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SUMMARY RECORD OF THE 25th MEETING

Chairman: Mr. BURKE (Ireland)

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The meeting was called to order at 3.10 p.m.

AGENDA ITEM 81: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/46/415, A/46/264, A/46/317-S/22823, A/46/323-S/22836, A/46/336, A/46/520; A/C.2/46/L.6)

1. Mr. GONZALEZ (Chile) said that the indebtedness of the developing countries to the industrialized countries was one of the most important problems of international economic relations. From that point of view, the Secretary-General's report on the recent evolution of the international debt strategy (A/46/415) was of great interest. That document made it clear that, far from being solved, the debt situation continued to be even more complex than might have been hoped, which proved that the measures so far taken within the framework of the United Nations were inadequate to resolve so large a problem. It was therefore necessary to redouble efforts to adopt agreements which would in fact prevent the worsening of the problem and make it possible to mitigate its most serious effects. During its current session, the Second Committee should accordingly try to seek firmer undertakings and to put them into practice.

2. Some of the figures for the past year highlighted extreme cases a solution to which could no longer be expected. That was shown by the fact that although some debtor countries had considerably increased their export volume that had not led to an improvement in the living conditions of most of their population. The growth of the poor countries continued to finance the deficits in the economies of the rich countries, while the recession the latter were experiencing was having a negative effect on the growth efforts of the developing countries.

3. The lack of savings and the consequent shortage of capital was a problem common to all countries, but it could not be denied that it affected the developing countries more. Moreover, the net transfer of financial resources from the developing countries to the industrialized countries further aggravated the deteriorating situation of the former. The fact that development was dependent on the availability of financial resources constituted one of the worst obstacles to be overcome if the process of economic development was to go forward. The transfer of resources entailed in the so-called net transfer of capital was therefore particularly serious. Adding to that the maintenance of high interest rates made it impossible for the developing countries to overcome the reduced level of investment. The high cost of debt-servicing and the deterioration in the prices of commodities made it difficult for those countries to raise their levels of development. Many of the indebted countries had several years ago begun a difficult process of adjusting their macroeconomic policies in order to comply with the demands of the multilateral financing bodies. In spite of those efforts, however, the situation had not improved.

(Mr. Gonzalez, Chile)

4. It must be admitted that during the past year the industrialized countries had shown more willingness to find common solutions which would make it possible to overcome the multiple problems caused by indebtedness. Unfortunately, that cooperation had been neither general nor adequate and many countries were afraid that the recent political changes in Central and Eastern Europe would lead to a diversion of international capital flows which would further damage the developing countries.

5. His delegation remained convinced that it was necessary to lower present interest rates in order to ensure the recovery and stabilization of the development process. It also considered that the political and social costs of the adjustments carried out in the most indebted countries should be given due weight and their debt significantly reduced. The problem of external debt was not simply a confrontation between debtors and creditors but a crisis in international economic relations. It was necessary to look at the problem in that light and to stop formulating declarations which merely recognized the complexity of the problem and expressed good will in seeking solutions to them.

6. Mr. KRISHNAN (Malaysia) said that his delegation fully supported the statement made by the delegation of Ghana on behalf of the Group of 77. Despite the numerous international debt strategies worked out in recent years, the total outstanding debt of developing countries had risen in 1990 by about 6 per cent, amounting to $1.34 trillion.

7. Malaysia considered that the debt relief now provided by the Paris Club did not offer sufficient debt relief to many of the poorest countries with high official debt burdens. In that regard, the proposal made by the United Kingdom known as the "Trinidad and Tobago Terms", and the proposal made by the Netherlands, which called for immediate forgiveness of a portion of debtor countries' debt and debt servicing matching the debtor countries' debt-servicing capacity, were more appropriate. His delegation appreciated and supported the efforts made by the United Kingdom and Canada to promote the "Trinidad and Tobago Terms" among the other members of the Group of Seven most industrialized countries and hoped that they would respond positively. It considered that the "Trinidad and Tobago Terms" were the only kind of response that could bring about relief of the severe indebtedness of many low income countries and give them a chance to restructure and revitalize their economies.

8. While the Paris Club creditors had recently made significant concessions on the official bilateral debts of Poland and Egypt, a more transparent framework must be developed in which the economic need of the debtor countries took precedence over their strategic importance. In that regard, it was to be hoped that the same privilege would also be extended to other heavily indebted countries. The developing countries, including Malaysia had on many occasions stressed their support for efforts at assisting the countries of Eastern Europe to transform and revitalize their economies. However, those commitments should not derail the efforts to alleviate poverty and hunger in other parts of the world.

