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Chairman: Mr. HAMBURGER (Vice-Chairman) (Netherlands)

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

AGENDA ITEM 87: MACROECONOMIC POLICY QUESTIONS (continued) (A/49/204-E/1994/90; A/49/205-E/1994/91; A/49/228-S/1994/827, A/49/256; A/49/307-S/1994/958)

(c) EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/48/287-S/1994/894; A/49/338)

(d) NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (A/49/309)

1. Mr. OSSA (Macroeconomic and Social Policy Analysis Division) noted the critical link between the external debt problem and the evolution of resource transfers between developing and developed countries. Indeed, the debt crisis had been triggered by the combination of a marked increase in international interest rates and a decline in commercial flows due to weakened commodity prices, which had resulted in a net financial transfer from debtor developing countries to the rest of the world. Even though the situation had changed markedly in recent times, in a number of developing countries net financial outflows persisted and, in many countries, the debt overhang continued to constrain development.

2. In his report on debt (A/49/338), the Secretary-General called for a change in the standard arrangements dealing with debt relief in the context of the Paris Club. Such arrangements had provided temporary relief but had not removed the debt overhang. If the whole stock of such debt were included, the relief measures would narrow considerably the distance between contractual payments and the capacity to pay of the country, taking into account its adjustment efforts.

3. The conclusions of the report on the net transfer of resources (A/49/309) noted the need for differentiated action. In the few developing countries which had received large net flows of private capital, the progress towards a more stable domestic macroeconomic environment must be preserved, while simultaneously ensuring that a larger share of capital inflows was used to increase productive investments. In developing countries which had failed so far to attract private capital - that is to say, the majority - efforts must continue to provide an adequate economic framework. Increased concessional and non-concessional flows played a major role in speeding up structural adjustment. In order to avoid volatility in capital flows to developing countries, non-inflationary growth in developed market economies and reasonably stable interest rates were also necessary. There was still need for an early resolution of the problem of the balance of payments of many developing countries and transition economies along the lines proposed by the Managing Director of IMF, that is to say, through a general allocation and a selective allocation totalling SDR 36 billion. At the meeting of the World Bank and IMF which was held in early October at Madrid, the Chancellor of the Exchequer of the United Kingdom had presented to the Interim Committee a proposal to subsidize the payments of developing countries which had built up unsustainable debt-service obligations to the multilateral financial institutions, using for

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that purpose the funds derived from the return on investments made with the proceeds of carefully considered and phased sales of the gold reserves of IMF. That proposal would be further examined by the Fund.

4. At the Madrid meeting, the Interim Committee had requested the Executive Board to pursue its work on strengthening Fund surveillance in order to assist countries in avoiding excessive disequilibria and reduce the volatility in capital flows. However, because a sudden outflow of private capital from a developing country could occur even in the absence of fundamental disequilibria or dislocation in international capital markets, the Group of 24 had urged IMF to examine the possibility of establishing a new short-term, fast-disbursement facility aimed at assisting countries that were in that situation. The communiqué of the Development Committee had placed emphasis on the effectiveness and distributional aspects of official development assistance but not on its volume. The World Bank and IMF had also been asked to stand ready to address the problems of countries affected by the Uruguay Round which needed assistance, since the implementation of the results of the Round would lead to higher world food prices and the erosion of the preferences granted to several developing countries.

5. Mr. RUNGE (Germany), speaking on behalf of the European Union and Austria, said that the international debt strategy had led to a considerable improvement in debtor-creditor relations and in the management of the debt service. In a number of cases, middle-income developing countries which had taken appropriate adjustment measures had regained access to financial markets while the poorest and heavily indebted countries had continued to receive official development assistance and the rescheduling of their debt. Furthermore, important debt cancellations had been granted, such as that offered in January 1994 to heavily indebted African countries. On the other hand, the situation of many low-income countries, many of which were African, remained very difficult. The debt problem of some low-income countries called for even more favourable terms of debt forgiveness, including a reduction of the stock of debt, in order to support their efforts to achieve sustainable development.

