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Chairman: Mr. HAMBURGER (Netherlands)

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The meeting was called to order at 3.05 p.m.

AGENDA ITEM 96: SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued) (A/C.2/51/L.17 and L.18)

(f) ERADICATION OF POVERTY (continued)

Draft resolution on the First United Nations Decade for the Eradication of Poverty (A/C.2/51/L.18)

1. Mr. ACUÑA (Costa Rica), speaking on behalf of the Group of 77 and China, introduced draft resolution A/C.2/51/L.18.

(c) INTEGRATION OF THE ECONOMIES IN TRANSITION INTO THE WORLD ECONOMY (continued) (A/C.2/51/L.17)

2. Mr. FEDORTCHENKO (Russian Federation) introduced draft resolution A/C.2/51/L.17.

AGENDA ITEM 94: MACROECONOMIC POLICY QUESTIONS (A/51/87, A/51/208-S/1996/543)

(a) EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/51/294)

(b) FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES (A/51/291 and A/51/388)

3. Mr. HERMAN (Chief of the International Economic Relations Branch, Department of Economic and Social Information and Policy Analysis), introducing the reports produced by the Secretariat in connection with sub-item 94 (a) (A/51/294) and sub-item 94 (b) (A/51/291 and A/51/388), said that the first two were updates of earlier reports, while the third responded to a new initiative of the Assembly, and its conclusion was more of a suggestion regarding the dialogue between the United Nations and the Bretton Woods institutions and how it might be enhanced in respect of issues of global financial integration. For the preparation of all those reports, the Secretariat had enjoyed the cooperation of the secretariats of the United Nations Conference on Trade and Development (UNCTAD), the International Monetary Fund (IMF) and the World Bank.

4. The reports were in response to a request by the General Assembly in its resolution 50/227 of 24 May 1996 regarding new measures for the restructuring and revitalization of the United Nations in the economic, social and related fields. Paragraph 33 of that resolution requested that reports should be "more concise and action-oriented" and that they should highlight "the critical areas requiring action by the General Assembly" and contain "specific recommendations". In response to that request, the reports contained several tables of concise data on the external debt situation of developing countries and net transfers of resources to those countries; they also contained policy conclusions.

5. As for the report on the external debt problem (A/51/294), he drew attention to one of its conclusions regarding important events in the area of

the international debt strategy which had taken place at recent meetings of the Interim Committee of the Board of Governors of IMF and the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the transfer of real resources to developing countries (Development Committee), in particular regarding the treatment of the debt of a group of highly indebted poor countries. The concrete actions adopted at those meetings were extremely encouraging, as was the wording of the communiqués, which recognized that a concerted and comprehensive approach was needed to address the debt problems of the developing countries. In that respect, the report requested that analyses undertaken to determine eligibility for the new debt initiative should not foreclose the possibility of adding to the list of countries requiring special assistance with their debt situations.

6. The report on net resource transfers (A/51/291) drew attention to the volatility of certain private-sector flows and the dilemma of countries, particularly in Africa, that had received hardly any private international investment. There were currently signs of an economic turnaround in Africa which could mark the end of a long period of widespread economic decline. However, the durability of Africa’s per capita economic growth was not assured, and international investors continued to show caution. Consequently, African countries needed assistance in capitalizing on their short-term gains, and more official development assistance was required for that purpose. The same could be said for all the least developed countries and for low-income countries in general. Official sources of finance must continue to provide a considerable part of the international financing needed to help numerous developing countries accelerate and sustain their economic growth.

7. Finally, referring to the report on global financial integration (A/51/388), he recalled that at its previous session the General Assembly had adopted resolution 50/91 of 20 December 1995, in response to serious concern in capital-importing countries, the international financial community and even financial market regulators, at the danger represented by bouts of volatility of the international financial mechanism arising from technical changes and financial deregulation. Since then, numerous steps had been taken to rebuild international confidence, but the global financial situation still needed to be monitored, as was being done by IMF and various narrower technical bodies. In addition, the General Assembly had sought to undertake active monitoring at the political level. The conclusion to the report discussed ways of enhancing the dialogue between the United Nations and the Bretton Woods institutions, of which the question of global financial integration was a very important element, and it was suggested that informal contacts already existing among the secretariats of the various organizations might serve as a basis for more explicit exchanges of views on the reports on the world economic and financial situation produced by each of the organizations.

