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SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. KHAN (Pakistan)

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The meeting was called to order at 10.20 a.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, A/49/381, A/49/462 and Corr.1)

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

(d) NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (continued) (A/49/309 and Corr.1)

1. Mr. PALLAIS ARANA (Nicaragua), speaking on behalf of Costa Rica, El Salvador, Guatemala, Honduras, Panama and Nicaragua, said that although the report of the Secretary-General on the net transfer of resources between developing and developed countries (A/49/309) described the net positive transfer of financial resources to the developing countries as a "return to normality", it was unclear whether current trends towards an improvement in the world economy were attributable to the pursuit of particular policies or whether they provided an appropriate solution to the problems of most developing countries.

2. After a decade of violent conflict, the Governments of the countries of Central America had made considerable sacrifices to stabilize their economies, to compete effectively in international markets and to achieve full and sustainable regional integration. From that integrationist point of view, they were convinced that the international agenda of priorities could not and should not consist of purely sectoral approaches. Action in the subregion to achieve sustainable development depended for its success on a stable world economy, non-inflationary growth, access to markets, fair commodity prices, a lasting solution to the debt problem, increased official development assistance (ODA) and an effective dialogue with the United Nations system, including the Bretton Woods institutions.

3. The traditional division of interests among powerful economic operators could not be reconciled with the new vision of a more just and equitable world economy. Serious imbalances and instability threatened the international community unless a new order was established under which the interests, sovereignty and just aspirations of the developing countries were taken into account. To that end, North-South dialogue would have to be pursued with a determination that reflected the urgency of the challenges.

4. According to the report, the net positive transfer of financial resources to the developing countries was due, in particular, to short-term private capital. Many developing countries lacked the economic characteristics that had enabled other countries to attract such capital; moreover, the ability of the latter countries to maintain such capital over time would depend on the world economic situation.

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5. The current relative global monetary stability was far from being the result of coordinated policies and effective multilateral supervision and responsibility, as envisaged in the Articles of Agreement of the International Monetary Fund. The policies pursued by the industrialized countries were certainly not formulated primarily with a view to benefiting the world at large. Electoral considerations weighed far more heavily. Moreover, many of the current favourable indicators could not be attributed to long-term initiatives that would guarantee a sustainable trend. Innovative machinery was therefore needed to ensure greater world economic stability and to make such stability predictable.

6. Given the major effort the Governments of the region had made to restructure their economies, open up their markets and maintain fiscal discipline, while at the same time consolidating democracy, the current net transfer of financial resources to Latin America and the priority being given to the neediest cases in the region was fitting. However, as the favourable trend was due in large measure to one-off actions such as the privatization of State enterprises and the repatriation of capital to take advantage of favourable interest rates, it was clear that international support would be necessary to ensure sustainable growth in the future.

7. The countries of Central America appealed to the international community, particularly cooperating countries and international financial institutions, to establish a set of principles for future debt negotiation that offered a definitive solution to the problem, particularly for the least developed countries. They also advocated the adoption of such innovative measures as debt for equity swaps, debt for social development and debt for the environment.

8. It was to be hoped that the agreements reached at the Uruguay Round would soon be ratified by major world trading partners and that the World Trade Organization, once successfully launched, would keep pace in its activities with the expansion of world trade.

9. Turning to the field of South-South cooperation, he said that as regional integration plans made it necessary to reduce the disparities between the countries concerned, the full potential of South-South cooperation would become evident. The ODA resources made available under that heading should be proportionate to the acquired capacities of the countries that had made the most progress in terms of national capacities.

10. The countries of Central America hoped to have equitable access to the new continental market created by the North American Free Trade Agreement (NAFTA). They were modernizing their economies to compete internationally and to offer opportunities for medium- and long-term foreign investment. It was a matter of concern, however, that while they endured the consequences of structural adjustment, opened up their economies and sought to combine economic stability with democracy, they were being forced to give precedence to the settlement of earlier financial commitments over growth and integrated human development.