6. The European Union congratulated the Paris Club on its contribution to the progress of the international debt strategy and encouraged it to further improve the terms which it applied to the poorest and heavily indebted countries. Where appropriate, the bilateral official debt of those countries should be reduced so as to enable them to exit from the rescheduling process. Some of the poorest countries were heavily indebted to multilateral institutions and were dependent on flows of concessional financing. The European Union encouraged all international financial institutions to examine proposals to resolve the problem, including the recent proposal to use IMF gold reserves.

7. It must be recognized that debt reduction was in itself not sufficient to restore external viability. A lasting solution would require the sustained implementation of sound economic policies which also took into account the social dimension of adjustment and carefully considered each individual case. The report of the Secretary-General contained a proposal to address the question of the full debt stock at one time when assisting a country on a definitive

reform track. The Paris Club, for its part, emphasized a country's reform track record as the basis for considering reductions in debt stock and exit-rescheduling. The confidence required to attract domestic and foreign investment depended largely on that track record.

8. Mr. LAMAMRA (Algeria), speaking on behalf of the Group of 77 and China, said that, more than a decade after the onset of the external debt crisis, its structural causes persisted, for the strategy employed had essentially been aimed at maintaining the financial equilibrium of the credit institutions. The total debt stock of third world countries had continued to rise. Estimated by the World Bank to be $732 billion in 1982, the figure was currently about $1,600 billion, around $305 billion of which were owed by African countries unable to service their debts.

9. Generally speaking, the situation had deteriorated for all developing countries. As indicated in the report of the Secretary-General, the number of indebted countries was greater than it had been in the 1980s and, while some countries had been able to extricate themselves from the debt cycle, reactivate their economic growth and regain access to the international financial system, many more remained trapped and had no real prospects of overcoming the crisis. The situation of low-income countries was particularly alarming, but the problem of debt also affected middle-income countries throughout the world, some of which were still suspending their payments.

10. The fact that no major progress had been achieved in a decade confirmed the doubts of the Secretary-General of the United Nations concerning the relevance and effectiveness of the measures adopted thus far and called into question the assertions that the phenomenon was completely under control. The external debt problem called for an integrated approach which took into account the economic, political and social dimensions, debtor countries' obligation to introduce reforms and carry out structural adjustments and the need for countries and creditor financial institutions to buttress those reforms. That approach should emerge from a dialogue among debtor countries, creditor countries, commercial banks and multilateral financial institutions and should cover all types of debt and all categories of debtor countries. Consideration must also be given to granting debtor countries various facilities such as reductions in debt stock, extension of repayment deadlines and even debt forgiveness, purely and simply, for the poorest countries. In that connection, the decisions taken by some developed countries with regard to certain categories of debt owed by the low-income African countries were encouraging. None the less, more than ever, the international financial institutions were expected to propose initiatives concerning multilateral debt, which continued to be the only category of developing country debt that had not been restructured.

11. Structural adjustment programmes and debt rescheduling processes could not yield lasting results if they were not accompanied by a fundamental change in the mechanisms governing international economic relations. The elimination of debt overhang through restructuring was but one element of a whole package which should enable countries to correct imbalances in their external payments and to enjoy, once again, a satisfactory growth rate. In the world economic context,

the interests of the developing countries must be taken into account more fully through the establishment of an international trade system which generated additional financial resources, and, in particular, by guaranteeing better commodity prices, for commodities, increased official development assistance, a greater flow of non-debt-producing direct investment and greater access to the achievements of science and technology.

12. The recent reversal in the trend in the net transfer of financial resources to the developing countries was undoubtedly cause for satisfaction, but it was a limited phenomenon since the vast majority of developing countries remained on the fringes of that process. It should also be noted that those positive transfers were unstable, as they depended on private capital seeking to earn short-term income and, therefore, on fluctuations in interest rates. They also involved inflationary risks and could create trade imbalances by stimulating a rapid rise in imports in relation to exports. Moreover, the net increase in private financial resources received by some developing countries should not conceal the downward trend in official financing, in particular official development assistance.

