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11th meeting
held on
Tuesday, 14 October 1986
at 3 p.m.
New York

SUMMARY RECORD OF THE 11th MEETING

Chairman: Mr. AL ASHTAL (Democratic Yemen)

later: Mr. de ROJAS (Venezuela)

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The meeting was called to order at 3.05 p.m.

ORGANIZATION OF WORK

1. The CHAIRMAN said that agreement had been reached on the division of tasks between the two Vice-Chairmen; they would be divided as indicated in the note which had been circulated on the subject. He proposed that the list of speakers on agenda item 81 "Training and Research" should close on 15 October at 12 p.m. If he heard no objection, he would take it that the Committee agreed.

2. It was so decided.

AGENDA ITEM 143: EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/41/643)

3. Miss SHAHIN (Egypt) said that her delegation supported and endorsed the views expressed by the Chairman of the Group of 77.

4. The external debt crisis was one of the most critical challenges to development. Discussion of the item, conducted on a democratic basis, should pave the way for a basis of understanding and develop into the long-awaited constructive dialogue that would help create a framework in which fair, adequate and durable solutions could be found. Some elements of the debt were clearly within the competence of the International Monetary Fund and the World Bank. Other, more comprehensive, human, social and political elements to which little consideration had been given as yet, were within the competence of the General Assembly. At the start of the debt crisis the greatest concern had been to avoid default by the debtors, which would have threatened the financial system of the creditors. Quick measures and piecemeal solutions had been imposed that had proved to be inequitable, destabilizing and destructive because they had imposed austerity on the developing countries, thus paralyzing their growth and threatening the entire world economy. Eventually it had been recognized that the debt problem was not simply one of saving the banks and ensuring that the debtor countries met their next repayment deadline - no matter what the cost and at the expense of their peoples. The root of the problem lay much deeper and its solution called for a consistent framework that would build linkages between reactivation of development and restoration of sustained growth, on the one hand, and repayment of the debt on the other.

5. The current consensus regarding growth-oriented programmes would remain a catchword unless the decline in export earnings of the developing countries was halted, the stringent liquidity situation eased and linked to development, the deterioration in the terms of trade improved, the flow of development finance restored and a just solution found to the debt crisis. As the Secretary-General had rightly pointed out the crisis was "a global issue and not a mere collection of problem cases". It was therefore truly astonishing to hear it being argued yet again that the needs and circumstances of each indebted country differed and that it was doubtful whether any concerted plan would go very far. In the minutes of the multilateral debt negotiations the most-favoured-nation clause was applied to

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(Miss Shahin, Egypt)

the creditor countries but was considered irrelevant for the debtor countries. Commercial banks insisted on fair treatment and the co-ordination and co-operation among all banks had led to the formation of steering committees of banks representing wide geographical interests. Whereas creditors were forming clubs and acting jointly and while banks were being allowed to form steering committees and to demand fair treatment, the debtor countries, the true victims of the situation, were being denied such privileges.

6. She commended the report of the Secretary-General (A/41/643) which acknowledged the efforts realized and commitments undertaken by the developing countries. It should, however, have stressed the need for equal commitment on the part of the developed countries. It should have been recalled that the success of the severe domestic policy reforms undertaken by the developing countries would depend on what concrete measures the developed countries took to improve international economic conditions so as to render them more conducive to development. The success of the economic reform programmes would depend on the implementation of consistent measures over a reasonable period of time in accordance with the domestic circumstances of each country and on full account being taken of the economic and political dimensions and implications of the problem. Table 7 in the report of the Secretary-General clearly illustrated a lack of political will and commitment on the part of the developed countries. It should be borne in mind that new lending and resumption of the flow of development financing were pre-conditions, not compensation, for the efforts realized.

7. The report also touched upon very important issues such as the reduction of interest rates and the close relationship between such rates and the domestic economic policies of the United States. It had also been pointed out that during the current year IMF had become a net importer of capital. IMF was pursuing its policies without regard to the suffering of the developing countries, which were endeavouring to meet their obligations, and also without regard to the impact of those policies on the commercial banks, which were increasingly reluctant to increase or even to maintain their own exposure. While the report of the Secretary-General did mention some of the reasons behind those policies it did not analyse their wider implications and left it to the Interim Committee to find the necessary measures to deal with that growing problem.

8. The last part of the report might well form the basis for a more broadly acceptable approach; however, it should have contained more details regarding the various alternatives which a new kind of risk-sharing arrangement could present as compared with the inadequate risk-sharing mechanism of debt contracts to which the debtor countries were still subject. Her delegation would also have liked to see some analysis of the growing trend towards exchanging debt for equity and its effects on easing the debt burden and particularly its effects on the development plans and objectives of the developing countries.

9. There were some broad guidelines which, if agreed upon, could constitute a starting point: firstly, developing countries had already made extraordinary adjustment efforts in their economies in order to meet their international

(Miss Shahin, Egypt)

obligations; secondly, development and economic growth must take priority over the servicing of the external debt; thirdly, the social costs of future adjustment programmes should eventually disappear; lastly, it was now the turn of the creditor countries, financial institutions and commercial banks to make the necessary adjustments in order to meet the requirements for sustained growth and development, particularly in the developing countries.

10. Mr. SIDDIKY (Bangladesh) said that, unlike Alice in Wonderland who had had to run fast just to stay in the same place, the situation of the developing countries continued to worsen despite all their efforts, including the implementation of severe adjustment measures. In 1977, their external debt had amounted to $373 billion; it had since tripled and was almost $1 trillion. Between 1981 and 1985 the developing countries had paid over $300 billion by way of debt servicing, yet the absolute quantum of debt had not decreased. According to UNCTAD data, the external debt of the least developed countries had risen from $33.7 billion in 1984 to $38 billion in 1985. Considering the vulnerability of the economies of those countries, their limited resources and export potential and their inability to attract private foreign investment, the impact of that debt was much more severe than it might appear. The debt problem had assumed crisis proportions in 1982 when the capital flows to those countries had declined substantially. The negative transfer of resources to the developing countries, in other words their net transfer of resources abroad, which began in 1983, had reached some $31 billion in 1985. The situation had been further aggravated by the sluggish growth in world output and world trade, weak commodity prices, which had reached the lowest level since the Great Depression, and persistence of real interest rates at an unprecedentedly high level. Although nominal interest rates had declined, translating into savings of some $13 billion in debt servicing, the deterioration in the terms of trade had resulted in losses of approximately $50 billion. In 1985, the developing countries had had to export 25 per cent more than in 1980 in order to pay for the same volume of imports.