11. The heads of State of Central America had recently signed, in Managua, an alliance for sustainable development that outlined an integrated development strategy for the region and it covered four basic areas: democracy, social development, sustainable economic development and the appropriate use of natural resources. He called on the international community to support the alliance as a contribution to world peace.

12. Mr. BLANEY (United States of America) said that by providing external financial support for countries undertaking sound macroeconomic adjustments and structural reforms, the international debt strategy had played a very significant role in the improved outlook for debtor countries overall. However, as some of the poorest countries continued to face protracted debt problems, the Paris Club would intensify its efforts to assist those countries, where appropriate reducing the stock of debt and increasing concessionality. It was also important to mobilize the existing resources of the international financial institutions more effectively to respond to the special needs of countries emerging from economic and political disruption, and also of the poorest, most indebted countries. Of course, debt forgiveness and rescheduling could be most helpful and effective when accompanied by sound economic practices and policy reforms in debtor countries. The poorest developing countries that had introduced such reforms were receiving a net inflow of capital from the international financial institutions.

13. His country stressed that while constructive recommendations by the General Assembly could help to advance understanding and cooperation, the Paris Club, the International Monetary Fund and the World Bank remained the appropriate forums for policy decisions on external debt, since they possessed the expertise and experience needed to develop and recommend the reform programmes required for heavily indebted countries to improve their economic circumstances. Admittedly, however, the international financial institutions could benefit from some measure of reform.

14. Since 1989 the United States had forgiven $2.7 billion in bilateral concessional debt for some 24 of the poorest countries. It had also provided generous new assistance, primarily on a grant basis in order to prevent the debt burden of the poorest developing countries from growing. Under the enhanced Toronto Terms adopted by the Paris Club in 1991, 50 per cent debt service reduction had been provided for many insolvent countries and the Paris Club was currently considering a reduction in the stock of debt for countries that had performed well.

15. In the case of commercial debt, progress under the international debt strategy had also been quite substantial. The financial support provided by the international financial institutions for the new reduced debt instruments had been a key facilitating factor.

16. Mr. JOMAA (Tunisia) expressed full support for the statement made by the representative of Algeria on behalf of the Group of 77. There was an urgent need to extend and intensify action by public and private creditors and the international financial institutions to provide a lasting solution to the

foreign debt problem of developing countries by devising a global strategy to reduce all types of debt for all categories of indebted countries, including middle-income countries such as Tunisia.

17. It was regrettable that while Asia and Latin America were making progress in debt reduction and economic growth, the debt burden in Africa was still a major obstacle to development because of its adverse impact on economic and social reform and foreign investment. Debt-servicing accounted for the bulk of Africa's debt burden. The continent's debt currently exceeded its gross national product and the situation was likely to deteriorate in the years ahead.

18. Recovery and economic growth in Africa called for the total cancellation of official debt or a substantial reduction in its volume, the lowering of interests rates on remaining debt and the promotion of debt conversion to finance ecological and development programmes. As President Ben Ali of Tunisia had repeatedly pointed out to the Group of Seven, it was only through such radical action that the structural reforms introduced by most States in Africa would have a chance of succeeding and that the risk of social upheaval and instability would be averted.

19. Mr. TALPUR (Pakistan) noted that many highly indebted countries had been unable to obtain relief because debt relief approaches had not applied to all types of debt; moreover, there was no single forum to deal with the total foreign debt portfolio. The absence of a formal mechanism to restructure the multilateral debt of developing countries had forced them to borrow in order to relieve balance-of-payments pressure.

20. The fact that debt no longer posed a threat to the international banking system should not obscure the problems of the most vulnerable economies which had not benefited from increased financial flows. Highly indebted countries which had benefited from the Baker plan and the Brady plan had gained greater access to private finance, particularly in the form of increased portfolio investment flows (debt instruments and equities). However, while the net flow of resources to Asia, Latin America and the economies in transition had increased, the report of the Secretary-General on net transfer of resources between developing and developed countries (A/49/309) showed a reverse flow from the countries of Africa, where official development assistance (ODA) remained vital.