13. The Group of 77 and China believed that the question of external debt and development financing should remain on the agenda of the Organization until a permanent solution could be found; they would continue to support the proposal of the Secretary-General of the United Nations to convene an international conference on the financing of development.

14. Ms. YANG Yanyi (China) said that the fact that the net transfer of resources to developing countries had been positive for the third consecutive year was not a ground for undue optimism. A closer look at the situation revealed the following: First, the share of the developing countries in global external financing remained small, averaging less than 15 per cent across various categories. At the same time, the terms of trade for developing countries were deteriorating, resulting in a loss of some $75 billion in 1993, which more than offset the resources transferred. Second, the regional distribution of financial transfers was uneven, for not all developing countries had benefited from them. Third, the sustainability of such transfers was uncertain, for the low rate of investment returns and low interest rates in developed countries and the comparatively strong growth and high interest rates in developing countries might be determinants of the increased financial flows to those countries. Moreover, a considerable portion of the transfers was represented by portfolio investment and short-term capital, which could be speculative, Part of foreign direct investment in developing countries had been used to purchase existing enterprises under privatization schemes, which did not create new productive capacity. Fourth, official development assistance, a major source of external financing for a majority of the low-income developing countries, had declined in real terms and in relation to the gross national product of the developed countries. In that connection, the fact that the transfers of resources from the International Monetary Fund (IMF) and the World Bank remained negative and the outflows of resources from developing countries gave cause for concern.

15. Under such circumstances, it was in the interest of the developing countries to adopt appropriate policies to attract external financing and use it effectively, improving its structure in the process by channelling funds into long-term investment that would expand production and exports. For its part, the international community, particularly the developed countries, should provide assistance to the developing countries and create favourable conditions for promoting resource flows to them by ensuring the sustained non-inflationary growth of their own economies and checking the continued rise of interest rates. The developed countries should also take specific measures to improve the terms of trade of developing countries, remove trade restrictions, reverse the downward trend in official development assistance and enhance the effectiveness of aid by removing political conditionalities. The international financial institutions should increase their concessional aid to developing countries in order to meet their requirements for the financing of development.

16. Mrs. AMERASEKARE (Sri Lanka) said that the overall situation with regard to the debt crisis was currently somewhat less severe than it had been several years earlier, as a result of such initiatives as the Brady plan and the renegotiation of debt with the Paris Club; however, those initiatives had addressed the problems of only a few countries, especially those with debt problems that posed a threat to the international financial system. The debt-relief measures had not benefited a large number of countries overburdened with debt repayment and debt servicing. The debt-restructuring measures had dealt primarily with commercial debt and debt-servicing obligations to official bilateral creditors. No formal debt-restructuring existed for debt owed to multilateral institutions.

17. The definition according to which a country was considered to have a debt crisis when it failed to pay interest or repay the principal on its foreign debt on time underestimated the actual magnitude and implications of the problem, since it did not take account of the large number of countries that continued to meet their debt-repayment obligations - at the cost of national resources that could be used to promote development - in order to maintain their credibility and continue to obtain loans from IMF and the World Bank. Those countries depended to a large extent on those institutions to finance their essential imports.

18. Sri Lanka had been implementing a structural adjustment programme at great cost in order to obtain IMF support with respect to its balance of payments. However, the combined effects of the external debt burden, falling commodity prices and rising import prices continued to prolong a resource scarcity that in the past few years had resulted in budget cuts in sectors that provided basic needs. Sri Lanka's debt-repayment obligations had continued to increase. At the end of 1993, the total medium- and long-term public and publicly guaranteed debt had amounted to US$ 6.5 billion, or 64 per cent of the country's gross domestic product (GDP). At the same time, Sri Lanka had been striving to achieve self-reliant growth. A policy framework had been introduced to mobilize domestic resources and foreign private investments. While there were plans to transform the private sector into the engine of economic growth, such efforts

could succeed only if international support was provided in the form of debt relief, free access to markets and increased ODA.