11. The economic recovery in the leading industrialized countries had bypassed the developing countries due to the fact that no steps had been taken to reactivate their economies and it had since turned sluggish. The intensification of protectionism was undermining debtor countries' capacity to grow and export which would enable them to surmount the crisis. As indicated in the report of the Secretary-General, after a decisive improvement in most debtor countries in 1984, debt-to-export ratios had begun to deteriorate in 1985 and were expected to deteriorate further in 1986.

12. International bank loans to the developing countries had dropped by more than 60 per cent between 1981 and 1985 and international financial institutions were turning into net recipients of funds from developing countries. The report of the Secretary-General pointed out that the net IMF credit flows to developing countries had fallen from a peak of $11 billion in 1983 to almost zero in 1985 and had become negative in 1986. In 1985, the World Bank's net transfer of resources to current borrowers had declined by 40 per cent. The projected level of the eighth

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(Mr. Siddiky, Bangladesh)

replenishment of IDA, which provided assistance to the poorest countries, would restore the funding only to the level which had existed several years earlier in nominal terms.

13. The empirical data indicated that the international economic shocks had created and further aggravated the debt crisis. The developing countries, despite the hardship involved for large segments of their population, particularly the most vulnerable groups, had acknowledged a need for adjustment measures. However, their efforts could not succeed without the political support of the affected population which, as the Managing Director of IMF had pointed out, would be progressively harder to maintain as the level of living declined. As the Secretary-General had pointed out, it was obvious that under present and foreseeable circumstances, contractual obligations for the repayment of debts of such magnitude would not be met and therefore there must be further reschedulings, restructurings, write-offs or conversions of loans into grants for the poorest countries. The developing countries were worse off than 10 years ago and in many cases worse off than in 1970 and could therefore not accept any further deterioration. The challenge facing the international community entailed shared responsibility for finding a solution that would allow the developing countries to grow and raise the level of living of their peoples. The undertaking brooked no further delay nor any piece-meal or stop-gap arrangements. He hoped that the debate at the current session would lay the political foundation for establishing such an undertaking.

14. Mr. BEN MOUSSA (Morocco) said that the central problems of world indebtedness and the external debt of the developing countries were endangering the international financial system. The world economy showed unprecedented imbalances, marked by the enormous external debt of the developing countries and the crushing debt-servicing burden, with the consequent reverse transfer of resources from South to North. To that must be added the fall in the prices of most commodities. The recent decline in nominal interest rates had been neutralized by the deterioration in the terms of trade. The absence of any prospect of development recovering in the current decade meant that the threat of default on the part of many debtor developing countries was in the offing.

15. For a number of years, Morocco, which had experienced the same difficulties as other developing countries, had been following a stabilization policy with encouraging first results. According to forecasts by the World Bank Consultative Group, which had met in Paris in 1985, Morocco, through effective policies and with the support of the international financial community, would be able to overcome its difficulties and resume its progress towards growth. The end of the drought which had plagued Morocco until 1985 had combined with other factors, enabling the Moroccan economy to become more productive. However, since the adjustment process could not proceed in isolation and was affected by all kinds of outside disturbances, Morocco's efforts to recover had demanded enormous sacrifices from the country in terms of growth, employment and the social sectors. A structured intergovernmental dialogue was therefore necessary for a concerted and lasting solution to be found to the problem of external debt and the world economic crisis.

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(Mr. Ben Moussa, Morocco)

16. For development to resume, five se's of interdependent solutions were required. First, since 60 per cent of the current external debt of the developing countries would fall due between 1986 and 1991, it was essential to reach an agreement based on new rescheduling formulas, reconversion into local currency and extension of the time-limit for the debts of the worst-affected countries, including remission of the debt for the least developed countries. It was also necessary to devise new forms of conditionality oriented towards growth, longer-term stabilization and the development strategies of the debtor countries. More than ever, the international community must establish a benchmark based on mutual agreement and the shared responsibility of developing debtor and developed creditor countries, and on the linkage of such related questions as currencies, finance and trade. Morocco endorsed the principle that creditor countries should agree that debt servicing should be limited to a reasonable proportion of export income so as not to impede the development or disturb the political and social stability of debtor countries. It was important for IMF to bear in mind fluctuations in commodity prices when preparing financing plans for debtor countries. Morocco was in favour of reactivating and expanding the Baker Plan which, though not wholly satisfactory as it stood, could help to alleviate certain situations of acute financial crisis.

17. Secondly, in order to reverse the net South-North transfer of resources and restore the debtor developing countries' capacity to pay, the transfer of resources of all kinds to those countries must be doubled. For that purpose the net contributions of low-interest official development assistance should be considerably increased on favourable terms, the resources of IDA should be replenished, more flexible policies should be adopted for facilitating access to the resources of IMF, with less rigorous conditions for compensatory financing, there should be an assignment of special drawing rights, voluntary commercial bank lending should be reactivated, the resources of the regional development banks should be increased, and the World Bank's lending capacity should be expanded and its function as a catalyst in related fields consolidated.

18. Thirdly, in the multilateral trade negotiations to be held shortly, as well as at the seventh session of UNCTAD, the protectionist measures applied by the industrial countries should be reduced. The stabilization of commodity markets at a level that would be remunerative and foreseeable for producers and fair to consumers would free the developing countries from their excessive dependence on a few primary commodities. The prospects offered by the Uruguay round and the cycle of negotiations on the global system of trade preferences among developing countries were encouraging in that connection. It was to be hoped that the major Powers would support the start-up of the Common Fund for Commodities.

19. Fourthly, the African debt must be the subject of a specific examination in an appropriate international forum. According to the UNCTAD Trade and Development Report for 1986, the least developed African countries were showing a net deterioration in their debt indicators. Africa was experiencing a negative transfer of resources that was compromising the implementation of the Programme of Action for African Economic Recovery and Development, 1986-1990. According to the

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(Mr. Ben Moussa, Morocco)

World Bank, in the next three years, the countries south of the Sahara would have serious problems with servicing their debt. The only solution for those countries lay in moratoriums linked with rehabilitation programmes.

20. Fifthly, the developed countries should make sure on the one hand to co-ordinate their economic policies with a view to consolidating recovery and growth and, on the other, to make those policies compatible with development goals and strategies. It would be impossible to achieve those goals unless there was a further sharp fall in real interest rates and exchange rates were stabilized. As matters stood, borrowers assumed all exchange and interest risks. It was vital to provide machinery for sharing those risks in future loan contracts.

