to a more open economy, they were discouraging those countries' efforts to expand their exports, even though that was the only way to revitalize the economies of such countries.

31. The major industrialized countries, and the countries of the European Economic Community in particular, must shoulder their historic, moral and political responsibility by taking measures that would lead to substantive progress in the negotiations on agricultural issues in the Uruguay Round. That would be the best way for them to further the agricultural development of developing countries and thereby eradicate hunger and malnutrition.

(Mr. Sersale Ji Carizano, Argentina)

32. Food problems related not only to trade but also to other aspects of the international development strategy, principally agriculture, which was the chief means of revitalizing economic growth during the 1990s, according to the strategy. Policy considerations which should therefore be borne in mind included: access to appropriate technology, pricing policies, the relationship to the industrial sector and, in general, measures affecting the production and distribution of and access to foodstuffs. If those issues were not dealt with in a comprehensive fashion, sustainable development could not be achieved. The reactivation of growth was the principal means of preventing environmental degradation in developing countries and the sole means of forestalling impoverishment in rural areas.

33. He concluded by expressing his delegation's support for the work of FAO, the World Food Programme, the International Fund for Agricultural Development and the World Food Council. He also suggested that the title of the sub-item "food problems" should be renamed "agricultural and food problems"; his delegation was prepared to consider the adoption of a comprehensive resolution on that item in which the question of agricultural and food production in developing countries was the central focus.

The meeting was suspended at 11.35 a.m. and resumed at 12.15 p.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/45/380)

34. Mr. CRAKI (Personal Representative of the Secretary-General on Debt) introducing his report on the external debt crisis and development (A/45/380) said that the proposals it contained were designed to assist poor, semi-poor and "middle-income" countries in the major regions of the world. As the debt crisis was systemic in nature, a solution must necessarily involve all components of the system - banks, Governments and international financial institutions (IFI).

35. Currently, private debt accounted for only half of the overall long-term debt in the world. The other half, amounting to \$466 billion, was owed to official creditors, including approximately \$200 billion in IFI loans. Therefore, Governments, first and foremost, had a direct and indirect responsibility concerning official loans.

36. Under the first proposal, the bilateral debt servicing of poor countries would be virtually written off. Ninety per cent of the debt would be cancelled and transferred to States as it matured, so that the burden on the budget of creditor States would be staggered over several years. The remaining 10 per cent would be converted into long-term loans on the terms offered by the International Development Association (IDA) (rate of 2 per cent, 30- or 40-year maturity) and repaid in indexed local currency. The residual amount would be channeled into trust funds, to which indebted Governments, international organizations and non-profit agencies could also contribute. Those funds would be earmarked for economic development, human and environmental protection and improvement, the protection of children and the elimination of drug abuse and drug trafficking.

(Mr. Cragi)

37. Similar measures were required for lower middle-income countries - (those countries whose per capita income was between \$500 and \$1,200) - including the gradual write-off of between 80 and 60 per cent of their bilateral debt service. The same technique, but with smaller reductions, should be applied to the bilateral debts of the middle-income countries. The application of such measures should not represent a loss of more than 0.1 per cent of the gross domestic product of creditor countries.

38. IFIs should increase payment facilities for poor countries by easing current limitations and they should extend similar facilities to lower middle-income countries, and perhaps even to countries undergoing exceptional crises, such as the energy crisis. New life must be breathed into IFIs, so that they could assume a more dynamic role in such areas as adjustment, debt conversion and infrastructural development and the provision of financial support to the Brady Plan as their capacity to grant the required concessions was enhanced. That capacity would be strengthened by the special drawing rights made available as a result of the decision to increase International Monetary Fund quotas.