19. Countries that depended heavily on primary commodities and which had only a small domestic market and a limited resource base needed assistance in the form of debt relief in order to be able to continue their development efforts; otherwise, they would lose what they had achieved so far. In any future strategy, the definition of the "debt crisis" should be broadened to include countries like Sri Lanka, which met their debt obligations with great difficulty in spite of their special disadvantages owing to their size, the structural problems of their economies and their limited resource base. In formulating a debt strategy, consideration should be given to the importance of creating mechanisms to stabilize primary commodity prices, such as the rubber stabilization fund. Such mechanisms could be financed from taxes on the profits of the corporations that controlled the markets for those commodities. As a complementary measure to the debt strategy, the developed countries should review, as a matter of urgency, the Generalized System of Preferences, since the tariff reductions under the Uruguay Round had adversely affected developing countries' exports.

20. Mr. ANSARI (India) said that, given the insufficiency of the measures that had been adopted so far - measures that had been too specific and often designed to serve the interests of creditors, or which had been contingent on rigorous structural adjustment programmes - it was necessary to find an early, comprehensive and durable solution to the debt problem. An international debt strategy should incorporate measures to reduce debt and reschedule debt-servicing and increase financial flows to low-income and severely indebted countries. Such measures should apply not only to countries that had fallen behind in their payment of debt but also to countries that had continued to meet their obligations at great cost.

21. In order to avoid the debt trap, India had adopted, a few years earlier, various measures to alter the structure of its debt through medium- and long-term financing instead of short-term investments. It had set a limit on external commercial borrowing, and borrowing had also been diverted to basic industries that provided opportunities to save or earn foreign exchange. The economic stabilization and structural reform, which sought to promote growth through investment and equity rather than through borrowing, included a new foreign investment policy and the ratification on the Multilateral Investment Guarantee Agency.

22. The net transfer of resources to the developing countries had been concentrated in only a few countries and for the most part involved flows of private capital that were very volatile because of exchange rate fluctuations and interest rate changes in the countries in which such flows originated. Moreover, the overall positive figure would be substantially reduced if account was taken of the significant losses to the developing countries caused by the deterioration in the terms of trade. In the light of those realities, ways must be found to reduce systemic risk in the markets for international private capital, especially in relation to portfolio flows, while simultaneously

strengthening private direct investment flows to the developing countries. Effective macroeconomic policy coordination was necessary to ensure that the volatility of such flows was reduced. Coordination among the developed countries was needed for the successful and orderly functioning of a multipolar, increasingly open and interdependent world economy and should be carried out in a multilateral forum that paid due attention to the implications of those policies on the rest of the world.

23. Measures would also be necessary to increase the flow of ODA as well as multilateral funding through the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), since most developing countries continued to need concessional assistance to finance their development and complement private capital flows. Assistance should be given to the developing countries that had implemented, over the past decade, arduous programmes of stabilization and structural economic reform in order to enable them to bring those programmes to a successful conclusion and thereby promote product diversification so that they did not continue to be faced with a long-term decline in the terms of trade for their exports. Assistance to sub-Saharan Africa and South Asia was particularly urgent because abject poverty was most prevalent in those regions. International cooperation was needed to preserve and protect the planet’s environment, and it should be strengthened with suitable financial and technical support over the medium term.

24. Mr. KUDRYAVTSEV (Russian Federation) said that there already was an efficient mechanism for solving the external debt problem, in which multilateral groups such as the Paris Club, the London Club, the International Monetary Fund and the World Bank played a key role. The United Nations could play an important role in that respect by preparing, for example, policy recommendations and gathering, analysing and disseminating the most successful national and international experiences in that area.

25. The Russian Federation agreed with the conclusion of the report of the Secretary-General (A/49/338) that the current debt situation had improved in all respects over that of the 1980s. Considerable progress had been made in the external debt situation of the Russian Federation. Note should be taken in particular of the agreement reached during the current year in Paris for restructuring the external debt of the former Soviet Union as well as the restructuring agreement signed at Madrid in early October with the London Club of creditor banks.