21. From a more general point of view, attention should be directed to the problem of the dislocation of the world financial and monetary system created at Bretton Woods. On the one hand, the World Bank had been swamped by the volume of the developing world's needs. Contrary to widespread opinion, it contributed only 6 per cent to the financing of investment, whereas IMF had managed to adapt itself to the new situation although its structure had not evolved. In fact, IMF had been conceived as an institution of solidarity intended to harmonize national economies, facilitate control of temporary trade deficits and safeguard the stability of exchange rates. Very much to the contrary, it was currently urging large reductions in imports with a view to a rapid return to trade surpluses, while exchange rates were marked by flexbility and instability. From being the guardian of monetary parities, IMF had turned into the stout defender of permanent devaluation, with a view to encouraging export income that would allow the debtor countries to bear the debt-servicing burden. It used to recommend equitable stabilization policies in order to correct imbalances in international economic relations. More recently, it had advocated asymmetrical adjustment policies for the developing countries, without proper consideration for the human suffering involved and without any structural counterpart from the lenders. IMF was the central organ for managing the debt crisis, with an attitude that was slightly more growth-oriented. In summing up his eight years as Managing Director of IMF, Mr. de Larosière had condemned the failure of the agency's member countries which had been unable to prevent international financial imbalances and the concurrent monetary disorder from worsening. Hence, the pressing need to reform the international monetary and financial system and to re-define the role of the major multilateral institutions.

22. Under-development was not only the most important economic and social problem of the times but also the most important political problem of all time. It could be solved only through profound changes in economic and social structures and in attitude, as well as in national and international planning. The economies of the developing countries were at the same time disjointed and dominated: consequently, development must come about through restructuring of the international economic environment and transformation of domination into true interdependence.

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23. Mr. LAVROV (Union of Soviet Socialist Republics) said that it was not the first time that the external indebtedness of the developing countries was figuring among the most urgent problems on the international economic scene. It was a problem of world-wide proportions and symptomatic of serious imbalances in international economic relations. The instability of exchange rates, high interest rates, the growth of protectionism, rising militarism and the escalation of the arms race, all contributed to that state of affairs. No improvement in the critical situation was in prospect in the short term. There was a net transfer of resources from developing to developed countries for the servicing of debt, a flow that was taking on a permanent character. If a quick solution was not found, the situation would have serious consequences for international economic and social relations. The partial efforts made to date aimed only to mitigate the problem and salvage it from its most critical stage. The Western prescriptions proposed by the creditor countries were only makeshift remedies which ultimately made the situation of the debtor countries even worse.

24. The Latin American countries, for example, had reduced the deficits in their balance of payments from 1982 to 1985, but the price that they had had to pay was reflected in the quintupling of their level of inflation. The situation in Africa had been no better and had prompted the calling of a special session of the General Assembly.

25. The only purpose of the Baker Plan was to keep the debtors afloat and prevent the international financial and monetary system from collapsing. That had been made clear when the effort was made to apply the Plan. A simple piece of arithmetic was enough to prove that the financing that it advocated for debtor countries scarcely covered the capital payments that would flow from those countries by other channels.

26. It was the commercial banks that were benefiting from the apparent easing of the crisis. They had considerably reduced the financing that they provided for the developing countries and had rapidly increased their reserves by means of the payments that they received from the third world. The external debt problem was getting worse, from day to day as a result of new processes in international capital markets which, by contributing to the increase of the net capital outflow from developing countries, were raising the cost of new credits.

27. The insistence of Western capitalist countries on replacing State capital in the developing countries with private capital investments might well enable those countries to settle their debts, but only in exchange for control over their national economies. The error of the measures advocated to defuse the external debt bomb lay basically in the absence of an overall concept and in the attempt to apply alien programmes to developing countries that did not meet their real economic and social needs. Demanding that debt problems be resolved case by case meant asking each affected country to confront the big private banks, the Governments of creditor countries, the International Monetary Fund and the World Bank on its own, on pain of incurring economic sanctions if it tried to use other negotiating channels.

(Mr. Lavrov, USSR)

28. The Soviet Union supported the resolutions adopted at the recent Conference of Heads of State or Government of Non-Aligned Countries held at Harare, which advocated the adoption of a global political approach to the debt problem, together with the goal of establishing a new international economic order based on the inalienable right of each State to choose its own socio-economic system and manage its own economy. The global approach should take account of the existing correlation of money, finance, trade and development. That global framework stood in marked contrast to the effort of the group of the five most developed capitalist countries to reduce the parity of the dollar against the currencies of Japan and the Federal Republic of Germany, which had resulted in a 60 per cent increase in the indebtedness of the South-East Asian countries. That showed the need for such problems to be solved globally by measures applicable to the greatest possible number of currencies and countries.

29. The problems of external debt had arisen from the economic relationship between the developed capitalist and the developing countries. Despite that, the Soviet Union was not a spectator on the sidelines; it wished to contribute to the quest for solutions with a view to establishing genuine international economic security. Consequently, the Soviet Union was providing credits to developing countries and maintained relations with some Western banks. Those relations were based on the principles of equality and mutual benefit. Soviet credits were invested mainly in the basic sectors of the developing countries' economies and did not give rise to net outflows of resources; they were repaid in the form of purchases of the products of the economic activities that they financed. While constituting only part of the assistance provided by the Soviet Union to developing countries, they had reached the figure of 11.5 billion roubles in 1985, i.e., 1.5 per cent of the Soviet Union's gross domestic product. The terms for granting and repaying them were established in agreements between the respective Governments and took into account the interests of both parties. One example was the restructuring of the debts of developing countries in Africa to the Soviet Union, which amounted to 1.7 billion roubles, including interest, or the equivalent of $2.4 billion.

30. With regard to the global problem of external debt, the Soviet Union advocated the following solutions: lowering the interest rates on credits, eliminating protectionism, stabilizing exchange rates, and democratizing the international money and financial markets. The role of the United Nations was vitally important for achieving co-operation based on those ideas. There had been no lack of proposals to date in that regard in the discussions of the General Assembly: there were the proposals of the Group of 77, the proposals in the preparatory studies for convening an international conference on monetary and financial problems, the proposals aimed at stabilizing international commodity markets, etc. Formulation of an agreed method that would take the interests of all States into account would be facilitated by the establishment of an international research centre on debt and development, as proposed by the delegation of Poland. The Soviet Union endorsed the hopes expressed by the Chairman of the Group of 77 that the current session of the General Assembly would be more than a forum for discussing such problems and would mark the beginning of the implementation of practical ways of solving them.

