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at 3 p.m.
New York

SUMMARY RECORD OF THE 20th MEETING

Chairman: Miss DIOP (Vice-Chairman) (Senegal)

later: Mr. PIRIZ BALLON (Chairman) (Uruguay)

later: Miss DIOP (Vice-Chairman) (Senegal)

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AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

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In the absence of Mr. Piriz Ballón (Uruguay), Miss Diop (Senegal), Vice Chairman, took the Chair.

The meeting was called to order at 3.30 p.m.

AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/47/82, A/47/83, A/47/225-S/23998, A/47/312-S/24238, A/47/344, A/47/351-S/24357, A/47/375-S/24429, A/47/396, A/47/499, A/C.2/47/L.4)

1. Mr. SILALAHI (Indonesia) said that the developing countries were hampered by an unfavourable economic environment characterized by, *inter alia*, inadequate access to technology, unabated protectionism, low prices for commodities and raw materials and severely contracted financial flows. The excessive indebtedness of the developing countries had led to the reverse flow of resources from the developing world to the developed countries. Over the past 10 years, the magnitude of the debt had doubled, seriously inhibiting growth and development.

2. His delegation wished to reiterate the urgent need for a comprehensive and durable solution that would not hamper development. The process should involve the debtor countries, the developed creditor countries and the financial institutions. His delegation welcomed the proposals to write off part of the bilateral public debt of the least developed countries. The various debt-relief approaches should be broadened to cover all types of debt and all categories of debtor countries. Special consideration should be given to those countries which had met their debt obligations in a timely manner.

3. The developed countries should strive to reduce interest rates and maintain stable exchange rates, thereby inducing non-inflationary growth. They should also increase the net transfer of concessional resources to the developing countries, so as to enable them to finance economic and social projects. It was essential that the multilateral trading system should be expanded and liberalized. Unless there was a successful and balanced outcome to the Uruguay Round, the developing countries would not be able to service their debt.

4. Indonesia had embarked upon structural adjustment programmes by introducing a financial deregulation package in 1988, which had resulted in substantial credit inflows but had at the same time increased the level of indebtedness. The Government had therefore had to install a mechanism to coordinate international borrowing and to set a ceiling for new foreign borrowing. Indonesia's experience suggested that, rather than mechanically applying external solutions, each country should itself initiate the policy steps required to achieve the necessary restructuring and reform. In any event, whatever measures were applied should be part of a comprehensive plan and should have the support of the international community.

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5. Mr. JOMAA (Tunisia) said that his delegation fully endorsed the views expressed on behalf of the Group of 77 by the representative of Pakistan. The external indebtedness of the developing countries was one of the main obstacles to the flow of financial resources which was needed for the revitalization of economic growth and development. As the Secretary-General had pointed out in his report, the total stock of external debt of the developing countries at the end of 1991 had been virtually the same as in 1990. Over the past two years, the net flow of financial resources to the developing countries had improved slightly, but was still negligible.

6. In recent years, a variety of debt-reduction measures had been proposed, but the results obtained were far from satisfactory and had not benefited all countries. That situation had particularly affected the middle-income countries, including Tunisia, which had a limited capacity for investing in economic and social development even though it had continued to meet its obligations and protect its creditworthiness and solvency. Tunisia had taken various steps to increase domestic savings, for instance, by liberalizing the financial sector, restructuring the stock exchange, reducing non-productive expenditures and introducing a value-added tax and a new income-tax system, in order to limit the use of external resources and allow for investments in areas considered essential. Any permanent solution to the debt problem would require a reduction in the overall volume and in the servicing of all types of debt for all categories of debtor countries. The report of the Secretary-General should have addressed the situation of middle-income debtor countries in the same way it had dealt with the situation of heavily indebted countries. He hoped that the following year's report would remedy that omission.