39. The Brady Plan was a bold step in the right direction but it must be consolidated. More funds must be made available in order to broaden its sphere of action and enhance its effectiveness by adjusting to debtor countries' capacity to pay. Those capacities must be assessed in terms of the ratio between the interest rate payable after debt conversion and the growth rate of GDP. Much more significant discounts on principal and interest than the current 30-35 per cent would have to be offered. Probably, the discount should be between 50 and 60 per cent. To that end it would be important to increase guarantees on residual loans for debt servicing and debt stock. Tax, banking and accounting systems must be favourable to strengthening the Brady Plan. Other measures should include prefinancing in order to accelerate operations and provide an incentive for banks prepared to support the Plan in the short term. Debt buy-back should be contemplated where countries' capacity to pay was very low - either because their per capita income was low or medium-low, or their debt had a low value on the secondary market.

40. On his visits to the world's major banking institutes, he had noted a genuine, and very positive, if many-faceted, interest by Europe, the United States and Japan in the developing countries. That interest must be encouraged and bolstered by measures to reactivate the transfer of capital from the developed to the developing countries. Over the past decade, such capital transfers had been dangerously rare in the private sector. Official multilateral and bilateral financing agencies should implement such measures as cofinancing, insurance guarantees and co-insurance. It would be wise to diversify new funding instruments in order to avoid repeating the mistakes of the past.

41. The debt burden of the 1980s had prevented Latin America and the Caribbean from exploiting their enormous resources. Their overall gross product in the 1980s had increased by only 1 per cent annually, and by 0.1 per cent per capita. Setbacks in growth had hampered their capacity to pay and the debt crisis had fed on itself. A debt reduction and recycling plan, made possible by both official and

(Mr. Crazl)

private sources, might serve to level, then reverse, the region's current financial drain of \$25 billion annually.

42. Governments must offer possibilities for debt reduction and relief on official bilateral loans, comparable to the measures which commercial banks had accepted as necessary under the Brady Plan. IFIs must address their current zero balance with Latin America between disbursements and payments by granting special facilities similar to those adopted for the poorer countries, but on softer, concessional terms.

43. Concessional aid for infrastructure, "new money" instruments and the diversification of exports were among other major initiatives. Consideration should also be given to allowing certain countries to pay a portion of the interest in indexed, local currency bills, convertible at par value in local properties.

44. In Asia, the debt problem was particularly acute in India, Pakistan and Sri Lanka. In 1989, South Asia's gross domestic product had been \$345 billion; it contained 30 per cent of the world's population and half the world's poor. The per capita income was only \$280.

45. The growth rate of South Asia's GDP in the 1980-1989 period had been 5.5 per cent. Even so, despite the relative decline in 1989 (4.8 per cent), its development rate was still among the highest in the major areas of the world. According to World Bank forecasts, the poor in south Asia would still number 350 million by the year 2000. Continued attention must therefore be devoted to the debt problem of those countries.

46. Development in south Asia must rest on two pillars: an increase in agriculture commensurate with population growth, and growth in the industrial sector in order to modernize productive structures. In its report, the World Bank had pointed out that progress in Asia depended largely on development in China and India, failing which the prospects for poverty reduction would be much less favourable. Those two countries received little support for their growth and required major assistance in the form of IDA loans for infrastructure and investment subsidies.

47. With 110 million inhabitants, Bangladesh shared the record for poverty with a handful of countries in sub-Saharan Africa. Its per capita income had been \$170 in 1988, and in the early 1980s, half the population was living in "extreme poverty", without sufficient food to lead a "reasonably active life". Debt forgiveness proposals for the poor countries must accord priority to Bangladesh. The debt of sub-Saharan Africa currently stood at \$145 billion.

48. From 1980 to 1986, the debt burden had driven down the gross per capita income by 3.1 per cent, while consumption had dropped by 2.4 per cent and exports by 2.4 per cent annually in real terms. As a result, the ratio between debt-servicing and exports had deteriorated even further.