21. Developing countries were clearly the engine of modern growth. The value added for every dollar invested in the developing world was far greater than it was in developed countries. Growth in the developing world opened up new markets for the industrialized economies, as illustrated by the increase in United States exports to China, the Middle East and Latin America.

22. The international community must take the same clear, well-defined action in respect of bilateral official and multilateral debt as it had in dealing with commercial external debt. In particular, urgent measures were required in Africa, whose debt figure was equivalent to 73 per cent of its total output. In

sub-Saharan Africa, the ratio of debt to gross national product and the debt-to-export ratio were almost three times the average of all developing countries.

23. He referred to the proposals put forward by the Summit of the Group of Seven at Naples and the Managing Director of the International Monetary Fund (IMF) concerning the reduction of the official debt stock of heavily indebted low-income countries. Deliberations on the question of external debt must take into account the increasing difficulties of low-income countries whose debt was largely official in nature - either bilateral or multilateral. Most of those countries had managed their economies prudently and had met their obligations in full but had had to sacrifice social sector programmes in the process. Those countries, which included Pakistan, had thus far been completely bypassed by debt strategies for developing countries. They should not continue to be penalized merely because they did not fall into any specific category defined by the Paris Club. The World Bank and IMF had acknowledged Pakistan's commitment to fulfilling its debt-related obligations. Innovative mechanisms designed to help low-income countries like Pakistan were essential.

24. Long-term solution to the problem would require a favourable external environment characterized by, inter alia, reduced interest rates, innovative debt relief measures, the rollback of protectionist policies, technology transfer and stable commodity prices.

25. Mr. RAKOTONAIVO (Madagascar) supported the views expressed by the representative of Algeria on behalf of the Group of 77 and China. He noted that the total debt of the developing countries had increased by 25 per cent in the past five years and that, in 1993 alone, the developing countries had incurred new debt amounting to $71 billion. At the end of 1993, the total debt of developing countries had been equivalent to nearly 185 per cent of their export earnings and 43 per cent of their gross national product. In extreme cases, such as sub-Saharan Africa, the debt-to-export ratio was over 1,000.

26. The positive indicators at the aggregate level referred to in the report of the Secretary-General on the developing country debt situation as of mid-1994 (A/49/338) concealed huge differences among the countries concerned and, thus, the real difficulties confronting the capital-importing countries in general and low-income countries in particular. The categories established by the World Bank were significant (table 2) for they showed that the number of severely indebted low-income countries (SILICs) continued to increase; 26 of the 33 countries in that category were in Africa. Special attention should be focused on the problem of external debt in Africa, taking into account those countries' real capacity to repay, which had been greatly eroded by the falling prices of their exports.

27. Official debt currently represented 50 per cent of the total medium- and long-term debt of developing countries, compared to 40 per cent in 1985. The compounding of interest in successive debt reschedulings and the accumulation of arrears on bilateral and multilateral debt were responsible for that increase. Such obligations accounted for much of the debt of African countries and Madagascar was no exception. The trend seemed to contradict the treatment of

debtors in that category under the "enhanced Toronto terms" and the "Trinidad terms".

28. His delegation noted with interest the promises formulated by the Group of Seven at their recent Summit and by the Paris Club. It welcomed the measures taken by international financial institutions, in particular the Special Assistance Programme of the World Bank and the Enhanced Structural Adjustment Facility of the International Monetary Fund.

29. Given that earlier rescheduling agreements had provided satisfactory debt relief to the countries in the middle-income category, his delegation reiterated its appeal for more substantial and innovative action by official creditors. In that connection, the latest proposals formulated by the Movement of the Non-Aligned Countries, including the Indonesian initiative, should be considered. While certain countries continued to believe that the principle of reduction could not be applied directly by the Bretton Woods institutions, his delegation felt that those institutions must strengthen their concessional financing facilities, consider the establishment of more rapid assistance programmes and devise, inter alia, social safety nets.

30. His delegation welcomed the diversification of banking techniques and the development of debt swaps in recent years, but noted that, even with strengthened application of the Brady plan, a number of problems remained, such as lengthy negotiations, the scarcity of resources and the establishment of guarantees.