7. His delegation was in favour of writing off, in full or in part, the public debt of the least developed countries, limiting the public debt service of the middle-income countries to between 15 and 25 per cent of export revenues, and setting up a special fund, supplied by the proceeds of debt servicing and earmarked for development projects, that would help to create jobs and thus reduce migration flows. Tunisia was also in favour of debt-for-nature swaps. The creditor countries, the multilateral financial institutions and the commercial banks should focus their attention on the debt problem and begin discussions with the debtor countries, bearing in mind all the issues involved.

8. Mr. LAOUARI (Algeria) said that one of the most disturbing aspects of the world economic situation was the aggravation of the external debt problem of the developing countries. The indebtedness of those countries had created a significant net transfer of resources to the developed countries. Although some heavily indebted countries had received a net positive transfer, the situation had not improved in most of the lower income countries. Debt servicing absorbed a substantial proportion of the developing countries' resources, and thus jeopardized their economic growth. It also contributed to capital flight, thus increasing dependence and setting back economic and social development. The problem was especially acute in Africa, where the

(Mr. Laouari, Algeria)

ratio of debt to GNP was the highest among the developing country regions. Several African countries had tried to introduce far-reaching economic reforms in order to revitalize their economies, but, because of the unfavourable economic environment, their stabilization and adjustment programmes had fallen far below expectations.

9. The debt situation posed a serious political problem with regard to current international economic relations. As the Secretary-General had stated in his report, it remained to be seen whether the new agreements would in fact eliminate the debt overhang and whether a sufficient number of countries would be able to take advantage of them. It was extremely important that the debtor countries, the creditor countries and the multilateral financial institutions should find a rapid, innovative, lasting and global solution with regard to all types of debt and all categories of debtor countries. Special attention must be paid to those countries which, despite the unfavourable external environment, were meeting their debt obligations in a timely manner. In that regard, his delegation fully supported the Secretary-General's proposal for the convening of an international conference on the financing of development. Any solution to the external debt problem would call for a substantial improvement in the international economic environment and, in particular, the strengthening and liberalization of the multilateral trade system and the early conclusion of the Uruguay Round of negotiations. In addition, steps should be taken to revitalize the commodity export sector at more favourable prices.

10. Mr. Piriz Ballon (Uruguay) took the Chair.

11. Mr. KABIR (Bangladesh) said that the external debt of the developing countries had reached the staggering figure of $1,300 billion by the end of 1991 and that the servicing of that debt had resulted in a net outflow of resources. Despite the adoption of rigorous stabilization and structural adjustment programmes, the burden of debt and debt servicing was impeding growth and development in the developing countries and was, in many cases, giving rise to stagnation or even retrogression. Moreover, those reforms and associated economic measures had forced the developing countries to reduce investment and social expenditure, a decision that had had serious consequences for their education, health care and poverty-alleviation programmes and had caused a permanent deterioration in the standard of living of their peoples, as clearly noted in paragraph 25 of document A/47/396. While the overall situation had not improved much, there was no doubt that the debt burden imposed by their debt and its servicing was particularly onerous for the least developed countries, as it represented 60 per cent of their gross domestic product (GDP) and absorbed from 30 to 50 per cent of their export earnings.

12. Solving that chronic problem of the developing countries required innovative approaches, and his delegation wished to underscore the importance of seven measures which might lead to a durable and comprehensive solution:

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(Mr. Kabir, Bangladesh)

reactivation of growth through increased productive investment; an integrated approach, involving Governments and commercial and multilateral institutions; wider access to developed-country markets; debt relief measures for the heavily indebted least developed countries; broadening the scope and accelerating the pace of such conversion procedures as the swapping of debt for equity, for protection of natural resources or for development financing; a review of the limitations of the Toronto terms and rapid implementation of the Paris Club decisions; and cancellation of the official development assistance debts of the least developed countries, either independently or in accordance with Trade and Development Board resolution 165 (S-IX).

