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Chairman: Mr. PETRESKI (The Former Yugoslav Republic of Macedonia)

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 94: MACROECONOMIC POLICY QUESTIONS (A/50/91, A/50/254-S/1995/501, A/50/407, A/50/475)

(a) FINANCING OF DEVELOPMENT (A/50/397)

(b) LONG-TERM TRENDS IN SOCIAL AND ECONOMIC DEVELOPMENT (A/50/429)

(c) EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/50/379)

1. Mr. SMYSHLYAEV (Acting Director for the Macroeconomic and Social Policy Analysis Division, Department for Economic and Social Information and Policy Analysis), introducing the report of the Secretary-General on long-term trends in social and economic development (A/50/429), said that it painted an optimistic picture. The rate of population growth was slowing down more rapidly than anticipated, fertility was declining in developing countries and there had been sharp reductions in infant and child mortality which, together with improvements in health, had led to increased life expectancy. On the other hand, in the economies in transition, economic failure and previous lack of concern for the environmental consequences of economic activity had resulted in dramatic declines in life expectancy. The experience of many countries in Asia illustrated how countries could embark on a path of rapid growth. However, there was still much debate on whether that pattern of growth could be maintained and what was required to make it sound and sustainable. The report described some of the most important forces at work in the world and ways in which they could be expected to lead to higher living standards. Historically, countries had generated high incomes for their citizens through efficient production of goods and services in technologically sophisticated industries. The report gave an indication of the progress made by the developing countries, whose share in technology-oriented manufacturing had almost tripled between 1960 and 1992.

2. The report showed that world trade in goods and services was increasing much more rapidly than production, which reflected the global integration of production, the increase in foreign direct investment in developing countries and the liberalization of world trade. The globalization process had created opportunities for developing countries, and rapid advances in information technology could facilitate their effective participation in world trade in service-related activities.

3. The Department for Economic and Social Information and Policy Analysis (DESIPA) would analyse carefully the effects of the globalization process and the possibilities of convergence among countries at different income levels. Currently, there was no reason to believe *a priori* that the spread of technology, the massive movements of funds, and the ready availability of information would lead to marginalization of currently weak economies and allow only the strong to prosper. In its future programme of work, DESIPA would analyse the specific implications of globalization at the macroeconomic and micro-economic levels in order to understand the process of economic growth and social progress and to make suggestions for further areas of international

cooperation. Nevertheless, the importance of institutions was already apparent. Those countries which were able to develop institutions which allowed their citizens to capture the gains that came from specialization and the division of labour could achieve considerable progress. While there was no single model applicable to all countries, it had been determined that many prosperous countries had certain common elements that promoted progress, such as a justice system that was perceived as fair, broad participation in economic, cultural and political life and attention to education, especially of women.

4. Mr. HERMAN (Chief, International Economic Relations Branch, Department of Economic and Social Information and Policy Analysis), in introducing the reports of the Secretary-General on the developing country debt situation (A/50/379) and on sources of finance for development (A/50/397), said that in those reports, his department had sought to review the situation concisely, and to separate inconclusive discussions of the possible inadequacy of global saving from the concrete issues of finance for development.

5. There was serious concern about the current situation of official development assistance (ODA). The total ODA provided by the developed donor countries had fallen in 1993 and in 1994, and could continue to decline. Moreover, during the past few weeks, a serious concern had arisen about the financial capacity of the International Development Association (IDA) of the World Bank to continue lending at internationally agreed levels. While substantial sums were still being provided for development assistance by the member countries of the Development Assistance Committee and other countries were also providing technical and financial assistance, it was not an exaggeration to speak of a crisis in official development assistance. That crisis was partly a reflection of the pressure that many donor Governments felt to reduce budget deficits. Consequently, new sources of revenue must be found. But the crisis went deeper than a shortage of funds; currently the effectiveness of assistance itself was being questioned. Many bilateral and multilateral donors were considering reforms of their aid delivery systems, although such reforms would not necessarily mean a reduction.

6. The external debt situation of developing countries was another cause for concern to many delegations. The list of developing countries that were classified as severely indebted by the World Bank remained a long one, and it continued to include countries from Asia and Latin America as well as Africa. It contained several middle-income countries and many low-income ones. Severe external indebtedness persisted despite a range of international debt relief measures. Currently, new forms of relief from debt-servicing obligations for multilateral debt were being considered.