8. Mr. ACUÑA (Costa Rica), speaking on behalf of the Group of 77 and China, said he was grateful to the Secretary-General for his comprehensive reports and to the Chief of the International Economic Relations Branch of the Department for Economic and Social Information and Policy Analysis for his introductory statement, and welcomed the report on the debt situation (A/51/294), which underlined the need to provide a one-off arrangement that would reduce debt by the critical mass necessary for restoring the developing countries’ debt-

servicing capacity, strengthen investor confidence and induce positive financial flows. Although the international debt strategy had already enabled considerable progress to be made in alleviating debt servicing, the persistence of the problem remained a cause for deep concern and, in that respect, the Group of 77 and China fully agreed with the report's conclusion that current debt-relief measures were inadequate and must be changed.

9. To that end, it was encouraging that the economic communiqué of the G-7 Summit, held in Lyon in June 1996, and the communiqué issued following the meeting of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund (the Development Committee), held in October 1996, had firmly supported the new initiative relating to the debt situation of the heavily indebted poor countries. Nevertheless, the measures envisaged by that initiative did not ensure a durable solution. What was needed was an innovative, effective and lasting approach, based on a common set of principles for future debt negotiations, which would include arrangements for a substantial reduction of all categories of debt. Moreover, the efforts to evolve an effective and lasting debt strategy must take into account the changing world reality. Owing to the increasing globalization of the economy and the interdependence of national economies, the external debt problem must be addressed through a comprehensive, integrated and development-oriented approach, involving an open, rule-based and non-discriminatory international trading system, increased financial flows and increased access to technology.

10. At the domestic level, it was necessary to restore macroeconomic stability through monetary and fiscal discipline, mobilize domestic resources, diversify exports and production and design and implement adjustment programmes. National policies by themselves, however, were inadequate to the new circumstances; a favourable international environment was needed. The developed countries should implement sound macroeconomic policies, especially in the areas of trade liberalization, financial flows and monetary stability; without such policies, the development efforts of many developing countries which had struggled to meet their debt-servicing burdens would continue to be undermined.

11. With regard to specific points mentioned in the report, further explanations were needed concerning the initiative referred to in paragraph 40 to resolve the debt problems of heavily indebted poor countries; he requested the Secretary-General to present to the next session of the General Assembly, together with the World Bank and IMF, a comprehensive update on the progress made in the implementation of that initiative. In that context, he concurred with the observation in paragraph 46 that pressure had mounted on multilateral financial institutions to make larger contributions through greater use of their own resources.

12. The report did not address the question of social safety nets for vulnerable groups; he recalled that in its resolution 50/92, of 20 December 1995, the General Assembly had stressed the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups. Lastly, he endorsed the view expressed in paragraph 51 of the report that limiting the exposure of middle-income countries to the more volatile forms of finance before their economies were ready and

maintaining the confidence of international financial investors was central to avoiding new crises, and that while individual countries had a central responsibility in that regard, the international community was also undertaking to play a greater role.

13. The external debt crisis was closely linked to the inadequacy of development financing. The efforts of developing countries to mobilize domestic resources should be supported by external resources commensurate with their needs; accordingly, the depletion of financial assistance agreed and committed by the developed countries, particularly official development assistance, was cause for concern. There was an urgent need for the developed countries to make quantitative and qualitative improvements in official development assistance by, inter alia, reducing repayment costs. In that regard, the figures contained in the report of the Secretary-General on the net transfer of resources between developing and developed countries (A/51/291) showed the unpredictable and unsustainable nature of financial flows in the international capital markets, which was aggravated by increasing interdependence and financial integration. As indicated in paragraphs 7 to 10 of that report, over the past few years, increasingly large amounts of private capital had moved from developed countries to a number of developing countries in Asia, Latin America and the Middle East; while such inflows had generally promoted economic growth, they had sometimes generated inflationary pressures and, in some instances, sudden capital outflows as a result of a loss of confidence by investors. Moreover, private capital flows to developing countries had been directed to only a small number of such countries.