(Mr. Krishnan, Malaysia)

9. Success in relieving the debt burden of developing countries would not really be achieved without corresponding growth of world trade in a freer international trading environment. Only then would developing countries be able to increase their exports and incomes. In addition, the industrial countries should adopt appropriate macroeconomic policies and implement structural adjustment, where necessary, so as to ensure sustained growth with low inflation and stable exchange and interest rates. That was a task the Group of Seven should address in their future meetings. The indebted countries too had their own responsiblity to persevere in the implementation of structural adjustment programmes. Such programmes would promote confidence in the economies of debtor countries and encourage new direct investment and the repatriation of flight capital which would in turn encourage flows of new money from official as well as private sector sources.

10. Special attention must be paid to the monitoring of the debt problem of African countries, which included the largest number of the least developed countries. Africa's external debt had increased considerably since 1982 and currently stood at over $US 270 billion. More efforts must be made to relieve African countries of that burden.

11. His delegation was convinced that a durable solution to the debt problem was an absolute prerequisite for any resumption of growth not only in the heavily indebted countries but also in most developing countries, which remained trapped in a vicious circle of stagnation, macroeconomic instability and high resource transfers abroad. The creditors had so far taken a case-by-case approach in the consideration of debt reduction except for the least-developed countries, and had pressed the debtor countries to hold down expenditure in order to generate trade surpluses which would enable them to service their debt. That strategy had served the banks well, but had completely failed to free developing countries from their predicament. Debtor countries needed a lightening of their debt servicing so that they might be left with sufficient resources to achieve a level of growth that would enable them to raise living standards, promote investment and service their debt more soundly in the future.

12. Nine years had elapsed since the outbreak of the debt crisis in 1982, and not only had there been no solution to it, but the situation was worsening in many parts of the world. The failure of the Bretton Woods institutions to overcome the debt problem was due, among other reasons, to their application of identical remedies irrespective of each country's circumstances, their support of programmes that did not work, their recommendations which impeded growth and harmed the poor, their imposition of austerity on debtor countries, their concern with saving the commercial banks, their failure to heed the views of the developing countries and their lack of influence over the Governments of the rich countries. His delegation believed that it was necessary to reform the Bretton Woods institutions and to promote greater cooperation between them and the United Nations system in the area of debt.

(Mr. Krishnan, Malaysia)

13. The revival of development in the majority of indebted countries required the adoption by the international community of vigorous measures to reverse the current trend in resource transfers which had made the developing countries net exporters of capital. In that regard, it was essential that the level of a country's debt-service payments should be linked to the level of resources which it needed in order for its per capita income to grow by at least 2 to 3 per cent a year. His delegation believed that a solution based on that principle must be found. In that regard, the proposal for the establishment of an international advisory commission on debt and development, under the aegis of the Secretary-General, should be further explored.

14. Mr. ZUPANJEVAC (Yugoslavia) said that, while it was undeniable that some progress had been made in debt management for some countries and groupings of countries, the debt burden of most developing countries and of many countries in transition continued to have a crippling effect on their savings and foreign exchange earnings, with inevitable negative consequences for their growth prospects. Despite the painful and slow progress in finding a solution to the external debt problem, especially in the past three years, the fact remained that the stock of debt of the developing countries had reached a peak of $1.2 trillion.

15. It was indisputable that the debt crisis was one of the most serious obstacles to the revitalization of growth and development in the developing countries and to the smooth functioning of the world economy. The debt burden had sapped the economic potential of the most heavily indebted developing countries and had had a detrimental impact on trade and investment, human resources development, education, health and infrastructure. In many cases - and Yugoslavia was no exception - the costs of indebtedness had been enormous and had augmented social and political tensions and instability, with tragic repercussions in the case of Yugoslavia.

16. The response of the international community to the debt problem had evolved from the fear that the foundations of the international financial system would be undermined, through attempts to contain indebtedness, and finally to the realization that effective solutions could not be achieved without a substantial reduction of the stock of debt and debt servicing, together with structural adjustment programmes. At the beginning of the crisis, the severe difficulties which the developing countries had faced in servicing their debt had been viewed as a problem of liquidity. Remedies had been sought on the basis of the rescheduling of programmes and the channelling of fresh resources. In the majority of cases those solutions had proved to be unsatisfactory. The indebted countries had recovered neither growth, liquidity nor access to financial markets, and the unacceptable practice of the developing countries financing the developed world had been perpetuated.

17. In the past three years, however, a breakthrough had been achieved with the realization that the issue was not liquidity but solvency. Initiatives had been proposed which took into account the pressing need to reduce the

(Mr. Zupanjevac, Yugoslavia)

stock of debt and debt servicing. The concept of debt forgiveness had begun to gain ground. That principle had been the basis of the Toronto terms and of the Brady Plan. The approach had been new and promising. Unfortunately, the principle had been applied parsimoniously and to a limited number of countries, with only partial results. The most serious aspect of the debt problem remained to be solved.

18. Despite the slight improvement in 1990 in the debt-service ratio for various groupings of developing countries, particularly the 15 heavily indebted countries, the restoration of creditworthiness and access to private capital markets had been limited to two countries. In the case of official debt, some positive results had been achieved with the cancellation of part of the debt of low-income and least developed countries through the Toronto and the Houston mechanisms. However, such efforts were still very limited in scope. It was encouraging that the principal creditors had understood the shortcomings of the current approach. In that context, Yugoslavia welcomed the initiative taken by the Group of Seven at the London Economic Summit to go well beyond the relief granted under the Toronto terms.