26. Having assumed all the debts of the former Soviet Union, the Russian Federation’s basic position on the problem of the external debt was that debtors must honour their payments commitments. The Russian Federation was prepared to honour its debt in its entirety once it had been restructured taking into account the nature and origin of such debt and other factors. It must also be borne in mind that the Russian Federation was not only a major debtor but also one of the largest lenders to other countries. Therefore, an agreement should be reached on both counts, namely, restructuring the Russian Federation’s debt *vis-à-vis* other countries while restructuring the debts that other countries owed to the Russian Federation. The Russian Federation stood ready to negotiate

such restructuring with the debtors and lenders and to restructure its debt in any other way, either through bilateral negotiations or within the framework of the Paris Club which it would like to join as a member or at least as an observer.

27. Various interesting ideas had been considered during the debate, including the call made by the Group of Seven at Naples, in July of the current year, for an improvement in the terms offered by the Paris Club to low-income countries, and the United Kingdom's proposal to reduce the debt burden of least developed countries. The Russian Federation felt that solutions that were acceptable to all the parties concerned should be found through the efforts of debtors, lenders and the Bretton Woods institutions. It was also necessary to take into account the needs of debtor countries, including their need for funding in order to carry out structural adjustment programmes and strengthen economic reforms, as well as their capacity to meet their external debt-servicing requirements. The possibility of extending debt restructuring periods beyond the current one or two years should also be considered. Greater use should be made of the prospects offered by non-traditional debt repayment schemes such as debt-equity or debt-for-nature swaps in debtor countries. Finally, careful consideration should be given to the idea of establishing an agreed debt repayment mechanism for countries with economies in transition and developing countries.

28. Mr. BANGALI (Sierra Leone) endorsed the remarks made by the representative of Algeria on behalf of the Group of 77 adding that the problem of external debt had been further compounded by the unfavourable global economic environment, characterized by adverse terms of trade and business climate for developing countries and by a decline in the prices of commodities.

29. The present Government of Sierra Leone had inherited an enormous economic burden; the economy had started on its downward trend in the early 1980s with the deterioration in growth rates, substantial budget deficits, escalation of the rate of inflation and a marked drop in foreign exchange reserves. Given those circumstances, and despite the war that was being waged against the rebels in the southern and eastern border areas of the country, the present Government had unhesitatingly endorsed the Rights to Accumulation Programme implemented by the International Monetary Fund at the start of the previous regime which was aimed at revitalizing Sierra Leone's economy by stabilizing it, improving resource allocation and strengthening the external payments position and at reinforcing fiscal discipline and controlling inflation through the twin policies of transparency and good governance. Although the economic reform and political transition programmes being implemented by the present Government were restoring confidence to the country, Sierra Leone needed the continued support of the international community in order to recover from the previous decade of debt crisis.

30. Favourable developments worth noting were the significant improvement in perceptions in the international financial market of the creditworthiness of the major heavily indebted countries and the adoption of a new and more concessional set of terms by the Paris Club. However, as stated in the Secretary-General's report on that item (A/49/338): "For most countries, the current strategy

provides relief in a drawn-out series of phased accords and does not provide a one-off arrangement that would reduce debt by the critical mass needed to restore debt-servicing capacity, strengthen the confidence of domestic and international investors and induce a positive new inflow of resources".

31. Sierra Leone shared the view that a permanent and comprehensive solution to the external indebtedness of developing countries must be found without further delay. In that connection, he wished to commend the Chairman of the Movement of Non-Aligned Countries for convening in Jakarta, Indonesia, in August of the current year, a ministerial meeting of non-aligned countries on debt and development with the theme: "sharing of experiences". Since he believed that the meeting represented a significant step forward in the search for a solution to the debt problem, he urged the United Nations and the international community to adopt the principles contained in the report of the meeting.

32. Concerning the important question of international trade, Sierra Leone advocated the elimination of all protectionist policies and the opening of markets for exports from developing countries in order to enable such countries to obtain funds for development. In conclusion, he appealed to the international community to continue to provide assistance in rebuilding his country in order to achieve sustainable economic growth and thanked the Governments of China, Germany and Japan for the significant assistance they had rendered to his country.