31. Mr. de Rojas (Venezuela) took the Chair.

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32. Mr. ELGHOUAYEL (Tunisia) said that, despite the convergence of several positive factors at the national and international levels, the external debt problem was still waiting for a global, long-term and lasting solution, as indicated in the report of the Secretary-General (A/41/643).

33. Always true to its international commitments on external debt, Tunisia had not shrunk from any sacrifice to fulfil them punctually. Nevertheless, it was appropriate to remember the origins and causes of a situation that was tragic for debtor and creditor countries alike. After several years of growth in the world economy, characterized by the developing countries' greater participation in international economic, trade and financial activities and by their increased and more diversified productive capacity, the current situation had arisen as a result of the developing economies' lack of solvency and the inability of private and international financial bodies to foresee the system's long-term behaviour. The long-term consequences had not been apparent when those taking part in the process had been deriving substantial benefits and the international community had joined together in praising the growing interdependence of the world economy. If it was natural to share the burdens of reversals in the growth process fairly in favourable economic situations, it was essential to do so in times of recession, because isolated, fragmentary and unco-ordinated measures were counterproductive. In order to solve the debt crisis, it was necessary to revive international growth and development, especially in the developing countries. When all was said and done, the debt crisis mirrored the maladjustment of the international economic system as a whole and of the interrelationship of the problems of money, finance, world trade, commodities and development, the negative effect of which was being made worse by the great social and political pressures arising therefrom.

34. He regarded as remedies for the crisis: harmonization of the macro-economic policies of the developed countries, so as to ensure monetary and financial stability; increased international liquidity in both bilateral and multilateral relations, including official development assistance, so as to stop and reverse the net transfer of resources from developing to developed countries; the reduction of real interest rates; the dismantling of restrictive and protectionist trade measures, in accordance with the commitments entered into within the framework of GATT and at Punta del Este; and increasing commodity prices. Those measures should be backed up by concerted action at all levels: at the global political level, within the General Assembly, at the bilateral level and at the level of international financial institutions, especially IMF and IBRD.

35. Mr. DAZA (Chile) said that at the end of the current year, the external debt of the developing countries would reach 1,000 billion dollars and in the next five years they would have to pay 400 billion dollars in debt servicing. The problem, then, was not one of financing or of international liquidity, but rather of development. It had its origin in the changes in the international economy and in domestic policy errors by both the debtor countries and the creditors, and would not be solved in the near future. In order to improve the developing countries' to pay capacity, sustained growth in trade and increased productivity in the world economy were essential. Equally essential was fiscal and monetary discipline which would amass the resources necessary to survive the adjustment process. The

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(Mr. Daza, Chile)

developing countries had worked seriously and responsibly in a domestic adjustment process which had meant, as pointed out in the Cartagena Consensus, the most drastic reduction in income levels and employment in the region since the 1930s. Despite growth in their main exports, the developing countries had been affected by deteriorating terms of trade, the rise in real interest rates, a reduction in capital flows (which seemed to have nothing to do with the credit-worthiness of the developing countries) and the consequences of the disorder prevailing in the macro-economic policy of the industrialized countries. Thus, paradoxically, Latin America was financing the recovery of the industrialized world, to which it had transferred 100 billion dollars in four years. His delegation therefore stressed that the debt problem should be approached on the basis of shared responsibility of the debtor countries, banks and creditor countries, and that the adjustment processes in the developing countries should be accompanied by similar processes in the industrialized countries.

36. The proposal by the United States Secretary of the Treasury, Mr. Baker, was a positive step which made room for the concept of shared responsibility. At the same time, he had recognized that permanent recessive adjustment would not only fail to solve the problem, but would aggravate it. His initiative was composed of four main elements, namely: increasing the resources of the World Bank and the regional development banks; increasing financial flows from private banks; combating protectionism; and domestic adjustment of the developing countries' economies. While the developing countries had made a gigantic effort to adjust their economies, the remaining elements of the Baker Plan had achieved only a minimal part of its objectives. Protectionism had not been eliminated and financial flows, particularly from the private sector, had not increased. The basic responsibility for that lay with the industrialized countries. The only part of the Baker proposal that had been fulfilled had been that of giving a new impetus to World Bank activity, facilitating the financing of sectoral programmes not linked to projects. He hoped that that positive element would not be nullified or disturbed by the regrettable attempt to use international financial agencies as instruments of political pressure, contrary to the purposes of international organizations.

37. His delegation believed that unless there was an adequate increase in financing, coupled with the complete liberalization of trade, enabling the developing countries to make the most of their comparative advantages, the external debt problem would remain unsolved.

38. At the end of 1985, Chile's total external debt had amounted to $19.326 billion, $8.750 billion of which had corresponded to interest payments. In recent years, Chile had received no more than $11 billion. The Government of Chile had striven to meet its obligations faithfully without neglecting development, even with painful consequences in the form of the social effects of profound economic adjustment. Nevertheless, the country's exports were encountering growing difficulties in obtaining access to markets that were becoming increasingly protected. Despite Chile's credit worthiness, the resources which it obtained were insufficient. Like the other developing countries, Chile's progress was limited by

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(Mr. Daza, Chile)

the lack of symmetry in the policy of the industrialized countries. The lack of reciprocity was particularly marked in the case of trade. Consequently, it was essential to give effect to the recent Punta del Este agreement which prohibited the establishment of new protectionist measures and provided that the dismantling of existing ones should begin immediately. Failing that the asymmetry would increase, would neutralize the effects of the adjustment process and would make it impossible to service the debt.

39. The problem was urgent and required urgent and imaginative measures. For example, it would be possible to envisage without violating the most-favoured-nation clause, the early and total application of trade liberalization measures for the developing countries. In the final analysis, there would be no debt servicing without trade. The developing countries had made extreme domestic adjustment efforts. Therefore it was for the industrialized countries to assume without delay their obligations with regard to the opening up of trade. What was at stake was not only the developing countries' capacity to pay but also the growth of the world economy.

40. Mr. WORONIECKI (Poland) said that he shared the concern of the debtor countries about the effects which could arise from the external debt problem which, as indicated in the report of the Secretary-General, had become a central economic and political issue in the current political debate on the need to reactivate the development process in the late 1980s. The rapid spread of indebtedness was the best proof of disequilibrium and the lack of equity in international economic relations. The debt crisis, clearly symptomatic of the deficiency in the management of economic interdependence, was an unavoidable challenge. Failing an appropriate response, on the basis of a meaningful international dialogue, it would be difficult, if not impossible, to reactivate the development process, make full use of the effects of the effort to liberalize world trade begun at Punta del Este, or counteract the trend towards disintegration of the world economy.