19. Needless to say, debt reduction alone would not be sufficient to restore long-term growth. It must be accompanied by internal structural adjustment and sound economic policies in the debtor countries, the establishment of an international economic environment favouring growth and ensuring market access, manageable interest rates and foreign direct investment. The challenge of obtaining additional financing in a global environment of reduced savings and capital contraction was a daunting one. In that context, Yugoslavia fully supported the proposal by the Secretary-General on the convening of an international conference on development finance.

20. Mr. MISSARY (Yemen) said that, as a result of the efforts made by the developed and the developing countries, the international community had reached a common understanding of the external debt problem. Yemen noted with satisfaction the perspective from which the discussion of the question had begun in 1990, which would certainly promote consensus at the current session. In his view, the solution of the debt problem required the merging of various initiatives within an international framework.

21. Growth and development were linked to the national policy of each country, which in turn was determined, to a large extent, by the difficulties facing its economy. Accordingly, external support was a major factor; together with the consistent implementation of national policies, it could help to create economic conditions favourable to the developing countries.

22. Yemen commended the report of the Secretary-General (A/46/415), which clearly outlined the situation facing the debtor countries, especially the least developed countries; in particular, Yemen endorsed section VI of the report concerning the debt problems of countries affected by the Gulf crisis. Yemen had experienced great difficulties as a result of that conflict,

(Mr. Missary, Yemen)

including a drastic decrease in its income, the effects of the return to the country of nearly 1 million Yemenites and severe environmental damage, which had seriously affected its economic and social development.

23. The Government and the people of Yemen expressed their appreciation to Germany, France and the Netherlands for the cancellation of Yemen's debt, and hoped that similar initiatives would be adopted during the 1990s in favour of other developing and least developed countries.

24. Mr. WALKER (Jamaica) said that the external debt crisis of the developing countries had entered its second decade, and that many of those countries, which were increasingly dependent on external assistance to finance their growth and development, had become net exporters of capital. While the introduction of policy measures to provide debt relief had not had significant results, some recent improvements in the debt strategy should be acknowledged, such as the agreement reached by the seven major industrialized countries in London on the need for additional debt relief measures more favourable to low-income countries than the Toronto terms, the application of the Houston terms by the Paris Club in favour of lower middle-income countries, and the additional debt-reduction and debt-servicing packages agreed on between debtor countries and commercial banks. He also noted with appreciation the proposal by the Government of the United Kingdom to apply the Trinidad terms and its decision to fulfil its commitments even if other creditor countries did not do so.

25. Jamaica believed that the debt problem should not be dealt with in a piecemeal and sporadic fashion but rather through a comprehensive approach involving all types of debt and debtor countries. As far as Jamaica was concerned, while the structure of its debt limited its capacity to benefit from the debt relief measures adopted so far, it appreciated the relief which had been granted on the initiative of Canada, the United States, the United Kingdom and the Paris Club. In particular, the provisions of the 1991 Paris Club agreement offered encouraging prospects for the relief of Jamaica's debt, as the portion of that debt which was owed to multilateral financial institutions (36 per cent) was not restructurable, while commercial bank debt (10 per cent) was comparatively small and did not provide significant relief despite the refinancing and conversion arrangements.

26. There was need for a more positive approach in dealing with the debt owed to multilateral financial institutions and, in that connection, mention should be made of chapter V of the Secretary-General's report (A/46/415), where it was indicated, among other things, that in 1990 that debt had reached about $235 billion, which corresponded to over 19 per cent of the total stock of debt owed by those countries. The multilateral financial institutions must look at the issue in a constructive way, as they had done when devising a strategy for dealing with arrears, so that arrangements could be made to lighten the debt-servicing burden for the developing countries without affecting the standing of those institutions. Moreover, reduced military

(Mr. Walker, Jamaica)

expenditure resulting from the ending of the cold war freed additional resources that could be used to facilitate debt-reduction operations and support adjustment measures.

27. Reactivating the growth and development of the developing countries depended not only on a solution to the debt problem but also on strengthening and liberalizing the international trading system and increasing foreign investment and official development assistance. Reference had been made to the possibility that, as a result of the recent political changes, the developed countries might not have sufficient resources to fulfil the undertakings they had given to the developing countries. There was need, therefore, for a comprehensive review of ways and means of mobilizing the resources required for economic and social development in all countries. In that connection, Jamaica supported the holding of an international conference on development financing, as proposed by the Secretary-General.

28. Mr. KPAKPO (Benin) commended the report of the Secretary-General on the recent evolution of the international debt strategy (A/46/415); it showed how the position of the debtor countries had deteriorated and pointed out that, despite the many initiatives taken by the major creditors the external debt of debtor countries already came to $1.4 trillion, which could eventually pose a real threat to international peace and security.