7. A key difficulty with the international debt strategy was that the components of the debt owed to different classes of creditors had been treated separately. The matter had been complicated by the use of so-called "exit options", for creditors. When the exit options were applied, any further debt relief could only be given by the remaining creditors. In renegotiations, creditors gave the smallest possible concessions and debtor Governments sought the best possible arrangements, but that did not always result in a sustainable debt burden. In the event that the country once again could not service its debt, a new round of debt relief would become necessary, and in a large number

of cases the next round of negotiations would have to be held mainly with official creditors of one form or another. That should allow a package of relief measures to be taken that would finally remove the country from the list of the severely indebted. Countries must also reform domestic policy to correct and stabilize the macroeconomic environment and adjust domestic prices to reflect real resource costs.

8. Finally, a correction was needed in document A/50/379. Although paragraph 30 said that the World Bank had classified 51 countries as severely indebted, table 4 listed only 48 countries. The United Republic of Tanzania had inadvertently been omitted from the list of low-income, severely indebted countries, and a footnote should have been added to explain that the Bank also included two countries in its list of the severely indebted that the United Nations classified as "transition economies", Bulgaria and Poland.

9. Mr. ALLAREY (Philippines), speaking on behalf of the Group of 77 and China, said that the United Nations, as the world's highest political forum, played a crucial role in evaluating the impact of international economic issues on the economies of developing countries. After reviewing the various documents, studies and reports on the subject, the Group of 77 and China had concluded that prospects for the developing countries remained bleak or uncertain. Although it was true that, as reported in the World Economic and Social Survey, 1995, the global economy had been remarkably strong for many years and that world output was growing at the most rapid rate of the 1990s, it must be recalled that economic growth rates rose and fell in cycles. World output was definitely on the upswing, but three fourths of that output was accounted for by the developed market economies. Meanwhile, the developing countries, which accounted for three fourths of the world's population, contributed only 16 per cent of world industrial output; that proportion fell far short of the goal of 25 per cent called for in the Lima Declaration. Moreover, the estimated 5 per cent increase in the output of developing countries as a whole was largely attributable to a small group of countries, mostly in Asia. That incipient positive growth masked the massive economic and social difficulties which developing countries continued to experience as a result of prolonged economic stagnation or decline and, in some cases, entailed new costs in the form of environmental degradation owing to the industrialization of some sectors of their economies.

10. The World Economic and Social Survey, 1995 and the Trade and Development Report 1995 described the economic performance of most African countries and of the least developed countries in general in overly optimistic terms. Even to speak of signs of recovery would be a hopeful assessment; to speak of sustained growth was simply out of place. However, the same report of the United Nations Conference on Trade and Development (UNCTAD) secretariat correctly noted that Africa's share of world output and trade had continued to shrink, whereas its share of world population had continued to rise.

11. Trends in some economic indicators yielded a clearer picture of the actual situation. The developing countries as a whole were expected to show a decline in gross domestic product in 1995. Neither gross domestic investment nor gross domestic saving was expected to increase dramatically in those countries; in fact, they might even decline, particularly in Africa and Latin America. Despite the confidence generated by the conclusion of the Uruguay Round and by

the fact that international trade had grown faster than world output, the total trade of developing countries was expected to fall from 13.3 per cent in 1994 to 10.4 per cent in 1995; in contrast, only a slight decline was predicted for the developed market economies, from 12.1 per cent to 12 per cent. The total exports of developing countries were expected to fall from 11.8 per cent in 1994 to 8.6 per cent in 1995. Between 1985 and 1994, per capita income had declined in Africa, Western Asia and the Mediterranean; in Latin America it had risen slightly (0.5 per cent), and only some countries in South and East Asia had recorded definite improvements. Moreover, it must be borne in mind that population growth would intensify the problem of poverty. Consequently, it could not be assumed that the developing countries' current long-term economic and social development trends were secured, and those countries would probably require continued exceptional efforts by the international community in order to move towards sustained development.

12. The developing countries had instituted various reforms and implemented appropriate macroeconomic policies, but many of them would have to carry out additional reforms and structural adjustments. The international community could help to ensure a supportive environment and implement appropriate measures to address the development problems of developing countries directly. There must be a firm resolve to comply fully with the agreed targets for official development assistance (ODA), particularly among donor countries which had not met the goal of 0.7 per cent of their gross national product (GNP). The financial resources provided thus far to developing countries had fallen far short of the expectations and requirements set forth in the financial recommendations of Agenda 21.

13. The tenth replenishment of the International Development Association (IDA) should already have been completed, and appropriate provision should be made for the eleventh replenishment. Moreover, all countries should join in the search for innovative approaches to obtaining additional resources for development financing. For its part, the United Nations should encourage developed countries to reallocate resources originally earmarked for military purposes to productive development purposes. Even the downsizing of the various United Nations agencies, bodies and organs should yield dividends for development financing. Such reductions were acceptable only if they were linked to genuine reforms aimed at ensuring the full realization of the institutions' mandates. The exact impact of downsizing in recent years on the overall effectiveness of the institutions concerned was not yet known. In any case, the resources freed up by those exercises and the resources that might become available through further institutional downsizing should be quantified and used to finance development.