14. It was paradoxical that, as indicated in the same report, a strong official presence which could provide assistance and address global problems that put development progress at risk was still lacking, at a time when the world had been freed from the adverse effects of the cold war and the needs of the developing countries were growing rapidly. It was further regrettable that agreement was not expected in 1996 on increasing the International Monetary Fund’s own resources through the Eleventh General Review of Quotas. On the other hand, a decision on the Enhanced Structural Adjustment Facility was expected to be adopted by IMF and the World Bank at their annual meetings in 1996; in that connection, he urged all governments, particularly those of the developed countries, to work together on issues relating to the financing of the Facility in order that an agreement might be reached on its timely and adequate replenishment.

15. He endorsed the Secretary-General’s conclusions regarding official development assistance as contained in paragraph 38 of document A/51/291. No one could deny that for most developing countries, aid was an investment in development, not just a transfer of financial resources. He stressed the need to increase efforts to ensure a flow of substantial resources for development through, inter alia, an expansion of multilateral credits, the promotion of foreign direct investment and an increase in concessional and non-debt resources. The alarming decline in the availability of financial resources to meet the needs and objectives of the developing countries reaffirmed the importance and increasing necessity of convening a United Nations conference on the financing of development. The Group of 77 and China intended to submit draft resolutions on both sub-items.

16. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis), replying to questions raised by the Group of 77 and China, said that a World Bank brochure containing information on the Bank's financing initiative had been made available to delegations. As to the progress made in the implementation of that initiative, his Department intended to work closely with the World Bank to prepare the relevant information. With regard to the debt problems of the heavily indebted poor countries, he drew attention to the data provided in paragraph 45 and table 5 of document A/51/294. Concerning the measures undertaken to alleviate the debt burden, paragraph 5 of that report highlighted a number of issues referred to in General Assembly resolution 50/227 and indicated the documents that were to be taken as background documentation for that resolution. Moreover, the appendix to the World Development Report, 1996 contained development indicators which constituted updated statistical data. His Department was nearing completion of the draft report on the world social situation, to be issued in early 1997.

17. Ms. BROWNE (Ireland), speaking on behalf of the European Union and of Bulgaria, Cyprus, the Czech Republic, Estonia, Iceland, Latvia, Lithuania, Norway, Romania and Slovakia, which had aligned themselves with her statement, said that those countries recognized the burden of external debt for many developing countries, in particular the poorest and most heavily indebted countries, and were particularly concerned about the situation of many countries in Africa. Since debt problems varied considerably from country to country, debt relief measures needed to be adapted to the needs of each case; to that end, through an evolving debt strategy, the international financial community had contributed significantly to the introduction of improvements in developing countries based on sound economic policies and programmes of adjustment and reform. The European Union particularly welcomed the progress which had been made in alleviating bilateral debts through debt cancellation or the implementation of the Naples terms by the Paris Club, although it recognized that additional national and international efforts were needed. The Bretton Woods institutions had made a major step in that direction by endorsing the action programme of the initiative to reduce the debt burden of highly indebted poor countries; under that initiative the three main groups of creditor countries had confirmed that they would take coordinated, simultaneous, but independent action, and would share the costs equitably; they had also accepted a flexible structure and a case-by-case approach to take into account the characteristics of the economies of the heavily indebted poor countries. The European Union welcomed the recent announcement by the Paris Club that it was ready to go beyond the Naples terms to provide debt reduction of up to 80 per cent for countries which qualified for additional relief and called on non-Paris Club creditor countries to participate in the initiative on similar terms. As indicated in the report of the Secretary-General on the question (A/51/294), some of the middle-income countries displayed the indicators of a fragile external financial position; they must pursue sound policies and continue their efforts to achieve and maintain stable conditions. Despite the difficult circumstances, a number of positive developments had taken place over the past year which addressed the debt problems of the developing countries, including the agreements on the eleventh replenishment of the International Development Association and the seventh replenishment of the African Development Fund, to which the member States of the European Union had contributed. The

report of the Task Force on Multilateral Development Banks and its recommendations were another positive development. However, much remained to be done to resolve the debt problems of the heavily indebted poor countries, and progress was dependent on the efforts undertaken by the countries themselves, with the support of the international community.