13. Bangladesh deeply appreciated the proposals made in 1990 by the Netherlands and the United Kingdom at the Second United Nations Conference on the Least Developed Countries and at the Meeting of Commonwealth Finance Ministers. The Netherlands had called for the cancellation of all official bilateral debt of the least developed countries and the United Kingdom had proposed renegotiation of all outstanding eligible debt in a single operation rather than in tranches, cancellation of two thirds of that debt and the rescheduling of the remainder over 25 years.

14. The international community, in particular the developed countries, should recognize the need to assist developing countries in such basic areas as trade, commodity prices and market access, since economic growth was largely dependent on the status of those factors. Finally, he hoped that the Uruguay Round of multilateral trade negotiations would be concluded successfully, having taken due account of the special situation of the least developed countries.

15. Mr. RAKOTONAIVO (Madagascar) said that the international community continued to be concerned about the external debt of the developing countries. By the end of 1991 the total stock of that debt had reached the unprecedented amount of $1,260 billion. The share of official debt had also increased from 35 per cent of the total debt in 1982 to 46 per cent in 1991. The problem of commercial debt was still unresolved, and total debt servicing was increasing as a result of the payment of back interest.

16. The debt burden of the sub-Saharan African countries, measured as a percentage of their gross national product (GNP), had not shown any decrease. The debt service-to-export ratio continued to rise, owing to low export earnings weakened by the steady downward trend in commodity prices. The combination of excessively high debt-service payments and essential but onerous structural adjustment programmes had engendered serious economic and social consequences which continued to hinder development in nearly all third-world countries.

17. The generally accepted strategy of solving the debt problem through debt reduction was based on principles of unquestionable validity: shared responsibility, political dialogue and a willingness to recognize the need for

(Mr. Rakotonaivo, Madagascar)

growth and the limits to debtor countries' actual capacity to meet their debt obigations. It was, therefore, vital to widen and strengthen the many multilateral initiatives, such as so-called Toronto, Houston or Trinidad terms, the Dakar and La Baule initiatives, the Baker and Brady Plans and the measures adopted by the Paris Club, the World Bank and the International Monetary Fund (IMF) in favour of the heavily indebted low-income countries.

18. Although significant and positive, those measures could only provide a partial solution to the overall problem. The marginality of their effects, the restrictions imposed, selectivity in offering credits and in choosing beneficiary countries, the slow pace of negotiatons and, above all, the limited financial resources provided were matters of concern. The experience of 1991 confirmed those fears: new inflows of capital had served basically to convert or cancel arrears and had not been accompanied by direct investments with real impact; interest rates had risen and donors continued to lack confidence; the margin for manoeuvring had been limited by the Paris Club, and the granting of concessional terms, in accordance with the Trinidad formula, continued to be linked to new conditions.

19. It was becoming increasingly clear that international debt-reduction strategies would have no impact without additional external resources that did not give rise to more debt. Evaluation of the capital input needed to resolve the crisis was a fundamental task, which could be carried out at the international conference on the financing of development to be held in the near future. His delegation wished to stress once again the urgent need to adopt special measures which took due account of the joint position on external debt adopted in 1987 by the Heads of African States, the countries that were undoubtedly the hardest hit. In conclusion, he noted that the basic function of the United Nations, and of the Second Committee in particular, was not only to propose sound ideas but also to foster the development of an innovative and bold attitude conducive to the adoption of appropriate measures at the various stages of negotiation. Once again, the success of that undertaking would depend on the capacity and political will of the Governments and institutions responsible for applying jointly agreed principles.

20. Mr. MARUYAMA (Japan) said that although the total stock of external debt of the capital-importing developing countries, which had risen to $1,260 billion by the end of 1991, had changed little over the last five years, other indicators showed that the debt problem had been easing in the developing countries as a whole. From 1987 to 1991, the ratio of external debt to GNP and to exports had declined from 50 to 36 per cent and from 186 to 133 per cent respectively. Likewise, the ratio of debt servicing to exports had fallen from 22 to 16 per cent.