31. The principle of debt reduction was fundamental to any lasting international strategy and should be extended to all categories of debt. It would hardly be realistic to require debtor countries to improve their domestic situation before their debt was reduced. Lastly, the success of an international debt strategy would depend on a significant infusion of additional resources, based on a detailed estimate of the amount necessary to settle the crisis, and on the establishment of realistic reduction targets.

32. Mrs. MATHURIN MAIR (Jamaica) speaking on behalf of the 12 States members of the Caribbean Community (CARICOM) - Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Jamaica - endorsed the statement delivered by the representative of the Group of 77. She pointed out that despite the initiatives developed over the years to deal with the debt crisis, the debt burden continued to place a stranglehold on many economies and, in the Caribbean region, debt payments continued to exceed countries' capacity to pay.

33. Relief measures for many low- and middle-income countries had thus far focused largely on interest payments. Additional mechanisms and, above all, more effective long-term measures, were required in order to return those countries to sustainable debt-servicing situations (A/49/338, para. 17). The small developing countries in the Caribbean were very vulnerable to the external economic environment. The massive allocation of limited foreign exchange

earnings to debt servicing - 70 per cent in Guyana and 40 per cent in Jamaica - hampered their long-term social and economic development. In other Caribbean countries, insufficient official development assistance and insufficient private investment flows forced Governments to incur debt as a catalyst for economic development.

34. While much of the world's attention was rightly focused on the debt situation of the poorest countries, particularly those in Africa, a meaningful debt strategy must be comprehensive in scope and development-oriented. It should promote, inter alia, innovative schemes such as debt-for-equity swaps, debt-for-environment swaps and the establishment of environment trust funds.

35. She drew attention to the proposal concerning debt forgiveness put forward by the Prime Minister of Antigua and Barbuda during the general debate in the plenary. He had suggested cancellation of a minimum of 50 per cent of existing debt whose original principal had, in most cases, long been repaid. He had also proposed allocating a fixed percentage of exports for the repayment of debt in order to ward off decades of worsening poverty in indebted countries.

36. Ways must be found to enhance the relief that could be provided by multilateral financial institutions. In that connection, proposals for a new issue of special drawing rights (SDRs), the use of reserves and the conversion of debt into equity investments should be seriously considered and the relationship between the United Nations and the Bretton Woods institutions should be re-examined within the context of an agenda for development. In particular, the proposals put forward by the developing countries to address the debt crisis by increasing international equity and lengthening adjustment periods should be reconsidered.

37. Mr. KARIM (Bangladesh) cautioned against optimism concerning the recent positive trend in net capital inflows to the developing countries, pointing out that they were concentrated in a few regions and were due, in large measure, to short-term investments or had been used to finance current account deficits. He also expressed concern over the decline in ODA. Foreign direct investment should not concentrate on a few countries where returns were high but should cover all countries which had introduced economic reform measures. He expressed concern about the negative transfer of resources from the Bretton Woods institutions and the hope that measures would be taken to reverse the trend.

38. Reduced investment in the vital social sectors had slowed the pace of economic growth in indebted countries. The total stock of external debt in the least developed countries represented nearly three quarters of their combined gross domestic product. Their debt-to-export ratio had been 20 per cent in 1991 and their development process had been impeded by the outflow of resources for debt-servicing. Debt relief measures for those countries had thus far been insufficient to reduce their debt overhang. The initiatives of some developed countries to write off a portion of official bilateral debt were welcome, but in the case of the least developed countries, nothing short of cancellation in full would do. Urgent measures must also be taken for the substantial reduction of

the debt owed by such countries to the multilateral financial institutions and commercial creditors.

39. He stressed the need for an integrated approach to productive investment in developing countries involving government, commercial and multilateral institutions. Increased market access for their products and improved terms of trade were equally important. In that context, special measures must be taken to compensate the poorest and net food-importing countries for any short-term negative consequences of the Uruguay Round. Innovative measures such as debt-for-nature swaps and debt-for-social development swaps should be speedily applied and steps should also be taken to implement the recommendation formulated by the Ministerial Meeting of the Movement of Non-Aligned Countries on Debt and Development. Lastly, an infusion of new and additional resources was necessary to stimulate the economic growth and development of the poorer countries. That required a strong political commitment.