14. Despite the various steps taken over the last decade to address the debt situation, the total debt stock of all developing countries was unsustainably high. It was estimated to have reached US$ 1,945 billion in 1994, or three times the level recorded at the onset of the debt crisis. Although it must be recognized that the crisis had abated somewhat, the so-called "international debt strategy" had served, at best, only to transfer part of the debt burden to the next generation. Although the terms established by the Paris Club had improved significantly, especially with respect to the so-called Naples terms, the eligibility criteria were still restrictive and the scope of debt eligible

for reduction schemes was very narrow. While the debt-service ratio for severely indebted low-income countries might be reduced, the ratio for many other countries would remain very high.

15. The Group of 77 and China believed that the international community should adopt a common set of principles that included a definitive arrangement for substantially reducing all categories of debt for all developing countries, taking each country's debt-servicing capacity into account. Measures should be taken to reduce the stock and service of debt and, where appropriate, to cancel debts. For example, existing modalities of debt-for-equity, debt-for-nature and other types of swaps or conversion programmes could be expanded. The Paris Club should be invited to increase the flexibility of its negotiating mechanism, and multilateral financial institutions and the creditor countries should be requested to provide more support for debt and debt-service reduction packages. It was necessary to increase World Bank funding, replenish concessional funds and increase IMF resources, while expanding the use of special drawing rights as a means of boosting liquidity and promoting development in developing countries.

16. The transfer of resources in the form of either direct or portfolio investment was closely related to the issue of debt and development. As stated in the Trade and Development Report 1995, external financing continued to be concentrated in relatively few developing countries and in the economies in transition. Economic globalization offered new opportunities, but also entailed risks and uncertainties. To ensure that the increasing flow of investment to developing countries yielded real benefits, more of such flows should be directed to activities or sectors which increased productive capacity. In addition, investment should be broadly directed to all developing countries instead of being concentrated in only a handful of them, as was currently the case. Therefore, all countries, particularly developed ones, should focus on measures to promote long-term investment flows and to ensure that they had a positive impact on development, equitable growth, productive capacity, transfer of technology, eradication of poverty, expansion of trade and promotion of full employment. Moreover, priority should be given to mechanisms for monitoring short-term private flows or portfolio investments to safeguard developing countries from possible adverse effects.

17. Even from the most immediate perspective, the world's increasing interdependence provided practical grounds for assisting the developing countries by all available means. The perceived improvements in some developing countries could not be dismissed as having no positive impact on the recovery of the economies of developed countries. The developing countries' increased capacity to absorb external goods and services and foreign investments augured well for the growth of the developed economies. The Trade and Development Report 1995 noted that both the United States and Western Europe had received a strong impetus from exports, especially to developing countries in East and South-East Asia and Latin America. Inadequate resources for development financing and the persistent debt crisis would not prove intractable to lasting solutions if the international community defined a common purpose, duly appreciated the realities of an increasingly interdependent world and had the conscience to do what was morally demanded of it.

18. Mrs. MENENDEZ (Spain), speaking on behalf of the European Union, said that the key element in any strategy aimed at restoring viability was a credible commitment from debtor countries to pursue sound economic policies. There were domestic and international measures as important as those relating to debt relief, for example, the liberalization of trade and improved market access, the facilitating of financial flows, including private capital flows, and the promotion of a more stable macroeconomic environment.

19. The international debt strategy was making an even greater contribution to a lasting solution to the debt problem. Structural adjustment programmes and various forms of debt relief had led to considerable improvements. Moreover, important bilateral official debt reductions, including cancellations, had been granted. The European Union continued to support the approach of the Paris Club, which took account of the specific situation of each country.

20. While middle-income countries had made progress in solving their commercial debt problems and, in a number of cases, in regaining access to financial markets, some of them remained in the category of "severely indebted". The poorest and heavily indebted countries' debt-servicing difficulties persisted in some cases, although they had been benefited greatly from the increasingly favourable concessional conditions offered by the Paris Club since 1988. The "Naples terms", adopted the year before, had raised the percentage of debt and debt-service reduction from the 50 per cent offered by the "enhanced Toronto terms" to 67 per cent for eligible low-income countries. So far 11 low-income countries, 7 of them least developed countries, had benefited from the "Naples terms".