18. Mr. SAAD (Tunisia) endorsed the statement made by the representative of Costa Rica on behalf of the Group of 77 and China and said that the external debt crisis was not abating, despite the various initiatives taken by the creditor countries and by the multilateral financial institutions. In that respect Tunisia welcomed the new initiative of the World Bank and IMF to resolve the debt problem of the heavily indebted poor countries. It also took note with appreciation of the commitment made at Lyon by the member countries of the Group of Seven to expand the application of the Naples terms. However, those various strategies had been no more than a palliative since, as indicated in the report of the Secretary-General on the developing country debt situation (A/51/294), in 1995 the gross external debt of capital-importing developing countries had grown by 7.4 per cent compared with the previous year and, according to World Bank data, 16 of the 52 countries classified that year as heavily indebted countries were middle-income countries. The gravity of the situation was even clearer in the case of Africa, since at the end of 1995 the accumulated principal and interest arrears on long-term debt constituted nearly one third of external debt. That crisis fully justified the appeal made by the General Assembly in resolution 50/92.

19. On the question of macroeconomic policy, his delegation felt that, within the context of development financing, capital flows posed as much of a challenge to the developing countries as the debt burden. Although technical progress had reduced the cost of international financial transactions and there had been a globalization of finance, the main factors influencing capital flows were international interest rates and exchange rates, which were often beyond the control of even the powerful countries. The situation was particularly difficult for the developing countries since the liberalization of their foreign transactions made them increasingly vulnerable to the unpredictable fluctuations of private capital flows in the international financial markets. His delegation therefore stressed the need for a favourable climate to ensure the stability of international flows and offset the destabilizing effect of those flows. It also recognized the importance of a national environment which encouraged confidence so as to ensure the influx of private capital and its sustainability through structural reforms and trade liberalization.

20. Tunisia's strategy, designed to create a market economy and bring about increasing integration in world trade, had enabled it to join the World Trade Organization and, above all, conclude an association agreement with the European Union in 1995. Despite the decisive role of domestic policy in respect of the influx of private capital, it was essential to take measures at the international level to ensure the effectiveness of domestic reforms; in that respect it should be recalled that, in accordance with General Assembly resolution 50/91, cooperation and coordination must be broadened among interested countries and the Bretton Woods institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly in developing countries.

21. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis) said that during the preparation of the reports before the Committee, especially the report on global financial integration (A/51/388), members of the Secretariat had participated in meetings organized in Washington, D.C. by IMF and the World Bank in order to consider with the staff of those institutions the various aspects mentioned in resolution 50/91. In addition, there was very close cooperation with UNCTAD, whose experts on financial markets had prepared part of the report. The Secretariat relied heavily on UNCTAD when it prepared reports concerned with the Paris Club since UNCTAD staff participated as observers at meetings of the Paris Club on various issues, including debt restructuring. Moreover, the United Nations participated as an observer at meetings of the IMF Interim Committee.

22. Mr. CHOWDHURY (Bangladesh) said that his delegation associated itself with the views expressed by the Group of 77 and China and noted that, despite the attempts to address the problem of external debt, the debt crisis had intensified; the attempts made so far had been inadequate and had lacked the necessary resolve. The debt burden had created an obstacle to development, in particular for the vulnerable and least developed countries. Those problems had been compounded by the decline in aid, which had forced many developing countries to divert resources from vital sectors. As a consequence, programmes to combat poverty, high population growth and illiteracy and provide basic social services had suffered serious setbacks. The debt stock and its servicing burden remained exceptionally high for the least developed countries, particularly in Africa. The Naples terms had been implemented for a relatively small number of countries, and even in those cases the results had been far from adequate.

23. His delegation was encouraged by the initiative of the World Bank and IMF for the heavily indebted poor countries, which reflected the concern about the negative effects of high indebtedness on the development of vulnerable economies. Within the framework of the initiative, debt sustainability had been considered in 41 countries, and debt had been identified as unsustainable in only eight countries. Three factors had been taken into account: debt service to export ratio (in the range of 20-25 per cent), the ratio of the current value of debt to export (200-250 per cent) and vulnerability. In most cases a country encountered significant impediments to development long before reaching those figures. Hence the importance of factoring in the "vulnerability" element, taking into account reserve positions, the extent of diversity in exports, the impact of debt service on fiscal position and other factors, such as the information supplied by the countries themselves.