40. Mr. SOEGARDA (Indonesia) said that the international community faced the formidable task of finding a solution to the external debt problem of developing countries. His delegation was encouraged by the recent summit meeting of the Group of Seven in Naples, at which the Group of Seven had urged the Paris Club to pursue its efforts to improve the debt treatment of the poorest and most indebted countries and, where appropriate, reduce the stock of debt and increase concessionality for countries facing special difficulties. That promising trend had also been reflected in the communiqué of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF), which had been held earlier in the month. However, while those measures helped to alleviate the situation, they did not in any way ensure a durable solution.

41. The Ministerial Meeting the Movement of Non-Aligned Countries on Debt and Development, held in Jakarta in August 1994, had called upon the international community, particularly donors and international financial institutions, to adopt a common set of principles for future debt negotiations, which would include a one-off arrangement for the substantial reduction of all categories of debt. Such a settlement should be carried out on a case-by-case basis within an overall framework of principles that would help restore the creditworthiness of debtor countries and give them a better chance to further their economic growth and development.

42. The problem of external debt required an integrated, development-oriented approach based on an open-, rule-based and non-discriminatory international trading system, greater financial flows and increased access to technology, which would help generate sustained growth and development.

43. Much could be done at the national level. Under the one-off debt-reduction arrangement, each country would be responsible for restoring macroeconomic stability through fiscal and monetary discipline, mobilizing domestic resources, diversifying exports and production and designing and implementing its own adjustment programmes. However, in an increasingly interdependent world, national policies had their limits. A conducive external environment was

essential, and the developed countries should employ sound macroeconomic policies, particularly in the area of trade liberalization, financial flows and monetary stability.

44. While the net transfer of resources from developed to developing countries had recently reached record levels, for many countries, especially those in Africa, the share of such transfers had greatly diminished. His delegation questioned the sustainability of such transfers, which, for the most part, took the form of short-term capital and were directed towards only a few developing countries. Official development assistance, so important for developing countries that were unable to attract private financial flows, continued to decline both in real terms and in proportion to the gross national product (GNP) of developing countries. His delegation called upon the developed countries to increase ODA in keeping with their prior commitments and, in that context, reiterated its support for the convening of an international conference on the financing of development.

45. Mr. GUERRERO (Philippines) said that, while debt-rescheduling schemes had benefited many countries, including the Philippines, they had not solved the external debt problem as a whole. The Non-Aligned Movement had proposed a reduction - averaging 70 per cent - of the debt stock of severely indebted low-income and lower-middle-income countries. The 70 per cent figure represented the average discount on the secondary market of the debt papers of severely indebted countries.

46. Until recently, one of the most challenging tasks faced by the Philippine Government had been the management of its external debt. The adoption of a national policy on external debt had been extremely difficult, especially in the light of competing demands for very limited resources. Nevertheless, the Philippines had adopted a negotiated, growth-oriented debt strategy consisting of five key elements, namely, non-confrontational negotiation with creditors and avoidance of unilateral action; optimized use of grants and new money, with emphasis on concessional loans; rescheduling of debt payments and the continuation of negotiations for lower interest rates and longer maturity; reduction of the debt stock through debt-buyback, debt-to-equity swaps and other schemes; and implementation of structural adjustment reforms to enhance efficiency and effectiveness in resources mobilization, thus improving debt repayment capability.

47. In the past few years, "reduction" had become part of the vocabulary of Second Committee resolutions on debt. The Paris Club was currently prepared to consider that option, and the World Bank had called for the "entire-debt-stock-at-one-time" approach for severely indebted countries, most of which were least developed countries. His delegation recommended the adoption of the approach suggested by the Ad Hoc Group of Governmental Experts on Debt Problems of Developing Countries, which should include all types of debt and be applied to all categories of developing countries affected by the external debt crisis, taking into account the priority needs of the least developed countries and the special situation of African debtor countries.