21. Africa, however, presented a different picture. Although the debt-to-export ratio had declined from 325 per cent in 1987 to 260 per cent in 1991, the debt service-to-export ratio had remained virtually unchanged and the debt-to-GNP ratio had increased slightly. It should be noted in that

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(Mr. Maruyama, Japan)

regard that in 1991 the 4 per cent increase in the volume of African exports had been offset by a 9 per cent decline in export unit prices and that, consequently, export earnings had fallen by 6 per cent. In sub-Saharan Africa, the last five years had witnessed a continuing rise in the debt-to-GNP ratio (105 per cent) and in the debt-to-export ratio (376 per cent), even though the debt service-to-export ratio had decreased from 24 to 19 per cent.

22. The situation in Asia and Latin America, on the other hand had improved from 1987 to 1991. In the Latin American region in particular, there had been significant progress: the ratio of debt to GNP and to exports had fallen from 64 per cent to 37 per cent and from 389 per cent to 281 per cent respectively. The ratio of debt service to exports had also improved markedly from 38 per cent to 29 per cent. The inflation rate had decreased from more than 1,700 per cent in 1990 to about 200 per cent in 1991. The region's GNP had risen by 3 per cent in 1991 and per capita income had grown for the first time in a decade. In 1991, the total net transfer had changed from negative to positive for the first time since 1982, increasing by about $20 billion from -$16 billion in 1990 to over $4 billion in 1991. Net direct investment had also increased from $200 million in 1990 to $4 billion in 1991. That favourable development had contributed significantly to increase the total net transfer of financial resources to all developing countries to $33 billion. The reasons for that change included the tremendous efforts by the indebted countries of the region which, despite political, economic and social difficulties had introduced far-reaching reforms in their economies which were gradually restoring market confidence. Such reforms covered trade and investment liberalization, the restructuring or privatization of public enterprises, the stabilization, or at least reduction, of inflationary pressures, the improvement of fiscal balances and a revitalization of economic activity.

23. Although debt must be either restructured or reduced in order to solve the external debt problem, the most important step was the adoption by debtor countries of appropriate economic policies and self-help efforts which could even help to resolve their social problems. Such efforts by the developing countries must also be supported by a coherent international strategy and a favourable economic environment. However, the economic performance of developed countries in 1991 had not been very helpful in that respect. The growth rate of the industrial economies' aggregate output had declined from 2.5 per cent to less than 1 per cent, and the import growth rate had fallen from 5 per cent to 3 per cent. It was therefore imperative that the developed countries should achieve economic recovery through balanced and appropriate monetary and fiscal policies and that the Uruguay Round of GATT negotiations should be brought to a successful conclusion.

24. There had been significant progress in implementing the international debt strategy in the area of commercial debt. Assistance was being provided to 12 countries which together accounted for more than 90 per cent of the commercial bank debt of major debtor countries. With regard to official debt,

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(Mr. Maruyama, Japan)

the Paris Club, which had extended the Toronto terms to the poorest countries since 1988, had begun to extend more concessional enhanced terms to them since 1991. Seven countries - Benin, Bolivia, Nicaragua, Togo, Uganda, the United Republic of Tanzania and Zambia - were currently benefiting under the new scheme. The problem of heavily indebted lower-middle-income countries was being addressed under the Houston terms, and the Paris Club was urged to consider the special situation of those countries on a case-by-case basis. The United Nations could play a key role in that process by continuously reviewing the development of the debt problem, providing political support for the debt strategies and sending a clear message to the Governments and institutions involved as to how they should proceed.

25. Mr. BANGALI (Sierra Leone) said that the external debt and debt servicing continued to hamper the economic growth of developing countries and prevented them from attaining their development objectives, causing the population misery and suffering. The problem was further compounded by the unfavourable global economic environment marked by adverse terms of trade and a drastic decline in commodity prices.