41. As had been noted by the heads of State and Government of the non-aligned countries, any attempt to resolve the crisis on the basis of a parochial approach, instead of addressing the underlying structural problem, would be condemned to failure. Mere declarations of goodwill would not suffice. Action was necessary and should be based on a global approach which recognized the interrelationship between debt and development and on a scheme of concrete assistance designed to spur growth of the indebted countries. The latter, as indicated by Mr. Yolah, had recognized the need to place the foreign debt problem in the context of adjustment measures oriented towards promoting growth. Nevertheless, the profound structural adjustment required of developing countries could not be effected without international backing. As to the type of international backing required, the magnitude of the problem must be taken into account: a total external debt of over 1,000 billion dollars, nearly twice the total value of the debtor countries' exporters. As the Minister of Finance of Poland had observed to the Governors of the IMF, "quick fixes never fixed big problems". His delegation therefore shared the opinion of the Secretary-General that an "orderly, co-operative and lasting solution" of a problem of that magnitude would come only through a "more structured intergovernmental dialogue" based on mutual confidence.

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(Mr. Woroniecki, Poland)

42. It would be difficult to ignore the unique peculiarities of each case, but it was no less true that "there are identifiable issues related to the global environment in which domestic adjustment must take place", issues on which indebted countries had no influence whatsoever. A universal framework was therefore required which would take those issues into account and equitably weigh their respective importance, the more so since the unilateral approach which had been dominant thus far had not brought about any results. On the contrary, the debt had virtually tripled.

43. The current decade had witnessed the emergence of a new division in the world, the division between creditor and debtor nations, a phenomenon which had its origin not in the volume of the debt, but in protectionism, demand squeeze, inequitable terms of trade, high real interest rates, the arms race and the eagerness to inject technological innovations into the latter sphere in the hope of altering the military balance.

44. In order to increase export earnings and reactivate the growth of their economies, the developing countries could not depend only on their own efforts, but required also parallel efforts by the developed countries to eliminate trade restrictions and export subsidies or to reduce the fiscal imbalances that led to high real interest rates. Consequently, his delegation endorsed the opinion of the Secretary-General and the non-aligned States that the international community should adopt a series of measures to support the adjustment efforts of the most heavily indebted countries and bring down the real interest rates to their 1960s and 1970s levels; reduce debt-servicing costs; improve mark t access for the exports of debtor countries; and resume development lending on more favourable terms.

45. A report on Poland's foreign debt recently prepared by two leading Polish economic institutes cited three basic causes of the accumulation of the debt, similar to those observed in many developing countries; economic policy errors, certain external conditions beyond the country's control, and social pressure for consumption in excess of the economy's capabilities. After enumerating various measures to deal with the problem, including international financial co-operation and international efforts to find a global solution to the debt problem the report concluded that only in conditions of rapid and sustained development and export reorientation could any country overcome its indebtedness, provided that domestic adjustment efforts were accompanied not only by debt rescheduling but also by the increased participation of creditors and United Nations financial institutions.

46. Pursuing the proposal made by General Jaruzelski at the fortieth session of the General Assembly, Poland had decided to establish a research centre on debt and development in Cracow, which would bring together outstanding international and Polish experts and United Nations representatives to study the interaction between debt and development and the factors affecting them. Later, the centre could be put under the aegis of the Secretary-General, so as to integrate it into the United Nations. Poland hoped that a useful contribution could thereby be made to the efforts of the international community to reach an equitable, impartial and negotiated settlement of the debt crisis.

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47. Mr. GRECU (Romania) said that his delegation was convinced that the General Assembly, a body both democratic and universal in its membership, was the most appropriate forum in which to deal with problems of such magnitude and complexity as the external debt of the developing countries, and would consequently strongly support the inclusion of the item in the agenda. The developing countries' debt, which had increased steadily since 1982, amounted to 1,000 billion dollars, or twice the total value of exports of goods and services from those countries. As indicated in the report of the Secretary-General (A/41/643), the sharp slow-down of growth and investment, as well as the deterioration in the economic and social conditions that occurred in much of the developing world during the first half of the 1980s, was now beyond dispute. His delegation would shortly be submitting to the Committee a document on the indebtedness of the developing countries. It wished, however, to emphasize that the disquieting current situation, marked by the net transfer of developing countries' resources to the developed countries and by debt-servicing costs that absorbed more than 30 per cent of the developing countries' export income, was determined by factors beyond the developing countries' control. Those exogenous factors stemmed from the unfairness of the current system of international economic relations and in particular from defects in the international banking and financing system, the onerous credit terms granted to the developing countries and the policies imposed on them from the outside.

48. The debt burden and the virtual stagnation of world production and trade had had dramatic repercussions on the developing countries' development programmes. At the same time, the debt was aggravating the economic crisis and had become an important factor disrupting the stability of international economic life and consequently a threat to international peace and security.

49. He agreed with the conclusion in the report of the Secretary-General (A/41/643) that a more structured, wider and more comprehensive intergovernmental consideration of external debt issues was essential. A world problem was involved, which was at once technical, economic, political and social. As indicated in the report, no progress had been made in the past four years, even though the indebted countries had made adjustments involving bold reforms. In such a situation, the search for individual solutions or fragmentary measures was condemned to failure and a global approach to all aspects of the debt problem was needed, in which the developing countries, the developed countries, the World Bank, the International Monetary Fund and other international financial institutions would participate, as well as representatives of the large banks which played an important role in international finance.

50. A world-wide approach of that kind should include concrete steps: the cancellation of the debt of countries with a per capita income of $500 to $600; the substantial reduction of the debt of countries with a per capita income of $1,000 to $1,200; a general 50 to 70 per cent reduction of the debt of the remaining developing countries, classified into two or three groups according to income level and economic potential; the rescheduling over 15 to 20 years of the remainder of the debt, at 3 to 4 per cent interest rates or no interest, and with a three- to five-year grace period; the setting of an annual ceiling on external debt

(Mr. Grecu, Romania)

servicing, not exceeding 10 per cent of the developing countries' annual export income; the setting of a maximum lim on interest on outstanding loans not exceeding 3 to 4 per cent, and the deduction from the volume of foreign debt of the amount of payments above that limit; and the granting of additional concessionary loans to the developing countries with a maximum interest rate of 5 per cent.

51. In granting new loans to the developing countries, account should be taken of their economic and social development programmes and their priorities for developing natural resources, especially in the agricultural sector. The developing countries should amortize any loans obtained with income generated by the very projects that had made the loans necessary. Particularly important in that regard was non-discriminatory world trade without protectionism, where the developed countries would open their markets to the products of the developing countries which were experiencing difficulty in meeting their external financial obligations. The United Nations should play a greater role in seeking a world-wide political and economic solution to the developing countries' debt problem. A special agency should therefore be established to examine all aspects of the problem and propose concrete remedies to the General Assembly.