48. Mr. HORIGUCHI (Japan) said that, if developing countries were to overcome their debt problems, they must undertake structural adjustment programmes to reinforce their fundamental capacity to repay their debts. First and foremost, debtor countries should implement sound market-oriented economic and industrial policies aimed at utilizing domestic savings, promoting investment and securing the return of flight capital.

49. While the conditionalities of the structural adjustment programmes imposed by the World Bank and IMF had been criticized as being too severe and failing to produce short-term economic results, the implementation of economic policy in accordance with such conditionalities would promote the economic development of developing countries in the medium and long term. The social effect of structural adjustment policies should be taken fully into account by developing countries in the course of policy implementation. The developed countries should support the efforts of developing countries to implement structural adjustment programmes and should provide all possible assistance.

50. The expansion of capital flows, including ODA, other official capital flows and private capital, was essential. In June 1993, Japan had announced its Funds for Development initiative, through which a total of $120 billion, which included both ODA and non-ODA funds, would be spent over five years. Moreover, the efforts of developing countries should be supported through the promotion of market access for the exports and the maintenance of sustained economic growth in developed economies.

51. Debt reduction was a measure that should be taken as an exception to general practice, and then only on a case-by-case basis under very special conditions. Debt reduction could damage the credit of a debtor country in the international monetary market and have a negative effect on new inflows of capital, which were essential for the further economic development of all developing countries. Moreover, it discouraged other debtor countries from persisting in their efforts to pay off their debts and, in general, weakened their determination to help themselves.

52. The poorest and most indebted countries deserved special attention. Account should be taken of such problems as extreme poverty, limited resources, dependence on primary commodities, proportional public debt, lack of basic infrastructures and insufficient administrative capacity. Under the enhanced Toronto terms, relief measures, which had reduced debt by 50 per cent, had already been applied to over 20 countries. The Group of Seven had recently stated that, where appropriate, it favoured a reduction in the stock of debt and an increase in concessionality for those countries facing special difficulties. Details of further debt-reduction measures were being worked out by the Paris Club.

53. Mr. AYEWAH (Nigeria) said that, while the debt situation of some countries had improved, for most countries, especially those in the African region, the crisis was becoming worse by the day. However, debtor and creditor countries had managed to prevent serious damage to the international financial system, which had been a real concern in the early stages of the crisis. That had been

a direct result of the adoption of sustainable macroeconomic policies, such as structural adjustment programmes, in some countries.

54. More than 40 developing countries, 26 of which had been classified as severely indebted, continued to experience debt-servicing difficulties. Those countries, most of which were in sub-Saharan Africa, had been allocating more than 30 per cent of their already meagre export earnings to debt servicing. Africa's total debt had increased and its external debt ratio to GNP remained the highest - some 70 per cent - among the developing countries.

55. International assistance was needed to relieve the crushing debt burden of the poorest and most indebted developing countries. Debt-service payments should be reduced to a level that could reasonably be expected to be paid; that would help reduce uncertainty and make new creditors feel more confident that their contractual arrangements would be honoured. Moreover, Africa's heavy external debt-servicing obligations discouraged private investors and the influx of new capital.

56. The Toronto terms had been widely recognized as far from adequate. The terms of debt-reduction had been too slow to take effect since they applied only to servicing obligations during the consolidation period. While arrangements with international financial institutions might provide temporary relief, they would not, in the long run, benefit most countries, especially the low-income debt-distressed countries. Relief on the entire stock of debt was a long-term solution that would lead to recovery. That measure would avoid frequent rescheduling and would reduce the debt stock to sustainable levels. While the solution might not be the same in all cases, it should promote sustainable economic development in the countries concerned.

57. It was time to reconsider the appropriate institutional means for providing international finance to low-income countries. Over the past decade, efforts to facilitate net aggregate repayments from sub-Saharan Africa had failed to achieve their purpose, and the new contingency financing facility had also failed to play a significant role in the stabilization of the adjustment and development programmes of low-income countries.