29. The negative flow of financial resources from South to North resulting from debt servicing was highly prejudicial to the growth of the third-world debtor countries. The Secretary-General was right to be concerned about the limited effects of the steps taken thus far by the international community to lighten the debt burden of the developing countries. Accordingly, Benin strongly supported the Secretary-General's proposal to convene an international conference on the financing of development and urged the United States, in the name of solidarity among all countries, to cease opposing the proposal.

30. The hopes which the African countries had placed in the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990, had been frustrated. They therefore believed that a new programme of cooperation with Africa must be prepared for the 1990s, as being essential for a continent which, by the year 2010, would have to transfer 280 per cent of its export earnings for debt servicing alone, and, by the year 2025, would have a population of 1.5 billion inhabitants.

31. However, creditor countries were not the only ones to blame for the situation. Benin urged all the poor and indebted countries to wake up to the pressing need to invest their scanty resources usefully and to give priority to the development of human resources with a view to achieving sustained economic growth. At a time when international relations were marked by détente and the search for well-being and freedom, it was not appropriate to invest in military equipment which could serve, or was still serving, to repress people who were claiming their most elementary rights, instead of

(Mr. Kpakpo, Benin)

dedicating those resources to the development and growth of the poor countries. Benin was determined to spare no effort to promote the development of all the sectors of its economy, regardless of the means its creditors might provide.

32. Mrs. DIALLO (Mali) said that the international community should devote its attention to solving the debt problem, which was having a negative influence on all the economic policies adopted to reactivate growth and development in the debtor countries. The burden of external debt continued to grow, despite the measures taken both at the international level and by the creditor countries, and the policies implemented so far had, in fact, contributed to the deterioration of the economic and social situation of the developing countries and, as a result, helped to limit their capacity to pay.

33. Her delegation regarded the steps taken by the European Community to cancel or reduce the debt of the least developed countries as very positive, as were the steps taken by the seven major industrialized nations and by the Paris Club. However, those measures were not enough and would have to be extended to multilateral and commercial debt. To find a solution to the debt problem, not only should there be a greater solidarity between creditors and debtors but also the growth objectives of the developing countries must be taken into account.

34. Despite the implementation of the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990, and of structural adjustment programmes, the economic situation of the countries of Africa south of the Sahara had continued to deteriorate, and external indebtedness had intensified that negative trend. In the case of the African countries, any international debt strategy must necessarily entail considerable debt reduction and must be based not on political preferences or selfish financial interests but rather on objective economic criteria.

35. Mali was implementing a strict public debt management policy and a reform programme which had the support of the World Bank and many countries, as part of a macroeconomic framework agreed with the International Monetary Fund. In that connection, many countries had lent Mali their support through the co-financing of adjustment programmes, budgetary assistance and debt forgiveness and scheduling.

36. Unreserved support by the industrial countries for African economic and social development efforts in the form of complete debt forgiveness would make it possible to strengthen democratic institutions.

37. Mr. KHAN (Bangladesh) said that the analysis of the debt issue must, once again, focus on the magnitude of the crisis, which, according to all available data, continued to pose a grave threat to the political, social and economic order in the debt distressed countries. It was disturbing that, as a result of the unabated crisis, there was an outflow of resources from the developing

(Mr. Khan, Bangladesh)

to the developed countries. The case of the least developed countries was perhaps even more disturbing: in 1990, their debt amounted to 60 per cent of their combined GDP, and debt-service payments absorbed from 30 to 50 per cent of their earnings from the export of goods and services.

38. All recent studies on the debt problem showed a strong correlation between the tragically slow growth of the developing countries and the steady increase in their indebtedness. Moreover, during the last few years, very few of the severely indebted countries had been able to restore a workable balance-of-payments position despite repeated painstaking efforts at adjustment. In all those countries, investment and crucially important social expenditures had suffered seriously.

39. Nevertheless, the past year had seen some positive changes which make it possible to look to the future with some degree of optimism. The steps taken to reduce the debt burden of the developing countries were, however, still inadequate. A broad and comprehensive approach that addressed the fundamentals of the problem should be adopted. Debt-reduction measures needed to be massive enough to have a significant impact on the debt burden. During 1990, several industrialized countries had taken important steps to reduce the outstanding debts of a number of indebted countries and it was to be hoped that that approach would be extended to cover other debt-distressed developing countries.

40. Bangladesh also regarded the Brady Plan as very positive, although in the last two years it had become apparent that the Plan had serious limitations which needed to be corrected in order to make it more effective. As the personal representative of the Secretary-General on debt had indicated, the success of the debt strategy required the participation of all creditors, not only banks but also Governments and multilateral institutions. Bangladesh also shared the view that provision of more and timely resources as well as better coordination would be required in order to manage the crisis.