24. Under the current mechanism it required from three to six years for a country to reschedule its debt servicing. That time lag was too long. He welcomed the recent decision by the World Bank to reduce the waiting time, depending on a country’s track record. The initiative would not produce results if there was a prolonged delay in implementing its provisions. He hoped that countries would support the proposal to sell the IMF’s gold reserve, which would increase the availability of funds for the initiative.

25. He emphasized that efforts to reduce the debt burden of poorer countries should be supplemented by an increase in the flow of resources to vulnerable

economies; otherwise, many development programmes would not have any positive impact. He urged removal of the serious impediment the debt burden represented to the development efforts of vulnerable countries.

26. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis) said that the annual renegotiations that had to be conducted each year by the staff of Ministries of Finance caused significant difficulties, since they required a great deal of time and led to the accumulation of arrears. A comprehensive and concerted effort to tackle the problems of debtor countries was required.

27. Mr. FEDORTCHENKO (Russian Federation) said that the Secretariat report confirmed that progress had been made in alleviating the problem of external debt, in particular through active implementation of the Naples terms. However, the problem remained acute for the poorest developing countries. Russia, as one of the major creditors of the developing countries, was very interested in an early settlement of the debt problem on an equitable basis acceptable to all the parties concerned. Its willingness to cooperate in that regard had been confirmed by the agreement recently reached with Nicaragua on the basis of internationally recognized practice.

28. In order to resolve the problem, account must be taken of the interests and the monetary situation of all the parties; in particular, the terms of multilateral financial assistance to countries with postponed debt should include the obligation for debtor countries to follow sound economic policy in accordance with bilateral agreements.

29. The new initiatives announced by the Bretton Woods institutions in April 1996 provided a framework for easing the burden of external debt and, coupled with assistance to debtor countries in implementing structural adjustment programmes, might help to bring debt to an acceptable level, to regain investor confidence and to reverse the negative development trends in that group of countries. There should be wider use and development of existing mechanisms to reduce external debt and its servicing costs. International financial institutions should invite private investors to take part in resolving the problem, in particular through trade in liabilities on the secondary market and the development of universal schemes for converting debts into investments in the economies of debtor countries.

30. Mr. MARRERO (United States of America) said that sustainable development must be built on partnership, not only between developed and developing countries but also between public and private sectors, and that there must be both the financial and political will to implement programmes effectively. Over time the paradigm had shifted away from emphasis on industrial development and infrastructure to explicit recognition of the need to address poverty, health, social inequities, the environment and community-based development. As a result, good governance by both recipients and donors had become increasingly important.

31. Official development assistance was certainly crucial, but such assistance and government policies should be oriented towards creating the conditions that would allow private markets to flourish. Public resources should be applied in

a targeted manner to ensure the protection of the most vulnerable groups. The development partnership must be mutually beneficial, and must be based on a shared sense of purpose and responsibility. The allocation of budget revenues was a sovereign decision, but unproductive expenditure, such as excessive military spending, must be avoided.

32. Multilateral development institutions were another essential element in support of efforts to reduce poverty, implement sound economic policy and improve institutional capacity. They must be provided with sufficient and appropriate resources to meet their mandates.

33. As a result of an initiative at the Group of Seven Halifax summit, a new comprehensive framework had been established to provide debt relief for certain heavily indebted poor countries. Eligibility for the new programme would be based on a country's debt burden indicators and its record of economic policy reform. He hoped that the initiative could quickly be implemented and that potentially eligible countries would be identified by the end of 1996.

34. Sustainable development could be painful for countries undergoing adjustment, but it represented the only proven path to economic prosperity shared by all members of society. The United States reiterated its commitment to providing support for developing countries which had taken responsibility for their own destinies and which were committed to sustainable development.

35. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis) said that there had undoubtedly been a considerable increase in the net transfer of resources to developing countries, and in capital flows, which had gone from $25 billion at the end of the 1980s to $38 billion in 1995, although the countries of sub-Saharan Africa had not been included in that trend. Regarding conditionality, the Interim Committee of the Board of Governors of the International Monetary Fund had adopted a declaration updating the 1994 Madrid declaration, since the ministers had considered it important to establish more nuanced political conditions, principles which were to be applied not only by developing countries with transition economies but also by the developed countries. One of the principles was to promote the convertibility of current accounts and a gradual progression towards greater freedom for movement of capital.