21. Multilateral official debt constituted a growing proportion of the total indebtedness of the poorest countries. Although the international financial institutions had applied concessional measures (for example, the Fifth Dimension facility of the World Bank), the preferred creditor status of those institutions prevented that type of debt from being rescheduled. The European Union strongly encouraged those institutions to assist countries through the flexible application of existing instruments and the use of new mechanisms where necessary. At the 9 October meeting of the Development Committee, Ministers had requested the World Bank and the International Monetary Fund to continue their work on the multilateral debt issue, including detailed country-specific analysis of debt sustainability, and to report proposals to the Committee at its meeting in April 1996. The European Union remained committed to a cooperative approach to the debt problems of developing countries.

22. Mrs. ULLOA (Ecuador), speaking on behalf of the members of the Rio Group (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela) expressed the concern of those delegations at the delay in the submission of the basic documentation for the Committee's consideration, which limited the possibilities of serious analysis and fruitful discussion.

23. It was of particular interest to be able to identify those sectors which might cause problems in the world economy in the years ahead so as to be able to improve ways of anticipating them and establish a response capability. The optimism of document A/50/429 regarding the future of the world economy seemed

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belied by the stagnation so far recorded in 1995. UNCTAD was forecasting that economic growth for the Latin American and Caribbean region would decline from 3.7 per cent in 1994 to 2 per cent in 1995. Further disquieting indicators were apparent, such as unemployment, which continued to increase, and a fall in real income, in addition to which the share of funding available within the United Nations system for development programmes and projects for Latin America and the Caribbean had declined to 8.6 per cent, whereas other regions were being allocated 50.42 per cent and 40.67 per cent.

24. Nevertheless the region continued to pursue policies to control inflation and further the opening up of markets and economic reform. Of particular note were the measures adopted by MERCOSUR, the Andean Pact and the Group of Three, and the progress made in various bilateral trade liberalization agreements. The Heads of State and Government of the countries of the Rio Group had met in Quito, Ecuador, on 4 and 5 September 1995, and had adopted the "Quito Declaration", in which they had reiterated their positive interest in advancing towards free and transparent trade and establishing a continental free trade zone by the year 2005.

25. The countries of the region were endeavouring to promote growth and development and were following the Marrakesh agreements and the workings of the new World Trade Organization. Trade must not be subject to conditions that might harbour new forms of protectionism, and the barriers that impeded the free flow of goods and services must be eliminated. Further it should be recalled that the region still suffered from the problem of external debt, which had increased by 4 per cent. The international community must devise mechanisms to alleviate that burden in order to encourage economic growth that would promote the sustainable development of the region.

26. She was concerned by the mistaken perception on the part of some countries that the unemployment affecting developed countries was caused by increased exports from developing countries, since if that view spread there would be cause to fear for the outcome of the intensive and lengthy negotiations which had culminated in the successful outcome of the Uruguay Round.

27. Information from ECLAC indicated that in the first half of 1995 the economic outlook for the region had largely been determined by the financial crisis affecting some countries. Nevertheless its impact had not been as great or as lasting as first feared. The "Quito Declaration" had emphasized that "given the integration of capital markets and advances in technology, which permit massive and instantaneous transfers of resources, confidence-building measures must be taken to tap a part of these flows of external savings and to avoid the risks associated with their volatility". The International Monetary Fund (IMF) would doubtless play a fundamental role in that regard, but it was the responsibility of the United Nations to analyse the opportunities and problems brought by complete financial integration. There was a need for a closer dialogue between the Organization and the Bretton Woods institutions.

28. While it should be recognized that some progress had been made in the social sector over the past 50 years, there were still millions of people who did not receive basic social services. The developing countries represented 75 per cent of the world population, but accounted for only 16 per cent of world

income. Notwithstanding the importance of social issues, the scant attention paid in document A/50/429 to such substantive matters as poverty, unemployment and the role of women in development was noteworthy, since the importance of such matters had been such as to merit the convening of major international conferences.

29. The region attached particular importance to human resources training. It had been demonstrated that investment in education accelerated the growth of countries, but, to attain that end, there was a need to improve national education systems, incorporate the learning of new production techniques and make use of new technologies. That could only come about to the extent that international cooperation was strengthened, in particular with respect to the transfer of technology.

30. Future reports on the item should contain conclusions that were more consistent with the rest of the text. The document was filled with descriptions of trends and analyses of problems, but the recommendations appeared to propose very simple solutions, and in some cases no solutions were suggested for the problems that were considered.

31. Mr. BELHIMEUR (Algeria) said that the questions of the external debt of developing countries and of development financing were more topical than ever, and must remain at the centre of the work of the Organization so as to build a universal consensus for a comprehensive and definitive solution. The delegation of the Philippines, speaking on behalf of the Group of 77 and China, had expressed the essence of Algeria’s position.