(Mr. Craxi)

49. At the same time, the 13 per cent deterioration in the terms of trade had pushed up prices and imports had dropped even more - by 7.5 per cent a year, slashing investment, maintenance and consumption. The overall influx of resources, through unsecured aid and multilateral and bilateral loans, had accounted for 7.3 per cent of the GDP - only 2.3 per cent of which had gone towards investment. That had led to a worrying decline in capital accumulation, which had sunk to 17.5 per cent, from 21 per cent, over the course of the 1980s. Failing drastic reductions and extraordinary concessional measures by IMF and the World Bank, the economic problems of the sub-Saharan countries would be insoluble.

50. Because of the interdependence between creditor and debtor countries in the Middle East, that region had been carefully dealt with in his report. Between 60 and 70 per cent of the debt in the region was owed to Governments, which should consider declaring a moratorium for, or restructuring the bilateral debt of, the countries most seriously affected by the crisis. Multilateral organizations must have sufficient liquidity in order to grant moratoriums and take special conversion measures, such as support funds designed to correct imbalances caused by the Persian Gulf crisis and to promote economic recovery. Arab donor countries should consider relaxing certain conditions on their revolving funds as a back-up to bilateral and multilateral measures taken by creditor countries of the Organisation for Economic Co-operation and Development.

51. At the end of 1988, the East European debt had amounted to \$100 billion, of which Poland accounted for 40 per cent and Hungary, 20 per cent. In the transition towards a market economy, Poland and Hungary had achieved considerable progress, and bold changes had been initiated in Czechoslovakia in such areas as price planning, exchange rates, the organization of capital markets, labour and services. At the same time, new experiments were being attempted in other Eastern European countries.

52. Strategies for dealing with the debt problem of those countries must avoid a repetition of past mistakes. They must step up the process of rapid and comprehensive transition, relying mainly on commercial finance. Debt with official creditors should be replaced by debt with private sources of finance and direct investments, and encouragement must be given to innovative options for raising new financial resources.

53. It was important to explore the possibility of setting up an eastern European monetary union with the financial assistance of the European Economic Community (EEC), as had been done for Western Europe after the Second World War. The introduction of free trade areas associated with EEC could be much more effective than the granting of large government-to-government concessional loans.

54. The disbursements by donor countries to developing countries had fluctuated around \$45 billion over the past decade and had reached \$50 billion in 1985, and again a few years later. However, in 1989 there had been an alarming drop. The international community must double its development aid, bringing it up to 0.70 per cent of donor countries' GDP. That was the percentage necessary to allow development aid to reach an acceptable level and to narrow the divide between North

(Mr. Craxi)

and South. That would bring the per capita income growth rate up from the 3 per cent. average of the last 20 years to 4 per cent.

55. Debtor States must undertake to meet their side of the bargain. First, they must reorder their own public finances by increasing fiscal pressure and not allowing the necessary and due social measures and economic incentives to be dispersed and swollen with indiscriminate welfare procedures and excessive spending. Colossal projects should be avoided and profitability calculated more carefully. State enterprises should be managed as commercial companies with their own profit-and-loss accounts. Where the State economy was too extended, State companies should be completely or partially privatized in order to expand the market economy, open the system to international investment and leave more room for local entrepreneurship and joint ventures.

56. The irresponsible massive export of capital by citizens of indebted countries was inadmissible. Appropriate forms of savings must be developed and protected against inflation; that would attract to the domestic market the capital formed through tourism, migrants' remittances and international trade. That also meant fighting inflation and giving priority to fiscal and income policies over emergency monetarist therapies. Adjustment processes were necessary but should not compress investment.

57. Solution of those complex debt problems required a high-profile leadership and systematic action. What was needed was an agency or a committee within the World Bank and IMF with the support - for each of the major indebted areas, namely, Mediterranean Africa and the Middle East, sub-Saharan Africa, Latin America, Asia and Eastern Europe - of the regional development banks and other multilateral regional bodies, either already existing or to be created. It should be increasingly clear that the future of peace was linked to the prospect of new regional realities based on co-operation between industrialized and developing countries and on respect for the rights and identities of individual peoples.

The meeting rose at 12.55 p.m.