52. Mr. TAIHITU (Indonesia) stressed that the external debt, which had reached an unsustainable level, had become a common problem of almost all the developing countries. The debt statistics were shattering. As indicated in the Secretary-General's report and the World Economic Survey, the magnitude of the problem placed the very functioning of the international financial system in grave danger.

53. The suffering brought on by the crisis, especially for the most vulnerable population groups, was graphically illustrated in the UNICEF report: The State of the World's Children, 1986. Malnutrition and hunger were on the increase, infant mortality rates were still too high, per capita income levels continued to decrease, the already low standards of living in developing countries had declined further, and the prospects of millions of human beings trapped in poverty and subsistence had become even bleaker. For the debtor developing countries, external economic setbacks had compounded the difficulties, creating a vicious downward spiral. Worsening terms of trade, protectionism, depressed commodity prices and the contraction of financial flows had undermined the capacity of many of those countries to secure the necessary external earnings to service their debt. The inevitable arrears had precipitated drastic adjustment measures and reduced their creditworthiness, thereby foreclosing the possibility of economic growth.

54. Although Indonesia was not one of the worst cases, the mounting economic pressures which it felt had become increasingly difficult to sustain. It had taken painful corrective measures, which had proved detrimental to economic growth. Despite its strong efforts to restrict external borrowing since 1983, its foreign debt continued to be relatively high. The problem had been exacerbated by currency realignments. The country would have to endure external imbalances while carrying out policy reforms to revive economic growth.

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(Mr. Taihitu, Indonesia)

55. Debtor developing countries had implemented drastic adjustment policies, in many cases at enormously high social, political and economic cost. Yet such measures had not been adequate to resolve the problems. It was therefore encouraging that the international community had come to recognize that adjustment must go hand in hand with growth, with the support, at the international level, of positive and concrete measures with regard to other key issues, such as trade, commodities, money and finance. Trade liberalization, the standstill and rollback of protectionism, improved commodity prices, a halt to the reverse transfer of resources and the increase of financial flows for development, along with the establishment of a suitable monetary system, would all help to solve the debt problem.

56. The debtor developing countries, the developed countries and the international financial and banking institutions should begin without delay to seek a just and equitable solution for all. Debtor developing countries, including Indonesia, would continue to practise prudent fiscal and monetary management and had every right to expect that the creditor developed countries and international financial and banking institutions would live up to their responsibilities.

57. Mr. NAMFUA (United Republic of Tanzania) said his delegation associated itself fully with the statement by the Chairman of the Group of 77. The Committee had recently heard the view, held in some quarters, that of late there had been a deceleration in the rate of debt build-up in developing countries. That view was extremely disturbing because, while glossing over the ability of developing countries to service their existing debt, it regarded the slow-down in lending as a positive sign, whereas, in actual fact, access to capital markets was essential for bolstering the capacity to repay debts. If the developing countries were borrowing less, it was an involuntary phenomenon rather than a deliberate policy option. Firstly, lending institutions had reduced their exposure in debtor developing countries by limiting access to credit. Secondly, the capacity to borrow was already severely limited by the sheer size of the current debt. Thirdly, the malfunctioning of the international monetary and financial system continued to compound the debt burden of developing countries.

58. The view cited demonstrated how different perceptions of the measures needed to deal with the international debt crisis had obstructed the search for a viable political solution. The situation was alarming because, unless interdependence was given practical meaning, current global economic prospects, particularly in the developing countries, did not offer adequate conditions for repayment of the debt. No solution would be possible unless it was recognized that growth must accompany adjustment and that the debt problem must be part and parcel of an overall strategy to revive the world economy.

59. Another potential danger to the world economy and to growth in developing countries was the tendency among creditors to see the debt problem as a transitory, rather than a structural, phenomenon. As a result, in prescribing conditions for financial adjustment programmes, creditors were tempted to over-emphasize reforms that focused unduly on debt-servicing, while other important measures that related

(Mr. Namfua, United Republic of Tanzania)

to essential services were neglected. The role of the International Monetary Fund and the World Bank was key, as the conditions they imposed considerably influenced the attitude of donors and creditors in the financing of adjustment programmes for medium- and long-term growth.

60. The countries of sub-Saharan Africa had extremely narrow options in facing the debt situation. Hit all too often by natural disasters, and affected by the declining export volume of some of its commodities, Africa required unique treatment. The efforts of African countries to service their debts had been limited by the slow growth of domestic savings, which had been directly affected by falling per capita incomes and curtailed investment owing to severe cuts in imports of industrial and agricultural inputs. The debt rescheduling exercises which a number of African countries had had to accept, had not been sufficiently tailored to those unique and unfortunate circumstances. The frequency of debt rescheduling by 13 sub-Saharan countries demonstrated that that mechanism was inadequate for resolving the debt problem of the least developed countries. The only viable option for those countries, with their heavily commodity-dependent economies and highly inflexible production, was to channel financial flows to them under very favourable conditions.

61. The United Nations Programme of Action for African Economic Recovery and Development, 1986-1990, provided an adequate framework for channelling financial resources, in terms of both relief measures and new financing schemes to sustain adjustment programmes in the region. Otherwise, the Programme of Action would remain symbolic in value.

62. While the Baker initiative was important, it was also time to transform such efforts into an international strategy to address the debt crisis comprehensively and in its political context. His delegation endorsed the view expressed in the Secretary-General's report that the unique peculiarities of each case were not incompatible with an intergovernmental dialogue aimed at contributing to an orderly, collective and lasting solution to the international debt problem. It also agreed that any such collective effort could not be divorced from domestic adjustment measures.

63. In its Trade and Development Report, 1986, UNCTAD had very ably surveyed the various forms that debt-relief measures could take. Creditor developed countries, particularly the market-economy ones, must recognize that interdependence was a reality and, consequently, implement outward-looking macro-economic policies.

64. Mr. KAMALUDDIN (Afghanistan) said that the external debt crisis was no longer a mere economic and financial problem faced by the developing countries, but had become a most pressing political problem. External debt, which had increased at an alarming rate, had tripled over the past decade. United Nations documents showed that, by the end of 1986, the external debt of developing countries would be equivalent to nearly twice the value of their exports. Developing countries currently paid $65 billion in interest to their creditors. Capitalist developed countries, meanwhile, benefited from the low prices of the commodities exported by the developing countries.