33. Mr. ELISSEEV (Ukraine) said that with the emergence of countries with economies in transition, the external debt problem now affected not only low-income countries but also middle-income countries such as those of Eastern Europe. That fact was acknowledged in the Secretary-General's report (A/49/338) which moreover advocated the strengthening of the international debt strategy in various areas. In that connection, the extremely encouraging results of the high-level meeting held by the Group of Seven in Naples in July 1994 were worthy of note.

34. Ukraine believed that the debt problem called for a universal and coherent solution based on the principle of continuity; that was how the issue was increasingly being viewed in international financial circles. In that regard, he called for the harmonization of measures adopted at the national level with the activities being implemented by international institutions. He also urged the world community to intensify its efforts to enhance the use of multilateral debt-control mechanisms in preparing an overall plan to help resolve the problems of indebtedness.

35. With regard to the geographical spread of the debt problem, it was quite possible that new difficulties might arise in the future, above all in countries which had recently attained independence. In his country's opinion, if the debt burden was substantially lightened, it would also help countries in transition to be integrated into the world economy. It was essential to examine the question of how best the debt should be serviced in countries which had suffered severe losses owing to the direct application of sanctions against States which

violated international law, in accordance with Chapter VII of the United Nations Charter.

36. Ukraine agreed with the conclusion contained in the Secretary-General's report that one of the basic principles of the international debt strategy was for the countries concerned to undertake a process of structural adjustment in the interests of attaining stable economic growth rates enabling them to be integrated into the international economy. That was particularly important in the case of Ukraine, which was going through a period of crisis, with unprecedented inflation and a very high external debt. In that connection an external debt department had recently been set up in the Ministry of Finance with the task of coordinating the activities of public bodies in Ukraine with respect to debt-servicing. At the same time the Government was attempting to restructure the debt by deferring repayments until the country's economic situation had settled down. To that end negotiations had been initiated with the international financial institutions, particularly with the International Monetary Fund, in order to obtain credits for external debt servicing. It was to be hoped that positive results would be forthcoming in that regard from the forthcoming conference on partnership for economic transformation in Ukraine, to be held in Canada at the end of October. Ukraine also proposed that part of its external debt should be cancelled in order to release funds for the improvement of the environment and the modernization of production along ecologically acceptable lines, at a time when the Government was directing a substantial proportion of the budget to relieving the effects of the accident at Chernobyl.

37. Lastly, he said that his Government was interested in finding some way of resolving the problem of the assets and liabilities of the former Soviet Union which would be acceptable both to his country and to the Russian Federation.

38. Mr. AGONA (Uganda) fully associated himself with the statement on agenda item 87 made by the representative of Algeria on behalf of the Group of 77 and said that poor countries like Uganda found themselves in a debt trap which had serious implications for the mobilization of resources for development, and therefore for economic growth. For that reason Uganda supported the initiative on debt and development of the Movement of Non-Aligned Countries and the proposal by the United Kingdom of Great Britain and Northern Ireland regarding the multilateral debts of some of the poorest countries. Those proposals could be a valuable contribution to the Secretary-General's efforts in relation to the issue of external indebtedness, since they would respond to three concerns expressed in his report, namely whether additional tools were needed to deal with the problem, whether the task of mapping out a viable and sustainable strategy had been completed and how debts to multilateral institutions should be dealt with and what future approaches to debts should be. It was noteworthy that the initiatives, which had been examined in other forums, and the Secretary-General's report all agreed on once-for-all action that would reduce all debts substantially. The Committee should reflect the two innovations in the appropriate resolution on debt and development. It would also help if any subsequent reports by the Secretary-General took the innovations into account, so that they would get the political attention of the General Assembly, of the institutions concerned and of the international community.