26. Sierra Leone's economy had been declining since the beginning of the 1980s. The deterioration in growth rates and the increase in government expenditures had resulted in substantial budget deficits, and the excessive borrowing by the Government to finance the deficit had aggravated the problem. There had been a marked drop in foreign exchange reserves from $47 million in the late 1970s to $6 million 10 years later. All those factors had led to an erosion in the international community's confidence and in the country's own confidence in its ability to overcome the crisis. Meanwhile, Sierra Leone's entire infrastructure and its population's standard of living had deteriorated seriously.

27. In view of the cumbersome economic burden it had inherited, the new Government, the National Provisional Ruling Council, had endorsed the Rights to Accumulation Programme established by the IMF at the initiation of the previous regime. The new Government had demonstrated by its actions its commitment to fulfilling the objectives of the Programme, namely, to reverse the decline in economic performance by applying measures of good governance and transparency that involved stabilizing the economy, improving resource allocation, strengthening the external payments position and reinforcing fiscal discipline in order to control inflation.

28. However, in order to achieve those objectives, the support of the international community for debt-service reduction was needed. International financial markets were increasingly recognizing the creditworthiness of the heavily indebted countries, and the Paris Club had adopted new and more concessional terms for debt restructuring. Sierra Leone endorsed the Swedish recommendation for debt relief of up to 80 per cent for the most affected countries and appealed to the international community to implement that recommendation.

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(Mr. Bangali, Sierra Leone)

29. The loss of substantial amounts of export income incurred by developing countries as a result of obstacles to trade in international markets had weakened the ability of those countries to obtain sufficient resources to repay their debts. Therefore, Sierra Leone called for the elimination of all protectionist policies and the further opening up of markets to exports from the developing world. Sierra Leone appealed to the international community to continue to assist in the rebuilding of the country and in its efforts to achieve sustainable economic growth. He also wished to thank Germany, China and Japan for the assistance they had rendered to Sierra Leone through the partial cancellation of its commercial debt to those countries.

30. Mr. NAADJIE (Ghana) said that the debt crisis, a manifestation of the inequities in the structure of the world economy, had ultimately led to a recognition of the interdependence of the world economy and of the fact that the crisis had as much impact on debtor countries as on creditor countries. Developed and developing countries needed each other to survive the world recession. The granting of loans was not an act of philanthropy but rather an essential part of international trade which served the interests of creditor and debtor alike, since it increased the demand for goods and services in the creditor country, thereby increasing productivity and helping to realize national development programme objectives.

31. Yet despite the politically and socially costly economic measures adopted by many developing countries, constraints in the international environment had undermined the capacity of those countries to service their debts and had led to the debt crisis. Measures by the international community such as the Baker, Brady and Toronto Plans had provided only temporary relief. Techniques such as debt-for-equity swaps, debt buy-backs and the use of debt for the establishment of export-oriented joint ventures, for environment schemes and for poverty alleviation could improve the debt situation.

32. Long-term debt of developing countries was estimated to have reached $1,000 billion by the end of 1991, 51 per cent of which was owed to official creditors, and 30 per cent to bilateral creditors. The long-term debt rescheduled by the low-income countries through the Paris Club represented between 25 per cent and 50 per cent of their total debt. Rescheduling and debt and debt-service reductions would no doubt help to alleviate those countries' debt problem, but, as the Group of 77 had stated, a comprehensive and durable solution taking account of all types of debt and all categories of countries must be sought.

33. The debt crisis continued to hamper the economic recovery and growth of Africa. Africa's debt was less than 25 per cent of the developing world's total debt, yet, in the light of the fragility of the continent's economies, that represented a far heavier burden, equivalent to 90 per cent of the continent's gross national product, and 112 per cent in the case of sub-Saharan Africa. Africa's debt-servicing amounted to $272 billion, accounting for nearly 30 per cent of its export earnings. It was thus

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(Mr. Naadjie, Ghana)

essential to tackle Africa's external debt problem, and in order to do so it was indispensable to improve the African countries' terms of trade.