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(Mr. Kamaluddin, Afghanistan)

65. The external debt crisis was a direct consequence of the international economic relations currently imposed by the capitalist countries, of military expenditures, and of the escalating arms race in which the imperialist countries were caught up. The resources which would be released as a result of disarmament measures and reduced military expenditures would be sufficient to repay the debts in a short period of time.

66. At the Committee's latest meetings, during the fortieth session of the General Assembly and at the resumed session in May 1986, and at the summer session of the Economic and Social Council, it had been clear that the developed capitalist countries were systematically obstructing the adoption of any draft resolutions on the debt, the international conference on money and finance, international co-operation on the interrelated issues of money, finance, debt, resource flows, trade and development, and commodities. The unwillingness of those countries, particularly the United States, had been demonstrated once again when they had intransigently refused to join the consensus for adoption of the proposed item on the external debt crisis and development.

67. The eighth Summit Conference of Non-Aligned Countries held at Harare had reiterated participants' concern at the external debt crisis. The measures and provisions adopted at that Conference should be implemented fully by the international community. His delegation believed it essential that real interest rates be brought down and the payment periods be extended. Debt-service payments should be limited to a percentage of export earnings compatible with the development needs of individual countries. The conditionality criteria of international financial institutions should be changed so as not to disturb the socio-economic development projects of developing countries.

68. His country considered the debt problem to be a global one, the effective and lasting solution of which required a global, political approach. Ensuring the economic security of States, ending the arms race and drastically reducing military expenditures were the most effective way to meet the vital economic and social needs of the developing and least developed countries and to solve global economic problems such as the external debt crisis. Implementation of the Declaration and Programme of Action on the Establishment of a New International Economic Order, the launching of global negotiations on international economic co-operation for development and the convening of an international conference on money and finance for development were of paramount importance to that end.

69. Mr. LOPEZ (Philippines) said that the debt figures of developing countries concealed the untold miseries suffered by their peoples as a result of the adjustment measures imposed on them to ensure that the servicing of their debt was not disrupted. The current crisis had exposed the limitations of the existing monetary and financial system and of the standard therapy prescribed for the countries affected. Ad hoc stop-gap measures were no longer sufficient as they had been in previous years, when the short-term needs of countries in temporary balance-of-payments difficulties had been distinguishable from their need for support on long-term development financing. The current crisis vindicated those

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(Mr. Lopez, Philippines)

who had opposed the simplistic proposition that balance-of-payments problems resulted when a country spent beyond its means and that the principal solution was to curb spending on imports, even to the point of seriously affecting domestic production and income. As explained in a study on Brazil, the International Monetary Fund's working methodology induced debtor countries to experience recession, even when that was not necessary, for the sake of improving their balance of payments.

70. His delegation observed with cautious optimism a possible turning point in the perception of international debt management by the International Monetary Fund and the World Bank, along the lines of the proposals in the Baker Plan. While that Plan called for the adoption of broad economic policy reforms in debtor countries, it made resumption of growth a primary objective. The emphasis on the role of the World Bank in the Baker Plan also supported that thesis, since the Bank's lending programmes were supply-side oriented and therefore more attuned to enhancing productive capacity and growth than to simply restraining demand.

71. The new approach was still on shaky ground, however. For instance, there was disagreement among donor countries as to the magnitude of their respective financial commitments. Outstanding issues also remained unresolved. For instance, the way in which the International Monetary Fund operated had resulted in the unequal distribution of burdens between developed and developing countries, and some global monetary measures worked out by some developed countries had likewise subverted the essence of multilateralism. It was incumbent upon the international community to take comprehensive and truly universal action to examine the problems affecting the existing monetary and financial system. Global action on monetary and financial problems would serve the interests of developed and developing countries alike. None of the partial approaches proposed recently was sufficient. The issue of the debt crisis, at least, should be considered at an international conference that would take its full political dimensions into account. Comprehensive action should address, among other issues, the need to share the burden of the adjustment process, the expansion of the compensatory financing facility, the establishment of an interest compensation window, the capitalization of interest, the expansion of resource flows and access to them, the allocation of SDRs, and the liberalization of conditionality requirements. It should also include a serious examination of issues relating to the creation of international reserves and the role of SDRs.

72. The limitations of the existing monetary system might be traceable to what the Club of Rome had described as the built-in bias of IMF in favour of developed countries or against developing countries. The global economic malaise, whether inflationary or deflationary in nature, might have its roots in the way in which international reserves were created and in the policies of the major countries in that regard. The global economy might swing from inflationary to deflationary conditions. However, the measures adopted by the international community might, while benefiting the developed countries, not at all improve the economies of developing countries. Global deflation resulting from massive disinflationary forces might soon give way to a new period of inflationary development, and non-inflationary growth of the global economy, especially in the developing countries, might remain an illusive dream.

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(Mr. Lopez, Philippines)

73. Quoting a publication entitled "Reshaping the International Order" put out by the Club of Rome in 1974, he said that the acceptance of national currencies as international reserves had been the main source of frustration of the process of balance-of-payments adjustments, and also of world inflation, because it enabled reserve currency countries such as the United States to run enormous and persistent deficits, and other countries, primarily Western European and Japan, to run equally huge and persistent surpluses, without forcing upon either group changes in their domestic policies, or exchange rates, or both. The future would remain bleak unless agreement was reached to alter its foundations. A durable solution to the debt crisis must be devised in order to ensure sustained and non-inflationary growth of the global economy, and particularly of the developing countries.

74. Mr. AL-SALLAL (Kuwait) said that the report of the Secretary-General described clearly the debt crisis experienced by the developing countries. It was regrettable, however, that the report only considered the internal causes of indebtedness, especially when external factors had largely contributed to aggravating the crisis. Kuwait had been making serious efforts at both bilateral and multilateral levels to mitigate the impact of the debt crisis on developing countries. Given the magnitude of the problem, however, it was necessary to dispel any illusion that it could be dealt with by means of simple or general solutions that could be applied as a panacea to all countries, regardless of the particular features of each case.

75. When considering the debt problem, Kuwait took full account of its magnitude and its adverse repercussions for affected countries, and adopted an approach based on the premise that it was vital for both creditor and debtor countries to abide strictly by their obligations. His delegation was convinced that any arbitrary or unilateral attitude which departed from the commitments assumed would have devasting repercussions for debtor countries, for it would undermine the credibility on which their ability to obtain the external financial resources and the official development assistance that they so urgently needed depended.