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39. His delegation had carefully examined document A/49/309, which indicated that in the early 1990s there had been a turnaround in net resource flows to capital-importing developing countries. It had not, however, been uniform for all regions or for all countries within a given region and those differences had not been reflected in the report. It was becoming increasingly difficult to talk of developing countries as a uniform group, since differences among them were becoming more pronounced. The picture painted in the report was too optimistic and not very accurate. The movement of resources had in fact been from the South to the North. The positive picture might have been due to short-term and largely speculative transfers and to the proliferation of humanitarian assistance and operations which did not involve an actual increase in the flow of net resources available for development activities promoting sustainable growth and development, especially in the least developed countries. The report should have singled out areas which had contributed to the highest outflow of resources from the South and recommended how the international community might intervene to reverse such flows. If account were taken of outflows resulting from unsustainable level of external debt-servicing payments, of losses resulting from adverse terms of trade and monopolistic practices which inordinately benefited the North at the expense of commodity producers in the South, of unquantifiable losses due to the brain drain, of losses as a result of the transfer pricing practice of transnational companies and declining official development assistance, as well as of other losses related to transactions which, according to some balance sheets, had benefited developing countries only nominally, different conclusions would have been reached. Future studies should try to highlight some of those factors.

40. Mr. AMMARIN (Jordan) said that the ramifications of the external debt crisis, which constituted a major obstacle to development and growth in the developing world, varied from one country to another. In Jordan the harsh burden of debt had been reflected in the diversion of resources, which continued to create a sluggish environment for the enhancement of international cooperation for development.

41. The accelerated efforts taking place in the peace process in the Middle East reflected the will of the peoples to strive for prosperity by guaranteeing the peace and security that they had been denied for many decades. The recent initialling of the draft peace treaty between Jordan and Israel reflected, among other things, the sincere resolve of both countries to attain sustainable prosperity in the future. Peace and security were interrelated and could not be sustained under conditions of economic stagnation. The Government and the people of Jordan appreciated the efforts of the Governments of the United States of America and the United Kingdom to alleviate somewhat, in relation to bilateral debt, the heavy burden that Jordan had borne for many years. Peace between Jordan and Israel was essential for regional peace, which the international community was keen to see strengthened, and external debt relief was crucial for peacemaking.

42. Jordan was committed to the position of the Group of 77, since it believed that the debt crisis could not be addressed in isolation from international efforts to promote global partnership and peace. He urged the international

community to work together during the current session to achieve a consensus on the draft resolution on the external debt crisis.

43. Ms. ULLOA (Ecuador) said that although it was encouraging to learn from document A/49/338 that some developing countries had partially resolved their debt problems the issue could not be dodged or forgotten, since it continued to be of concern to creditors and debtors alike. In Latin America the debt-servicing ratio, which had reached 30 per cent, was one of the highest compared with other regions and was double the average for the developing countries as a whole.

44. The approach taken to the debt was to consider each case separately, taking into account the situation of debtor countries and creditor banks. More attention should be given to debts contracted by developing countries with multilateral financial institutions, since distinct parameters should be observed in negotiating their restructuring.

45. It should also be recalled that the developing countries, particularly in Africa and Latin America, had made great efforts to implement structural adjustment programmes which later had not received sufficient financial support from the International Monetary Fund or the World Bank. International cooperation should take the form of appropriate, open and democratic funding in pursuit of sustainable and fair development, taking account of the unique situation of each country. Structural adjustment programmes should favour basic social considerations so that peoples could achieve sustainable growth and development which would guarantee domestic and international stability and peace.

46. Her delegation welcomed the measures described in paragraph 13 of General Assembly resolution 48/182 of 21 December 1993. They should be implemented immediately, since developing countries undoubtedly contributed to the security of rich countries in various ways. One aspect of that contribution concerned the environment: tropical forests, the majority of which were found in developing countries, helped to reduce global warming and to conserve biological diversity.

47. Ecuador’s external indebtedness amounted to 91.8 per cent of its gross domestic product and debt servicing in 1993 had equalled 29.7 per cent of exports of goods and services. As a result, debt from accrued unpaid interest had increased and it had become more difficult to obtain new loans or loans on favourable terms. Furthermore, Ecuador had insufficient solvency to obtain credits, and thus had to take out expensive loss insurance on its exports; and limited domestic savings had led to low public investment levels.