32. While it was true that the problem of the external debt of developing countries no longer represented a threat, as had been the case at the beginning of the past decade, when the third world countries had not been able to service their debts, imperilling the equilibrium of the entire international financial system, it would be a mistake to think that the danger of a relapse had been eliminated once and for all. The problem of external indebtedness remained a reality and continued to have a negative impact on the efforts of debtor countries to place their economies on a sound footing and to devise ways to generate orderly and stable growth.

33. The most alarming situation in that regard was that of the least developed countries, 32 of which, most of them African, fell into the category of the "most heavily indebted countries" and had no possibility of meeting their payment obligations unless measures broader than those taken thus far were applied, including outright forgiveness of their debts. Many middle-income countries also had unsustainable levels of indebtedness. The international community should consider their situation in order to help them free their capacities, which were currently hampered by indebtedness, by alleviating the heavy burden of debt service and providing them with the additional resources necessary for restructuring and adjusting their economies.

34. Although the measures taken to cope with the debt crisis had yielded some positive results, they had not solved the problem definitively. Nevertheless, as had been pointed out by the non-aligned countries, the time had come to move from conclusions and diagnosis to solving the problem once and for all. To that

end, there was an urgent need to formulate a strategy which took into account all the aspects of the phenomenon and was designed to promote economic growth in the debtor countries, rather than merely maintaining their capacity to cope with debt servicing. It was also necessary to establish, by means of a dialogue among the parties concerned, the modalities for reimbursement on the basis of the ability of the debtor party to carry out their obligations and the possibility of the creditor party's reducing, refinancing or even forgiving the debt. In addition, there was a need for political will among all parties, a reform of the world financial system enabling developing countries to improve their capacity to save in order to sustain autonomous development, and an increase in official development assistance and direct investment.

35. The question of financing was essential for development, particularly in the case of the countries of the South, which depended on external resources. The situation in that area had changed notably since 1991. For four consecutive years, there had been financial transfers to the developing countries. Nevertheless, there were no grounds for extreme optimism, since only some countries benefited from that trend, while most of them continued to depend on official assistance to finance their development. Furthermore, the volatile nature of the private capital which was oriented towards the developing countries was a source of uncertainty and instability for the receiving economies. Although the volume of available capital in international financial markets was sufficient to meet the investment needs of the world economy, there was an imbalance in the allocation of resources. If the regulation of capital flows was left solely to market mechanisms, existing distortions would increase and the countries which did not meet the necessary requirements to attract investors would be further marginalized. There was a need therefore to lay down minimum criteria for distributing resources in such a way as to promote the economic growth of all countries.

36. It was also necessary to strengthen by all possible means the principle of solidarity among developed and developing countries, as reflected in the commitment by the rich countries to allocate 0.7 per cent of their GDP to official development assistance. The reasons that had been put forward thus far to justify the reduction in such assistance could not be interpreted as something inevitable which had to be accepted.

37. The end of the cold war had opened up prospects for peace, and the protection of the environment, in accordance with the decisions adopted at the Rio Summit, would make it possible to guarantee a flow of resources towards the countries of the South. Those new resources should not be used to wipe out the budget deficit of the countries concerned; the United Nations mechanisms for managing its funds would make it possible to exercise the necessary vigilance in order to prevent that from happening.

38. The poor distribution of resources was compounded by the substitution of private capital for public capital with the resulting marginalization of the countries which did not meet the requirements of the financial markets concerning confidence and profitability. The international community should help those countries overcome that shortcoming.

39. The recent financial crisis in Mexico had demonstrated the vulnerability of the economies of developing countries to unforeseeable reactions in private capital markets and the inability of those markets to serve as long-term financial instruments for development. The speed and effectiveness of IMF in limiting the effects of the crisis could not conceal the need to establish safeguards in order to prevent a recurrence of that phenomenon. The mechanism to be established for monitoring the world economy should also provide for measures against speculative financial operations, which could quickly destroy the results of years of efforts, as well as macroeconomic management by the rich countries and greater democratization of the main bodies of the Bretton Woods institutions, particularly IMF, in order to give greater attention to the limitations and interests of the developing countries.

40. Mr. SMIRNOV (Russian Federation) said that the three issues under consideration, namely, the financing of development, long-term trends in social and economic development and the external debt crisis, were of essential importance. His country supported the analytic work carried out by the United Nations with regard to long-term trends, as reflected in the report of the Secretary-General in document A/50/397. The globalization of the economy and the growing economic interdependence of all countries in the world made that work increasingly important. It was necessary to monitor the evolution of the world economy in order to identify short-term and long-term trends, including incipient crises. To that end, there was a need for close cooperation between the United Nations and the Bretton Woods institutions. The new phenomena occurring in the countries with economies in transition should also be analysed since the success of their reforms would have an impact on the world economy.