41. Commercial banks, which should be encouraged by means of appropriate fiscal incentives, and official creditors, who held an overwhelming proportion of the external debt of the poorest debtor countries, could play a key role in that connection. The proposal adopted at the Toronto Summit had marked a major advance in the stance of official creditors regarding the non-concessional debt owed by those countries. The decision to extend the Toronto terms to all least developed countries, adopted at the United Nations Conference on the Least Developed Countries, held in Paris, was most welcome.

42. His country greatly appreciated the proposal by the Netherlands to cancel all official bilateral debt of the least developed countries and the proposal made by the United Kingdom at the 1990 meeting of Commonwealth finance ministers, to reschedule the total debt of those countries in a single operation, cancelling two thirds of it and rescheduling the remainder over a period of 25 years.

(Mr. Khan, Bangladesh)

43. Any realistic strategy to deal with the pressing problem of debt should include cancellation of the ODA debt of the least developed countries. Similar measures should be adopted with regard to the debt of the poorest countries. Although non-concessional loans represented less than 10 per cent of the least developed countries' debt, those loans accounted for 40 per cent of their debt-service obligations to multilateral institutions; accordingly, as a first step towards debt relief, measures should be adopted to reduce those obligations. With the exception of those which could adversely affect the financial viability of multilateral institutions, all possible solutions should be considered; the refinancing scheme established by the World Bank might prove useful in that regard and could also serve as a point of departure for planning further measures. Additional funds should be mobilized for that purpose through contributions from donor Governments and the adoption of bilateral arrangements. A significant restructuring of the multilateral debt of the least developed countries could be achieved on the basis of refinancing which met the specific economic needs of individual countries.

44. Finally, a successful debt strategy should provide indebted countries with opportunities to increase their exports to the developed countries. Revitalization of growth in the developing countries, which was vital to the solution of the debt problem, would ultimately depend on increased trade.

45. Mr. SINGH (India) noted that the external debt of the developing countries had reached $1.3 trillion in 1990. The growth in indebtedness was due not to a significant increase in lending but to exchange rate developments, in particular the weakening of the dollar. The views of the developing countries with regard to the piecemeal and inadequate steps taken by creditor countries was well known. The impact of various initiatives undertaken to alleviate the debt burden had been slight. Moreover, arrangements to reduce the official debt of two middle-income countries had not been extended to all indebted countries. It was vital that creditor countries should demonstrate the political will necessary to take comprehensive and coherent action, which should be guided by economic rather than political considerations.

46. His delegation agreed with the Secretary-General that the strategy adopted to solve the debt problem had not yielded the anticipated results, namely a significant reduction of debt. In fact, the Group of 77 had always maintained that there must be a greater reduction of debt within a broader scope.

47. In 1990 there had been a slow-down in the pace of lending and the indebted countries had been less able to repay their debts as a result of limited domestic growth, the rise in interest rates, the decline in commodity prices and the limited growth of international trade, factors exacerbated by the effect of the Gulf crisis on oil-importing countries such as his own. Among other things, his country had been obliged to pay twice as much for its

(Mr. Singh, India)

oil imports, had experienced a shrinking of its traditional markets and a decline in remittances from Indian workers, and had had to bear the cost of reintegrating returnees.

48. Mention should be made in that connection of the efforts which India and 20 other countries affected by the application of the sanctions imposed by the United Nations had made to have concrete measures taken to address the economic and other problems they had suffered in implementing the sanctions.

49. As mentioned in the Secretary-General's report on the external debt crisis and development (A/46/415), India had had to use its gold reserves to secure new borrowings. Debt-servicing had meant substantial sacrifices for the country, and the international debt strategy should therefore include measures in favour of heavily indebted low-income countries which had met their obligations.

50. The negative transfer of resources from developing to developed countries was occurring at a time when the developing countries were adopting bold reform measures and countries which had previously had centrally planned economies urgently needed resources to reform and restructure their economies. There was little chance that private capital inflows would increase in the near future; moreover, direct foreign investment could meet only a part of the needs for development financing.

51. In fact, financing needs .d increased, concessional financing was stagnating, commercial financial flows had slowed down and direct foreign investment was concentrated in groupings of developed countries. Under those circumstances, it was essential for donor countries to honour their commitments to allocte 0.7 per cent of their GNP to ODA. It was essential also to increase the resources of the multilateral financial institutions, whose resource base had been shrinking in both real and nominal terms.

52. Reversing the negative transfer of resources from poor to rich countries was merely one aspect of the debt problem; increasing resources would have a very limited effect if it led to more debt. What was important was to enhance the repayment ability of the indebted countries, and t..at depended on domestic measures as well as a favourable international environment.

53. His country adopted short-term stabilization and long-term restructuring measures which would strengthen its ability to combat its traditional enemies - poverty, disease and ignorance. Yet, those measures could not yield satisfactory results unless India had access to markets and developed countries relaxed their protectionist barriers. In addition, the developing countries should have a say in monetary and financial decisions that could affect them significantly. The solution to the debt problem should benefit both debtor and creditor countries.