48. That and other factors had had a detrimental economic and social effect on a broad sector of Ecuadorian society despite the State’s efforts to satisfy the population’s basic needs and at the same time to fulfil its undertakings to international banking and multilateral financial institutions. Consequently Ecuador strongly advocated a fairer, more equitable and durable solution for developing countries still facing that crisis.

49. Mr. KANG'E (Kenya) said that the debt burden of the majority of developing countries had hampered development efforts and the provision of essential social services such as education, health, sanitation and drinking water, which were severely affected by the imperative need to set aside a substantial portion of national budgets for servicing of the external debt. The situation was further worsened by the negative effects of structural adjustment programmes, the decline of official development assistance and the fall in commodity prices.

50. As the Secretary-General had rightly pointed out in his report on the developing country debt situation (A/49/338), too many countries still faced acute debt-servicing problems. The situation was not encouraging, since the international community's successive debt-relief initiatives, particularly in connection with official and private debts, had not achieved the desired results. What was required were innovative measures which would effectively reduce the stock of debt and debt-service payment to levels compatible with the long-term development needs of affected countries. Those measures should include a political decision to cancel all remaining debt of severely indebted developing countries or reduce all types of debt, especially at a time when official development assistance was declining. Measures adopted thus far had failed to reduce multilateral debt payment or to halt the negative net transfer from the Bretton Woods institutions, which were occupying an increasingly prominent place, in particular in relation to sub-Saharan debt. His delegation supported the Ministerial Meeting of Non-Aligned Countries on Debt and Development, which had called upon the international community, particularly donor countries and international financial institutions, to write off outstanding debts once and for all in future negotiations, as a practical measure to alleviate the burden of low-income countries.

51. It was essential to increase financial flows to developing countries to achieve economic recovery and growth through diversification and support of structural adjustment efforts. Unfortunately the Secretary-General's report on net transfer of resources between developing and developed countries (A/49/309) indicated that in the previous three years the increases had benefited only a small number of countries in Asia and Latin America. In that regard, Kenya was of the view that an increase of development assistance and multilateral resources remained essential for the majority of developing countries, which had not yet been able to tap the international private capital markets.

52. Mr. TOURÉ (Mali) said that while the debt crisis did not as yet pose a threat to the international financial system, there were grounds for grave concern at the persistence of excessive indebtedness of developing countries and the problems arising from debt servicing. The laudable efforts of the international community thus far had produced results which had benefited only a minority of developing countries and there were no plans for an official programme to restructure multilateral debt. Successive rescheduling agreements had not relieved the debt burden of the low- and middle-income countries. Although the situation globally was better, in Africa the improvement in the debt-servicing ratio had been neutralized by growing arrears in principal and interest payments. It was imperative to implement innovative mechanisms which were more appropriate to the restructuring of multilateral debt within the

framework of a global solution. He hoped that the new approach put forward by the Paris Club at the Group of 7 meeting in Naples in July 1994 concerning improvements to the enhanced Toronto terms would meet expectations.

53. In order to reactivate the economy and achieve sustainable growth it was necessary to stimulate private investment. However, the poorest developing countries had to date had no access to international private capital markets and faced a decline in official development assistance, since the developed countries had not fulfilled their commitment to grant developing countries 0.7 per cent of their gross national product in official aid. While net financial contributions to developing countries had risen to an unprecedented figure, the great majority of developing countries had been unable to take advantage of the transfer of resources because of the deterioration in the terms of trade, which in 1993 had resulted in losses of around $75 billion. The negative trend in the transfer of funds from the Bretton Woods institutions to the developing countries made the situation even more complicated.

54. His delegation urged the international community to mobilize the necessary financial resources for the development of those countries which had been unable to benefit from the recent increase in the flow of private capital, which comprised the majority of developing countries. Official multilateral financing was necessary not only to promote investment but also to create an atmosphere of confidence which would attract private capital.

The meeting rose at 5.20 p.m.