58. Only a comprehensive and durable solution to the external debt problem, which would take account of the need for a significant reduction of the stock and service of all types of debt to all debtor countries and include anticipatory measures to prevent the proliferation of the debt problem, would lead to the alleviation of that burden on the developing world. A durable solution to the debt crisis must include the strengthening and liberalization of the international trading system as the most important source of real growth and development.

59. Mr. AKPLOGAN (Benin) said that the rising level of debt and arrears among sub-Saharan African countries testified to the lack of progress that had been made in reducing the debt burden on that continent. The only way out of the vicious circle of debt was to cancel the public debt of the least developed countries and substantially reduce that of middle-income countries. Leaving

debtor countries in their current situation would help neither them nor their creditors. In order to provide lasting benefits and promote growth, debt relief must exceed a certain threshold. Naturally, it must be accompanied by careful management of the economy.

60. Debt relief measures should also be applied to multilateral debt, which currently accounted for much of the huge debt burden of many countries. The developed countries must demonstrate their political will by simply cancelling the official debt of African countries and least developed countries, reducing their multilateral debt by half and negotiating a rescheduling of commercial debt with banking institutions. Those measures would show that the world was truly changing.

61. Although the increase in private capital in a limited number of developing countries was welcome, it should be emphasized that, overall developing countries continued to suffer the consequences of slow growth caused by many factors, including new and veiled forms of protectionism. Financial resources were essential to meet the investment needs of developing countries. Without investment there could be no production, and without production, no job could be created. Despite the efforts that had been made to create a favourable investment climate, financial flows, particularly direct foreign investment, continued to fall far short of what was needed to meet development goals.

62. He expressed the hope that development financing would become a priority of the international community. The developed countries must make an effort to reach the target of 0.7 per cent of gross national product for development financing if they wished to see any real impact on poverty eradication and the creation of productive employment.

63. Mr. ZIARAN (Islamic Republic of Iran) said that the debt problem could not be addressed satisfactorily without an international debt strategy. Common interests and vision could create momentum for greater flexibility on the part of developed countries. He stressed that the cost of crisis prevention was lower than that of crisis settlement; a new flow of financial resources could spare the world economy another widespread recession.

64. Innovative steps, such as debt-for-nature swaps, should be employed, given the importance of full and timely implementation of Agenda 21. The debt-servicing capacity of developing countries should be strengthened, *inter alia*, through new flows of financial resources in the form of long-term loans and investment. His delegation was deeply concerned over the emergence of new forms of protectionism, especially since sweeping trade liberalization policies had been carried out by developing nations and the Uruguay Round of multilateral trade negotiations had come to a successful conclusion. Debt relief measures should be apolitical in nature; unfortunately, some creditor countries had tried to use debt relief for political leverage.

65. While recognizing the special needs of low-income countries, the international community should adopt a comprehensive approach to the question of indebtedness. Dividing debtor countries into sub-categories would hamper debt

reduction initiatives. Approaches to debt relief must also take into account the sacrifices made by some debtor countries to adhere to their commitments. Although the recent surge in the flow of financial resources to developing countries was welcome, relatively few such countries had benefited, and that had led to disparities in distribution of financial resources. Moreover, since the flow was attributable mainly to private short-term capital, there was no assurance that the trend would be sustained. The proposal for an international conference on the financing of development could provide a unique opportunity to discuss all problems and concerns relating to that area.

66. Mr. ADAM (Sudan) said that the attempts to cure the persisting debt crisis merely seemed to have made the problem worse: the number of heavily indebted countries had increased rather than declined. He called on the international community to address the problem without delay. Debt undermined the prosperity of the least developed countries and Africa; solving the problem would benefit not only them but the industrialized countries as well. However, it would require political will and a major effort by the international financial institutions. The recent initiatives taken by the Movement of Non-Aligned Countries and the measures resulting from the Uruguay Round, would help to resolve the problem of external indebtedness.

The meeting rose at 12.55 p.m.