41. As indicated in the report of the Secretary-General in document A/50/397, in recent years, most developing countries, except for the African countries, had experienced real economic growth and had financed practically all their investments through domestic savings. It could therefore be concluded that an increase in investments by those countries would depend to a large degree on the type of economic policies which they applied in order to carry out structural adjustments, achieve financial stability and develop capital markets. Nevertheless, one should not underestimate the role of foreign investment, including investment by the private sector, and, in the case of the least developed countries, official development assistance.

42. The member countries of the Commonwealth of Independent States had experienced a reduction in investments; in the Russian Federation, specifically, investment had declined in 1995 by 15 per cent to 17 per cent compared with the previous year. In order to cope with that problem, the Government had taken fiscal and budgetary measures as well as measures designed to form stock markets and create favourable conditions for attracting foreign investors. The situation was aggravated by the fact that the Russian Federation still had problems with regard to market access and a large foreign debt.

43. The international community had had much positive experience with regard to measures aimed at solving the debt problem. The Paris Club and the London Club had demonstrated their effectiveness, and the United Nations had played an important role by gathering, analysing and disseminating relevant information and putting forward recommendations with regard to policies.

44. As indicated in document A/50/379, during the previous year, 12 developing countries had concluded agreements with the Paris Club, 9 of them on the basis of the "Naples terms". The number of countries that had concluded agreements with the London Club had also increased and, in general, progress had been made in reducing indebtedness to the international financial institutions.

45. The Russian Federation had a foreign debt of $113 billion, of which $104 billion had been inherited from the former Soviet Union. Servicing that debt far exceeded the country's payment capacity. A third agreement had recently been concluded in order to refinance the debt corresponding to the former Soviet Union and agreement had been reached with the creditors on the need to find an integrated and long-term approach in order to deal with the problem. His country in turn had a credit balance of $170 billion. In that regard, the Government was prepared to take the necessary steps to refinance the debt bilaterally or within the framework of the Paris Club. In accordance with the provisions of General Assembly resolution 49/94, the special position of the Russian Federation as a country with an economy in transition should be taken into account during the negotiations.

46. He agreed with the need to continue seeking a strategy to resolve the debt problem. The Paris Club should apply the conditions formulated for the least developed countries and should adopt an integrated approach in dealing with multilateral debt servicing. Consideration should also be given to the possibility of taking a long-term approach rather than a short-term approach and of finding new methods of repayment. Nor should options such as reciprocal debt cancellation between countries in transition and developing countries be dismissed. The special nature of the problems of countries in transition should not be overlooked; a consideration of all aspects of the question would undoubtedly lead to new solutions that could prove useful for other countries.

47. Mr. AMMARIN (Jordan) said that the fact that, at the forty-ninth session, the resolution on external debt had been passed by consensus had given new hope regarding the possibility of finding a durable solution. In the context of the globalization of the economy and international cooperation for growth and development, a durable solution of the debt crisis would benefit both the developed and the developing world.

48. The end of the cold war had made it possible for each State to rearrange its priorities according to its particular needs and for the resources devoted to arms and defence to be used for the purposes of development. Other vital issues for the development process were privatization, the development of the private sector and the establishment of democracy.

49. Jordan had had to divert all its resources to servicing its debt, but that had not prevented it from succeeding in creating a model of democracy, promoting privatization, enhancing the free-market economy, concluding a major peace treaty with Israel and carrying out a structural adjustment.

50. The Government and people of Jordan appreciated the efforts of the United States Government in alleviating the pressure on the country. The United States had cancelled two thirds of the bilateral debt, amounting to $700 million, and in 1996 it was to cancel the balance. The United Kingdom and Germany had also

alleviated some of the pressures of Jordan’s debt to them. Moreover, Jordan was entering into negotiations to the same end with France and Spain, while Japan had helped to reduce the debt burden through granting concessionary aid.

51. Mr. CUI Tiankai (China) said that official development assistance (ODA) was a major source of external funding for the economic and social development of most low-income developing countries. The world economy had seen unprecedented growth, but the gap between developed and developing countries remained unacceptably wide. Consequently, for developed countries to help developing ones was both a moral responsibility and a long-term investment in their own interests, since, as Mr. Wolfensohn, President of the World Bank, had said, developing countries represented future growth for the whole world.

52. China was worried by the drastic reduction in the flow of ODA. According to OECD statistics, the real level of ODA had hit the historic low of 0.29 per cent of the developed countries’ gross national product by 1994. It was particularly disquieting because the International Development Association, the most important channel for concessional multilateral financing, was in grave difficulties, which would probably mean that many financial commitments could not be fulfilled.