76. The need to improve the international economic environment was equally important, however. A more favourable atmosphere would lead to a widespread increase in world production and international prices and, at the same time, to the stabilization of economic activity. That would obviously make an important contribution to alleviating the debt problem. Consequently, it was vital that the developed countries recognize the need to adopt measures aimed at facilitating an increase in the exports of developing countries.

77. He also believed that the debt problem required that a clear distinction be made between development credits and other forms of assistance, including those intended to finance specific projects. It was necessary to ensure that projects contributed to the development process and to guarantee that they produced financial results sufficient to pay off the debts contracted, enabling resources to be devoted to financing new development efforts. The credits granted by the Kuwait Arab Fund for Economic Development were a case in point. They were long-term credits which responded fully to the conditions prevailing in recipient countries and had a strong grant component.

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(Mr. Al-Sallal, Kuwait)

78. The current situation clearly called for increased co-operation between the developed creditor countries and developing debtor countries in order to solve the external debt problem of the developing countries so that they could re-embark on the path of growth and development.

79. Mr. KANJU (Pakistan) said that many analyses, including those set forth in document A/41/643 and that made by Mr. Yolah, demonstrated that the debt problem - amounting to 1 trillion dollars - was fast becoming a serious threat to international stability. The crisis was clearly a symptom of economic irrationality and could not be attributed to the irresponsibility of the debtor countries. On the contrary, those countries should be praised for continuing to meet their debt-servicing obligations despite reduced export earnings, falling real wages and rising domestic discontent.

80. His delegation also believed that present policies and attitudes toward the debt problem were not only failing to exploit the development potential of the developing countries but were, in fact, reducing those countries' liquidity. The present approach, which revolved around the so-called "debt renegotiations" merely postponed payments of interest and thus could not provide a satisfactory solution from the point of view of either creditor countries or debtor countries. At the most it could be a first step, provided, of course, that it was accompanied by complementary policies in trade, resource transfer and investment planning.

81. The search for a long-term equitable solution to the debt problem must not focus on financial issues but on development; that called for reforms and measures that opened up trade markets for the products of the developing countries, increased the net transfer of lending and ODA and restructured the economies of the developing countries. Specifically, it should focus on providing assurances to lenders against risks of illiquidity or potential insolvency on the part of borrowers; establish a relationship between export capacity and debt-service payments; and create intermediate mechanisms to increase liquidity and facilitate improvements in domestic economic management.

82. In conclusion, the search for a solution must include a concept of adjustment through growth as the central theme. Although a number of proposals had been put forward in that regard, the international community had not had an opportunity to engage in a constructive dialogue in order to examine them. The holding of an international conference on money and finance for development could provide such an opportunity. Indeed, that opportunity must be seized, for the debt problem, one of the most serious problems facing the developing countries, ran counter to the stable and smooth functioning of the international economic system.

83. Mr. AMIRKHIZI (Islamic Republic of Iran) said that, as indicated in the report of the Secretary-General, the international debt problem continued to cast a dark shadow of uncertainties over the future of far too many countries. Since 1982, almost half of the developing countries had fallen into arrears in the payment of their debt. Accordingly, his delegation welcomed the inclusion of the item in the agenda of the current session. However, it believed that the solutions proposed

(Mr. Amirkhizi, Islamic Republic of Iran)

did not take fully into account the root causes of the problem. Moreover, it would not be possible to face it effectively unless the debtor countries, on the one hand, and the creditor countries and financial and banking institutions, on the other, accepted the notion of shared responsibility.

84. Nevertheless, he felt bound to state that, in his view, the prime responsibility for the debt crisis and its ultimate resolution rested with the creditor countries and the financial institutions which they controlled. It was also true that, prompted by a desire to protect its investments, the banking system had systematically given priority to export-oriented projects. As a result the need to develop the infrastructure of the borrowing countries had been neglected and their dependence on world markets had increased. That was why the economic deceleration in the developed countries had had a devastating effect on the developing countries and prevented them from reinvesting the revenue generated by ongoing projects into new development efforts, and that was why the debt problem had intensified.

85. Iran was one of the few countries that had no external debt. However, it appreciated the seriousness of the issue. It believed that the international monetary and financial system should be restructured so that i could respond better to the needs of the developing countries. Such restructuring might be based on the Islamic economic model, that was to say on a banking system which advocated interest-free banking. It should be recalled that there was growing interest in such a system in various circles, including the World Bank. The magnitude of the debt crisis and the obvious inability of the existing financial and monetary system to r pond to the needs of the developing countries highlighted the need to cons r entirely new solutions. Accordingly, it would be worth looking more closely to see whether an interest-free banking system could help with the current international financial crisis.

86. Mr. U TIN PE (Burma) said that the World Economic Survey 1986 and the reports of the Secretary-General had illustrated to what extent the international debt problem was linked to other sectors of the economy, and how it had influenced the sharp slow-down in growth and investment which, in turn, had brought about disequilibrium in the world economy. The problem could be tackled only through a broadly based policy of international co-operation.

87. The debt problem should be accorded an important role at the current session of the General Assembly. Accordingly, he welcomed its inclusion in the agenda. The problem had assumed major proportions for the entire international and financial system, was delaying the resumption of economic growth in most developing countries and had brought about pressing economic, social and political problems in international relations. At the present moment the debt of all developing countries amounted to nea ly 1 trillion dollars. The burden of debt servicing, which amounted to $65 billion in interest payments, was exhausting the resources of the developing countries nd was seriously affecting their social and political stability. The debt had also constrained growth of international trade of many major industrialized countries and had brought abou . an expansion and adaptation of world financial institutions.

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(Mr. U Tin Pe, Burma)

88. As the Minister for Foreign Affairs of Burma had said in his statement to the General Assembly, the debt problem could be satisfactorily resolved only in the wider context of the reform of the trade and payments system. At the same time, the system and its long-term evolution would inevitably be affected by decisions regarding debt in the more immediate future.

89. The developing countries which were facing debt-servicing problems had taken important steps to reduce their external deficit, cutting back on imports, reducing growth and applying internal adjustment programmes. There were no simple solutions to the problem and a dogmatic approach would not be appropriate. International trade, monetary and development institutions must be restructured so that the decision-making process and its functioning would be more just and equitable and conducive to promoting development and global prosperity. Ad hoc policy measures applied in a narrower context would not provide an overall solution to the problems of the developing countries or to those of the countries that were enjoying substantial advantages from the existing economic order. An overall improvement in the debt situation could come about only through sustained expansion of world economic activity, the roll-back of protectionism, improvement in the terms of trade of developing countries, an increased flow of official development assistance and a reduction in real interest rates to levels more in keeping with the fall in inflation.

The meeting rose at 6.20 p.m.