54. Mr. ADEKUOYE (Nigeria) said that the debt crisis, which was rooted in long-standing structural relationships of dependency and inequality in the world economy, continued to affect the developing world as much as it had during the early 1980s. That problem thus called for decisive and concerted action by all countries, if only to avoid a catastrophe whose consequences could prove disastrous for international peace, security and cooperation.

55. The debt of the developing countries currently amounted to $1.3 trillion, of which approximately 40 per cent was owed by severely indebted middle-income countries. Sub-Saharan Africa was carrying a debt of $270 billion. That enormous debt burden had many consequences. Export earnings were largely devoted to debt-servicing and, consequently, much less was available for domestic investment or import activities, which adversely affected even creditor countries; the creditworthiness of the developing countries was impaired, so that it became more difficult for them to trim budget deficits and contain spiralling inflation. Fiscal instability was undercutting the benefits of adjustment measures and amplifying their social costs. Indeed, the infant mortality rate had risen by over 50 per cent, unemployment had soared, growing numbers of people were emigrating from the South to the North in search of work, and many women were forced to do menial work or to cultivate barren and unproductive land in order to survive.

56. Nevertheless, there had been some progress in the way the issue was viewed: it was currently acknowledged that repayment problems were not merely temporary or a matter of liquidity; that structural adjustment programmes created greater political and social instability; and that debt rescheduling had provided little relief. In that last seven years, no African country had been able to meet the terms of its rescheduling payments: 31 countries had rescheduled a total of 83 times and 16 of them had rescheduled more than three times.

57. Bold and innovative approaches were thus needed to solve the crisis. Some progress had already been achieved. By 1990, a total of about $7.6 billion in debt had been cancelled as a result of the summit meetings at Venice, Toronto and Houston. Italy, France, the Nordic countries and the United Kingdom had also announced further measures. It had been pointed out in the Secretary-General's report on the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990, that the real benefits of those initiatives had been limited, but the Trinidad initiative seemed to be a step in the right direction. In any case, no easing of indebtedness would be meaningful if the terms of trade deteriorated, commodity prices declined and interest rates remained high.

58. In conclusion, his delegation strongly endorsed the proposal to establish an advisory commission on debt and development (A/C.2/46/L.6) and reiterated the plea of the Nigerian President, General Ibrahim Babangida, that debt should be forgiven for credible and sustained structural adjustment programmes, credible environmental protection programmes and credible democratization processes. The developed world should demonstrate its sincere

(Mr. Adekuoye, Nigeria)

will to resolve the problem by implementing uniform and non-selective global measures similar to those of the Marshall Plan, thereby benefiting not only the developing countries but, ultimately, the whole of humanity.

59. Mr. MAHAMAN (Niger) said that the Niger, a land-locked, desert country of the Sahel, was experiencing disturbing socio-economic conditions which were aggravated by cyclical drought, the heavy burden of external debt, falling commodity prices, population growth, a decline in per capita GNP and the stagnation of external aid.

60. Domestic savings were inadequate and the Niger, like other African countries, had been forced to borrow externally in order to finance its economy. In spite of the efforts undertaken to mitigate current problems and after using the flow of capital thus obtained to promote many development goals, his country had been experiencing debt-servicing difficulties for some years. The bold initiatives and measures taken by the Government to stimulate economic recovery had been hindered by the financial cost of external debt, which involved capital repayment, interest payments and transfer and related costs. It would certainly be difficult to overcome such difficulties, bearing in mind that total exports hardly covered debt-servicing requirements.

61. Since 1982, the international community had adopted strategies for economic growth based on accelerated growth in the debtor countries through the implementation of appropriate reforms, the possibility that Governments would obtain external financial assistance on certain conditions and a case-by-case treatment of the problems of individual countries.

62. Since 1983 the Niger had developed a rigorous economic and financial policy in order to reduce internal and external imbalances which had been exacerbated by the drop in demand for uranium and the persistence of unfavourable climatological conditions. That policy, which had been pursued in the context of a structural and sectoral adjustment programme under the auspices of the World Bank, had enjoyed the support of the IMF Structural Adjustment Facility.

63. However, as it had not been possible to solve the problem of the external debt through mere structural adjustment, the international community had taken a number of initiatives to cope with the problem. Those had included debt cancellation and conversion, increased ODA, the convening of an international conference on African external debt, implementation of the decisions of the Toronto summit and an increase in the resources of IMF and the World Bank in support of debt-reduction measures agreed between commercial banks and debtors. It was essential to tackle the underlying causes of the crisis by controlling international financial and economic processes more closely, by increasing transparency in North-South relations and, above all, by paying fairer prices for developing country exports.

64. Mr. RAKOTONAIVO (Madagascar) said that, because of its economic and political repercussions, the problem of external debt was one of the greatest challenges of the present time. The international community had recognized that it was essential to find a solution and had developed a strategy whose main elements were contained in the four resolutions adopted by consensus by the General Assembly at its forty-first session and in the decisions and recommendations of the United Nations Conference on Trade and Development (UNCTAD) and other international bodies.