53. The situation might partly be attributable to the budgetary constraints in developed countries, but it was more realistic to see it as a continuation, in a changed form, of cold-war thinking. The cutbacks in ODA were not consistent with the United Nations target of 0.7 per cent of gross national product for ODA or the solemn commitments undertaken at the United Nations Conference on Environment and Development, the International Conference on Population and Development and the World Summit for Social Development. China urged developed countries to take effective measures to reverse the downward trend in ODA and to honour their commitments. Both the quality and the quantity of development aid needed to be improved. It was obvious that for development aid to be effective it would have to reach a critical mass and it would have to be consistent with the needs of the recipients, responsive to their policies, objectives and priorities.

54. With regard to the private financial flows to developing countries, he said that at the forty-ninth session his delegation had expressed concern over the speculative and uncertain nature of such flows; that concern had unfortunately been vindicated by subsequent events. A few basic lessons could, however, be drawn from the recent fluctuations on the international capital market. Many developed and developing countries had benefited from the new dynamics introduced by the growing integration of the world economy, but the risks and potential negative effects involved should not be underestimated, in that the possibility of systemic crisis on the international financial market had increased, and control by Governments over their own economies had grown more difficult. It was a challenge to adapt to such changes in order to maximize their benefits and keep their negative effects to a minimum.

55. There was no question but that developing countries should, in accordance with their respective conditions and needs, adopt appropriate policies aimed at maintaining a favourable macroeconomic environment and social stability, pursuing structural adjustment and liberalization, thus attracting foreign

investment. In a world of deepening interdependence a supportive international economic environment was important as never before and in that regard developed countries, with their predominant influence in the world economy, bore special responsibilities.

56. The volatility on the international financial and foreign-exchange market was to some extent a reflection of macroeconomic policy misalignments and coordination failures on the part of major developed countries. Their high levels of fiscal deficit and public debt constituted a severe drain on global savings, which exerted enormous upward pressures on inflation and long-term interest rates, as well as increasing the instability on international capital markets. It followed that the International Monetary Fund should primarily strengthen its surveillance and coordination in relation to the policies of developed countries. While the contribution of developing countries to the world economy was rising, they remained vulnerable to the vagaries of the market. As major stakeholders in the world economy, their participation in international economic decision-making and policy coordination should be guaranteed.

57. Through the concerted efforts of the international community, some progress had been made in solving the external debt problem of developing countries. Yet a considerable number still suffered under the crushing debt burden, which imposed a severe constraint on their efforts towards economic recovery and growth. He hoped that the international community, particularly developed countries and the relevant international financial institutions, would continue their efforts to arrive at a comprehensive solution.

58. Mr AHMAD (Malaysia) said that developing countries as a whole continued to face limited access to international sources of financing for development activities. Despite their higher gross domestic savings rate compared to the developed countries, the quantum of internally generated resources was small and inadequate to meet domestic investment needs. Developing countries therefore needed significant resource infusion to carry out their development activities, whether in addressing basic social needs or in solving serious structural problems. Since available domestic resources were limited, those countries had no option but to seek foreign capital, which remained scarce.

59. ODA flows had declined for the past four years, a trend which was likely to persist, notwithstanding the decision of some OECD countries to maintain and increase their development assistance. Although most recipient countries had made reform efforts which had led to encouraging changes, the developed countries seemed to be turning their backs on ODA, the current level of which, at 0.29 per cent of GNP, was less than the 0.7 per cent agreed target. Given that trend, there was concern that the commitments made at the tenth meeting of the International Development Association might not be fulfilled and that the prospects for a larger replenishment at the eleventh meeting were meagre. He called on the developed countries to fulfil their commitments and provide the necessary resources so that developing countries could improve their socio-economic situation, which would go a long way to averting social upheavals and attendant problems, to improve global production and to expand markets in the interests and to the benefit of all.

60. While it was expected that private resource flows would concentrate in areas where there were maximum returns and minimum risk, multilateral financial institutions should be more innovative in facilitating the development of developing countries. In that regard, the role of the World Bank was important, and its decision to shift towards quality and high-performance projects was a step in the right direction. It should also focus more in its lending activities on increasing the productive capacity and productivity of developing countries.

61. A significant development in the globalization of the financial market was the increasing volatility of exchange-rate fluctuations, due in large measure to speculative capital flows, which had rendered many developed and developing countries vulnerable and hampered domestic macroeconomic management. While capital flows facilitated growth, speculative activities could disrupt domestic financial markets with far-reaching implications for the economy. Action by the international community was needed to address that issue and prevent a repetition of the financial crisis that had affected some countries recently. There was a need for greater financial discipline and effective surveillance mechanisms and the IMF initiative should help to meet that need.