34. Although the fall in interest rates applied to the debt had meant substantial savings for many countries, it must be emphasized that such a decline might eventually affect demand for exports, as was shown by the considerable reduction in the purchasing power of those exports in spite of the significant increase in their volume. The relationship between trade, debt and finance was crucial to the capacity of debtor countries to repay loans. Trade was the most important international factor determining the prospects of any country, particularly those whose currency was not convertible, of emerging from a debt crisis.

35. His delegation was convinced of the need to convene an international conference on the debt crisis as early as possible. To argue that the holding of such a conference would adversely affect the inflow of resources to developing countries was tantamount to favouring a palliative rather than a cure. Unless the current international trade and finance regimes were restructured, the debt crisis would only deepen. Long-term solutions were preferable to short-term remedies. The interdependent nature of the world economy required an approach to the debt crisis that would benefit both creditor and debtor countries, as well as a restructuring of the international economic system to facilitate integration of developing countries in the world economy.

36. Mr. GOUMENNY (Ukraine) said that, in spite of the positive measures adopted in the international financial market to relieve the acute debt problem, such as the rescheduling and reduction of debt and the adoption of new concessional terms for the heavily indebted low-income countries undertaking economic adjustment programmes, there was still a considerable gap between rhetoric and concrete action. In the world financial system it was increasingly recognized that application of partial and isolated measures was not sufficient to alleviate the debt burden and that the indebted countries needed a respite in order to mobilize their resources and carry out necessary structural adjustments. The international community must step up its efforts to make more effective use of multilateral mechanisms to solve that problem, and must also consider creating a structure that would make it possible to prevent major monetary shocks in the future, or at least to alleviate their consequences.

37. The disintegration of the former Soviet Union had not been a spontaneous phenomenon, but the result of a build-up of social, economic, cultural and development problems in its constituent nations. Ukraine, which had inherited the consequences of 70 years of a bankrupt totalitarian administrative system, including the grave problem of the external debt, recognized the significance of an interdependent world and was aware that a condition for its integration in the world economy was that it should guarantee the servicing and payment of its share in the former Soviet Union's debt, which, under the terms of the

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(Mr. Goumenny, Ukraine)

agreement reached by the Republics in 1991, amounted to 16.37 per cent of the total debt. Any solution to the problem of the former Soviet Union's external debt must take into account the economic situation of the former Soviet Republics. The parties involved must determine the exact amount of the former Soviet Union's financial assets, obligations and gold reserves, so as to avoid imposing an excessive burden on future generations.

38. In view of the fact that Ukraine was in the throes of economic and political transformation, it was essential that the credits previously granted to it should be extended until such time as economic stability was achieved and the effects of external financial and technological aid became apparent in the economy. In that connection, his delegation took an optimistic view of the negotiations by the Paris Club, and of the increasing recognition by the international community and the main creditors of the need to reschedule the debt of the former Soviet Union. The Government and the National Bank of Ukraine had established the necessary guarantees to ensure that the resources received would have a positive impact on the current reforms. Finally, in the light of the fact that Ukraine had always sought, and would continue to seek, ways of resolving those countries' economic crisis and overcoming underdevelopment, it bore noting that the developing countries' debt to Ukraine was no less substantial than Ukraine's debt to the developed countries.

39. Mr. CAMPOS QUIROGA (Chile) acknowledged the progress that had been achieved through application of various more pragmatic mechanisms and criteria for debt renegotiation. However, he noted that the debt still constituted one of the most serious obstacles to the recovery of growth and development levels. The increase that had taken place in financial flows and foreign investment was directed towards those countries with the highest indices of economic recovery and the best growth prospects, while the countries needing most support remained on the fringes of that process. The increase in foreign investment might thus be interpreted as the result of the application of market mechanisms, rather than as the consequence of political actions taken in fulfilment of declarations and undertakings intended to mitigate the effects of the crisis.