65. In conformity with that strategy, a number of practical measures had been adopted to alleviate debt under the Toronto agreements, the Dakar initiatives, the Baker and Brady plans and the Houston and Trinidad terms. Nevertheless, all those innovations, while doubtless valuable, were no more than a palliative for the problem.

66. As the Secretary-General's report (A/46/415) clearly pointed out, there was currently general recognition of the need to reduce the volume and interest of the debt and to encourage the sharing of participation and responsibility by all interested parties, including Governments and all country groups. However, the enthusiasm aroused by that turn of events had been transformed into disillusionment at the slowness of the process, the persistence of the structural causes of the crisis and the realization that there was a long way to go before the aspirations of the developing countries were met. African countries were also concerned by the ineffectiveness of the results achieved, the calculated limitation of eligibility criteria, the imposition of new conditions, the selectivity of credits, the length of negotiations, the limitations linked to the perimeters established and, above all, the lack of financial resources.

67. It should also be emphasized that the new measures had not yet taken account of the global financing needs associated with adjustment programmes and had failed to evaluate the payment capacity of debtor countries realistically. The question of the financing crisis had been raised by the Ministers of the Group of 24 at the recent annual meeting of the World Bank and at Bangkok.

68. It was important to draw up a detailed estimate of the capital required to overcome the crisis and to reach agreement on the level of debt reduction which, in the view of the Personal Representative of the Secretary-General on Debt, should be 90 per cent.

69. Africa was experiencing particularly serious problems in that regard; its total external debt was equivalent to 102.3 per cent of GNP and 300 per cent of its exports, for which ever-lower prices were being paid. Under those circumstances, Africa's external debt was not repayable and any explanation which ignored that fact was unacceptable. The African countries therefore demanded the adoption of a number of practical measures ranging from the cancellation of official debt to the implementation of the conditions necessary to revive their economies, which was indispensable to the current democratization of their political and social life.

70. Mrs. HASSAN (Egypt) said that the debt problem continued to be one of the major challenges currently facing the developing countries. Its burden continued to be extremely heavy; debt servicing absorbed nearly all the developing countries' domestic savings and a large part of their foreign exchange earnings. Indeed, the situation continued to be as critical as the Personal Representative of the Secretary-General on Debt had painted it in his report to the General Assembly at its forty-fifth session (A/45/380).

71. Prospects for improvement in the debt situation had been tarnished by the unfavourable world economic environment, and rapid recovery was not in sight. Recession in the major industrialized countries continued, as did economic disorder in Eastern Europe, while the adverse economic consequences of the Gulf crisis continued to be felt. Reform and restructuring initiatives undertaken by a number of developing countries had not yet received adequate external financing, nor had they been facilitated by the elimination of external obstacles to growth and development. The indebted developing countries, particularly in Africa, would only be able to reactivate their economies if their debt burden was significantly reduced. In that context, her delegation took note of the recent measures adopted by the international community for debt relief. Those steps reflected a new thinking on debt management and constituted an important step towards a durable solution of the problem. It was to be hoped that that approach, once extended to a greater number of countries and to a wider range of debt, would enable debtor countries to solve their problems in that area.

72. His country had signed a debt-reduction agreement with the Paris Club which would be implemented in three stages over three years. Implementation of the first stage was dependent on the signing of an agreement with IMF on restructuring of the economy, while the other stages depended on Egypt's compliance with the terms of the agreement. It had been carrying out a programme of economic reform and structural adjustment with the ultimate goal of achieving sustainable economic growth and improving its people's living standards. The programme had officially begun in March 1990 and was focused on three areas: stabilization to restore macroeconomic balance and reduce inflation; structural adjustment to stimulate medium- and long-term growth; and modifications in current social policies to minimize the effects of the economic reforms on the poor. Those measures constituted a comprehensive and ambitious reform programme which had to be implemented as a whole.

73. The programme of economic reform and structural adjustment was very comprehensive and had six components. The first was the reduction of inflation and current-account and budget deficits, and the restoration of creditworthiness. The second was the privatization and restructuring of public enterprises and reform of their financial relationships with the banks and the Government. Public enterprises would be subject to the same rules and obligations as private enterprises. The third component was the liberalization of domestic prices in order to eliminate agricultural and manufacturing price controls. Within three years most prices would be determined exclusively by market forces. The fourth component was the

(Mrs. Hassan, Egypt)

liberalization of foreign trade, with most non-tariff import and export barriers phased out within two years, tariffs reduced and export restrictions removed. The fifth was a reform of the private sector aimed at encouraging and facilitating the development of private enterprise by eliminating investment and production controls, government monopolies, and discrimination against the private sector in favour of the public sector with respect to imports. The sixth element was the Social Fund for Development, which was designed to minimize the adverse effects of the economic reforms by providing direct assistance to the poorest population groups and facilitating the reintegration of Egyptian workers returning from the Gulf area.