62. The foreign debt of the developing countries remained a major obstacle to their development, as the volume of debt had continued to accumulate and the debt-service burden had increased proportionately. The various debt-structuring measures, while preserving the international financial system, had been of limited help to the developing countries. Most of the restructuring exercises remained focused largely on payment rescheduling rather than on reducing the debt itself, so that it would be even more difficult for debtor countries to extricate themselves. The solution must include reduction of debt stock through cancellation. In the context of the Paris Club, debt cancellation, as one of the options, should be seriously considered for early implementation, especially for the least developed countries.

63. Although efforts were being made to address commercial and official debts, albeit on the basis of humiliating conditions, multilateral debt had not been given adequate attention. Many countries had accumulated significant multilateral debt and the multilateral institutions, led by the World Bank, had steadfastly refused to consider the restructuring of the debt owed them. That was a significant anomaly as multilateral institutions, being development institutions, should in fact take the lead in resolving debt problems.

64. Since the end of the cold war, the international community had fallen short in its collective response at almost every crucial moment. From one conference to the next, global-action programmes were announced but the means for implementing them were not made available. Efforts were made to give meaning to global interconnectedness but in the end rhetoric prevailed and it was never entirely possible to distinguish between self-interest and the care and well-being of humankind and the welfare of the planet.

65. In recent years, the concept of development had changed from one of economic targets to that of real gains based on the satisfaction of human needs and the optimization of the human person. Nothing had been learned from the failure of communism and Fabian socialism and, in spite of the weaknesses of

capitalism and the free market, only the Western model was permitted. The failure of the so-called locomotives of growth was not acknowledged, while at the same time the successful economies of Asia and Latin America were not regarded as potential locomotives. Instead, the high growth in those areas was regarded as a threat to the industrial North and impediments were put in its way.

66. In those circumstances, the idea of global partnership needed to be given impetus so that countries could seek to cooperate with each other, resolving common problems and creating new opportunities instead of regarding each other as adversaries. The future of humankind must point towards pluralism and multiculturalism, not the exclusivity of regions and blocs and the superiority of one set of values.

67. Mr. BIAOU (Benin) noted that although the question of external debt and development had been on the agenda of the General Assembly since the fortieth session and some action had been taken, that action had fallen short of global needs, as the appeal made in paragraph 13 of General Assembly resolution 49/94 demonstrated. The debt cancellations and relief effected had not had the desired result, and the approach which consisted of dealing with the various categories of debt separately and using different mechanisms depending on the situation of creditors and debtors had revealed its limitations. It was therefore time to consider seriously the possibilities of the global approach advocated by the developing countries.

68. The success of the global approach would depend on two factors: the extension of the measures to a larger number of countries, and the actual fulfilment of the commitments and implementation of the recommendations adopted by consensus in recent years at the conferences and summit meetings held under United Nations auspices. The fact was that the number of beneficiaries of the present agreements was small. Moreover, the efforts made had usually been directed at middle-income countries with large commercial debt, heavily indebted low-income countries and the lower tier of middle-income countries, to the neglect of other countries, particularly the least-advanced countries not included in any of the three categories mentioned. His delegation felt that if a specific mechanism was not adopted in the next few years to help the least developed countries to resolve their external debt problems, the international community would have lost an opportunity to find a lasting solution to one of its main economic and financial difficulties. In his opinion, that was one of the defects of the Secretary-General's report on the question. With respect to the second factor, he referred to Commitment 9 (o) of the Declaration and paragraph 90 of the Programme of Action of the World Summit for Social Development, dealing with the questions of bilateral, multilateral and commercial debt. The implementation of the decisions, commitments and recommendations adopted there would represent a decisive step towards a lasting solution.

69. In asking that new measures and methods be adopted and proposing a global approach, the developing countries were not attempting to evade their commitments and responsibilities. The ideas presented were based on the fact that the measures so far taken had not led to a real improvement in the situation of the recipient countries, even though the developing countries as a

whole were carrying out political and economic reforms intended to restore macroeconomic balance, ensure a stable economic environment, avoid price distortions and establish the rule of law. Unless the old models were superseded it would be necessary to renegotiate the means of repayment of the same debts from generation to generation. A degree of political will existed among creditors and debtors; it remained to take the decisive step of liquidating the multilateral debt that continued to overwhelm the developing countries and in particular the least developed countries. The fact that the debt question was being considered coincidentally with the observance on 17 October of International Day for the Eradication of Poverty should contribute to the demonstration of greater political will by all the creditors to relieve effectively the suffering of the poorest.

The meeting rose at 3.15 p.m.