40. It was a matter for concern that a considerable part of some Latin American countries' debt had been paid from the proceeds of the privatization of major State enterprises. When those sources of income dried up, new payment crises might arise. Furthermore, the social costs of debt servicing had led to tensions that were compelling countries to reallocate to social expenditure part of the resources earmarked for debt servicing. Resumption of the growth rate was an urgent priority. In that regard, the objective set forth in General Assembly resolution 46/148, of creating a favourable international economic environment, remained fully valid; all that was lacking was the political will to put it into practice.

41. Generalized application to the least developed countries of the various proposals made by the developed countries, such as, for example, the Trinidad

(Mr. Campos Quiroga, Chile)

terms, might constitute a significant advance in the case of the African countries. Within the framework of the consensus that had been achieved, it was necessary to accept the need to foster global renegotiations with a lowering of interest rates and forgiveness of a significant portion of the debt. The external debt problem was not simply a confrontation between debtors and creditors, but a situation requiring an international effort of solidarity. Particularly noteworthy in that regard was the debt-for-nature initiative, which might ease the crisis, not only by lessening the developing countries' current financial problems, but also by guaranteeing the preservation of a healthy environment for all the inhabitants of the planet.

42. Mrs. Diop, (Senegal), Vice-Chairman, resumed the Chair.

43. Mr. AMAZIANE (Morocco) said that the three factors impeding the sustainable growth of the world economy were the inadequate coordination of the macroeconomic and financial policies of the industrialized countries in an increasingly more interdependent world, the difficulties involved in establishing an open and transparent multilateral trade system and the external debt problem of the developing countries.

44. In 1991, the volume of debt of the developing countries had been at the same level as in 1990, since new loans had been offset by debt conversion and relief, clearance of arrears and exchange-rate fluctuations. World debt indicators also had not changed significantly. However, the world figures hid significant regional differences. In Africa, for example, the renegotiation of interest rates, the granting of new loans and weaker exports had caused the debt burden to increase. Generally speaking, there had been positive developments on the international economic scene that would prove beneficial to the economies of the developing countries: the decline in interest rates on debt and the increase in the net transfer of resources to those countries. Nevertheless, it must be borne in mind that interest rates probably would rise once the economy of the United States emerged from the current recession and the losses occasioned by the deterioration in the terms of trade had wiped out 50 per cent of the transfers to which he had referred, which definitively demonstrated that the international trading system was a determining factor in the solution of the debt crisis.

45. The international debt strategy had brought improvements in 1991, as a result of the new set of concessional terms approved by the Paris Club to benefit low-income countries and the debt-reduction and debt-servicing agreements reached between nine heavily indebted middle-income developing countries and commercial banks. Even so, that improvement was far below the level envisaged in the Trinidad terms designed to reduce the indebtedness of poor countries by two-thirds, or in the Netherlands proposal to cancel the official bilateral debt of those countries. It also was a matter of concern that the fact that a country was poverty-stricken and faced severe economic and financial problems had not always been taken into account in determining the level of relief provided by its creditors, but rather, that political

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(Mr. Amaziane, Morocco)

considerations had predominated. The debt strategy for the heavily indebted countries should be readjusted and linked more closely to their access to new sources of public or private financing and direct investment.

46. In order to facilitate the reintegration of those countries in the international financial market, the accounting and banking control standards of the industrialized countries must not unduly limit the access of debtor developing countries to new loans or excessively increase the cost of financing. Developing countries which had improved their ability to pay and had returned to the international financial markets now were being punished by exorbitant interest rates on new loans because they supposedly were a greater risk.

47. With regard to multilateral debt, the measures adopted by the International Monetary Fund (IMF) to resolve the problem of arrears did not compensate for the absence of a mechanism to restructure debt with multilateral creditors. It was undeniable that the debt burden continued to be overwhelming for many countries. In many cases, public and private creditors had acknowledged the need significantly to reduce debt in the light of the rigorous adjustment programmes adopted by countries. The international community must adopt measures to benefit all debtor countries which implemented rational adjustment criteria.