74. In designing the economic reform programme the Government had given careful consideration to a number of problems which would have to be tackled in the short term, such as the danger of accelerated inflation, the possibility of a decline in GDP, employment and per capita consumption, and the need to restore creditworthiness in order to ensure sustainable growth. The Government's political determination would have to be combined with mobilization of mass domestic support for the programme. Despite the magnitude of the effort which was to be made, the reforms would not solve his country's problems overnight. But the programme did represent an important step forward, for it would facilitate the adoption of sound national reform policies which would produce their benefits over the long term by ensuring international support and improving Egypt's economic and financial situation.

75. Mr. SINGH (Fiji) said that the report by the Secretary-General on external debt crisis and development (A/46/415) painted a graphic picture of the magnitude of the debt problem with which the developing countries had been struggling for almost a decade. The external debt of capital-importing developing countries had reached an all-time high level of $1.2 trillion and was still rising. The various indicators of indebtedness showed that the situation had not improved and was likely to deterioriate further unless appropriate measures were taken to improve the world economic environment.

76. The ratio of debt to GNP had increased. While the ratio of debt to exports had shown some improvement, the ratio of debt service to exports had remained constant. Those indicators did not mean much in themselves, for they were a product of very complex factors, the most important of which were the volume of debt-service payments, exports and export prices.

77. Creditor countries could play an important role in easing the debt burden by forgiving or rescheduling debts. The trading partners of the debtor countries could help them by allowing greater access to their markets and ensuring higher prices for the exports of the debtor countries.

78. General Assembly resolution 45/214 set out clearly the responsibilities of debtor and creditor countries and the key role which the international community must play in finding a lasting solution to the debt problem of the developing countries. Greater political will, cooperation and understanding was required, for debt issues involved political as well as economic

(Mr. Singh, Fiji)

considerations. The progress made in the implementation of resolution 45/214 had not achieved all the desired results, and the problem was very far from solved. However, it was gratifying to note that some industrialized countries had taken the initiative of cancelling or restructuring the debts of some least developed countries and of some middle-income countries.

79. However, it was worth reiterating that, as the Secretary-General stated in his report, reduction of the debt burden by itself was insufficient to reverse the dismal economic performance of debtor countries. They must introduce policy reforms which were entirely their own responsibility even if they sometimes needed external advice at the outset.

80. His country's external debt amounted to about 25 per cent of its GNP, and its debt-service payments to about 13 per cent of net export earnings, yet the Government financed a substantial part of public expenditure from domestic savings, thus avoiding borrowing from abroad as far as possible. Structural adjustments and other measures designed to open up the economy and increase the international competitiveness of the country's exports had already been put in place. As part of its development strategy Fiji had participated in 1990 in a round table organized by UNDP in Geneva, which had enabled it to focus more clearly on its new policies and seek funding for development projects without increasing its debt-service obligations too much. Over the years his country had also benefited from the financial support of institutions such as the Asian Development Bank, the International Bank for Reconstruction and Development and the European Investment Bank, but because Fiji was still classified as a middle-income country it did not qualify for concessionary loans from those institutions. More sympathetic consideration should be given to countries such as Fiji which were not in a critical situation with respect to debt but needed concessionary financing in order to achieve their development goals in the very difficult external circumstances currently prevailing in the world.

81. Mr. JOMAA (Tunisia) said that the problem of external debt, which was impeding the growth of the developing countries, had reached an unprecedented level and produced an inversion of financial flows, thus jeopardizing the political and social stability of the developing countries.

82. Although the initiatives taken by some developed countries to tackle the situation were commendable and the idea of cancelling the debt in certain circumstances was happily gaining ground, his country believed that such measures were insufficient because any solution to the problem of external debt must be a lasting, fair and agreed solution and must promote the growth and development of all debtor countries without exception.

83. Formulas such as those derived from the Brady Plan or the Toronto terms, for example, did not produce sufficient reductions and disregarded a large number of developing countries, in particular the middle-income countries, which included his own. His delegation therefore supported the

(_Mr. Jomaa, Tunisia_)

recommendations contained in the report of the Personal Representative of the Secretary-General on Debt (A/45/380), in particular the ones concerning debt reduction, encouragement of financial flows which did not generate debt, and establishment of a development bank for the Mediterranean to augment the financial resources of the countries of the region. It reiterated the appeal made by Tunisia's Minister for Foreign Affairs in the General Assembly for the international community to give close attention to the report of the Personal Representative, which reflected the fundamental concerns of the debtor countries.

84. At the current session of the General Assembly all possible means of solving the problem of debt relief must be explored, without excluding any category of debtor country. Tunisia fully supported the Secretary-General's proposal for the convening of an international conference on development financing which would make it possible to identify sources of funding and create suitable mechanisms for channelling the funds needed for sustained growth and development.

The meeting rose at 5.30 p.m.