48. Since 1983 his country had been following a macroeconomic and structural adjustment policy which had enabled it to reduce internal and external imbalances, strengthen its productive sector and improve the standard of living of its population. As a result of those efforts, it now was in a better position to restore financial viability, do without IMF resources and halt the rescheduling cycle. Nevertheless, it would press on with its restructuring efforts and with the implementation of an austere economic and financial policy, assigning the highest priority to employment issues and to the development of human resources.

49. Mr. OLISEMEKA (Nigeria) said that during the 10 years which had elapsed since the beginning of the debt crisis, substantial progress had been made in the definition of the problem and in the search for solutions. Considerable progress also had been registered as a result of national and international action to prevent serious damage to the international financial system; relations between middle-income developing countries and their creditors had substantially improved, and sustained official financial support on concessional terms had complemented the very limited domestic savings of the poorest countries and enabled them to meet their basic import needs. However, the debt crisis was far from over for more than 40 developing countries. Although the heavily indebted countries - mostly in sub-Saharan Africa - had received strong official support, on the average they allocated one quarter of their export income to debt servicing, which enabled them to pay only half the scheduled amount. For many of those countries, external viability depended on

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(Mr. Olisemeka, Nigeria)

write-offs of part of their debt. As to the remaining heavily indebted middle-income countries, the objective remained to restore access to private international capital markets.

50. The debt overhang of the African countries constituted a significant obstacle to their prospects for development. Heavy debt-servicing obligations discouraged private investors and government reformers alike and substantially hampered their efforts to make adjustments. Accordingly, a reduction in debt payments would constitute the most cost-effective form of official external resource transfer to Africa in the 1990s.

51. It was time seriously to reconsider the appropriate institutional mechanisms for the provision of international financing to very low-income countries. The major need in those countries was for grants and long-term financing in support of long-term development programmes. In the case of very low-income or the least developed countries, it might be preferable to introduce new financing arrangements into the long-term programmes of the World Bank and other donors, thereby relieving the International Monetary Fund of its aid role so that it could better carry out its role as a source of technical advice on monetary matters.

52. In conclusion, in the current circumstances, only a comprehensive and durable solution to the external debt problem which took into account the need to reduce the stock and service of all types of debt for all categories of debtor countries would help alleviate that burden of the developing countries. In the absence of such measures, the efforts of the developed countries to accelerate their growth would fail, thereby increasing the risk of social and political turmoil.

53. Mr. OSSA (Director of the Development Policy and Analysis Division) said that the discussion of the debt situation in the developing countries had been very heartening, particularly bearing in mind the contentious nature of the debate in earlier years. The exchange of views on the subject was a reminder of the complicated debt situation which had recently emerged in some of the economies in transition. The Secretariat would monitor that situation in various studies, in particular, the World Economic Survey.

54. The international debt strategy must continue to evolve. That had been acknowledged by the industrialized countries and by many developing countries which had made pragmatic proposals to resolve the debt problem. The proposals had called for further analysis and research, and several speakers had called attention to the situation of middle-income countries - whose debt was predominantly of an official character - which were making strenuous efforts to meet their financial obligations despite major economic difficulties. In addition, the representative of India had drawn attention to the effect of currency fluctuations on debt servicing. The representative of Japan had stated that the developing countries were adopting appropriate debt strategies and policies. They and the developed countries must work to consolidate and

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(Mr. Ossa)

build on those achievements in order to reach new objectives. As Mr. Ji Chaouzhu, the Under-Secretary-General for Economic and Social Development, had stated, if the required efforts were made in the near future, the external debt overhang would be eliminated by mid-decade. Thus, external debt would cease to be a constraint and would again become an instrument to be used prudently to increase investments and accelerate development in all countries.

The meeting rose at 5.45 p.m.