36. Mrs. AMOAH (Ghana) said that her delegation fully supported the statement by the representative of Costa Rica on behalf of the Group of 77 and China. The debt burden was a real impediment to the economic and social development of many developing countries and continued to increase notwithstanding the implementation of several reform programmes. It must be admitted that the various initiatives undertaken, including the Toronto and Naples terms and the Brady plan, had all failed to resolve the problem, due to the fact that the measures applied so far by creditor countries had focused more on rescheduling payments than reducing the debt stock. If that trend continued, the debtor countries would find it impossible to overcome the problem or to achieve sustainable development.

37. She stressed the urgent need for the international community and the multilateral financial institutions to formulate strategies that would significantly reduce the debt stock to a sustainable or manageable level that would not impede the implementation of development programmes or deter investors. The search for a comprehensive, durable and development-oriented approach to the debt problem should apply to all categories of debt: commercial, bilateral and multilateral. Such an approach would require dialogue and coordination among creditors.

38. As a first step creditors should expand debt relief measures and broadly implement the cancellation of debt. She welcomed the recent decision by the Paris Club to write off, on a case-by-case basis, up to 80 per cent of the bilateral debt of countries that met the standards for eligibility set by the World Bank and IMF. Nevertheless, it was necessary to expand the eligibility criteria, as well as the scope of debt eligible for reduction schemes, so that more countries and a larger portion of debt could be covered under the initiative.

39. She was disappointed and alarmed at the continuing real decline in official development assistance over the past four years and the overwhelming concentration of foreign direct investment in only a handful of countries. Ghana reiterated the call for broadening the distribution of foreign direct investment and urged that it should be directed towards those activities and sectors which increased the productive capacity of developing countries. Efforts should be made to ensure that long-term investments focused on such areas as poverty eradication, transfer of technology, enhancement of employment opportunities and expansion of trade. The international financial institutions, for their part, must create more opportunities for developing countries to benefit from increased concessional funding for development. To ensure the globalization of financial markets and to protect poor countries from the adverse effects of the volatility of exchange rates, there was a need to develop mechanisms to monitor short-term capital flows and to assist poor countries in preventing disruption of their financial markets. Until effective solutions were found, the renewal of the dialogue on the strengthening of international economic cooperation for development should include the subjects of debt and the financing of development.

40. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis) said that the aim of the new initiative by the World Bank and the International Monetary Fund was to adopt the comprehensive and concerted approach referred to by the delegation of Ghana. The new initiative reflected liberalization, since previously the situation of only 41 countries had been considered, of which only a small number had met the necessary conditions. That principle having been accepted by the international community, thenceforth care should be taken to ensure that the new initiative was applied on a case-by-case basis to all qualifying countries, independently of whether they appeared on some list at the international financial institutions.

41. Archbishop MARTINO (Observer for the Holy See) said that at the World Summit for Social Development, held in Copenhagen, the international community had committed itself to finding effective, development-oriented and durable

solutions to external debt problems and to implementing them as soon as possible. That commitment had spoken not only of debt reduction or rescheduling, but also of "cancellation or other debt-relief measures". It was clear that, for some of the poorest countries, the cancellation of at least a substantial part of their external debt was a necessary step to enable them to achieve their social development aims. Since the Copenhagen Summit, important decisions in that regard had been taken, in particular regarding debt to multilateral lending organizations. The Holy See appreciated the recent steps taken in that regard.

42. The debt problem could not be seen in isolation. Account must be taken of the historical causes rooted within the debtor countries as well as of the international climate in which the lending had taken place. Past errors must be avoided. The debt problem was also related to the current international economic climate and the changing global economic system. One of the most significant economic developments of recent years had been the remarkable increase in private direct investment flows from developed to developing countries and to economies in transition. Those transfers had, however, reached a very limited number of countries, and had reached the poorest countries in only minimal proportions.

43. Resources for official development assistance had been declining in almost every region of the world, at a time when such resources were increasingly needed. In the opinion of the Holy See, the scarce resources available should be directed towards the poorer countries and projects benefiting the poorest sectors of societies.

44. Debtor countries must also assume the responsibility of guaranteeing that their systems of government and economic administration would maximize the use of the scarce funds available, especially in the social sector. In that context he emphasized various aspects of the current initiatives aimed at reducing the debt burden of the poorest countries. Firstly, the concept of the sustainability of the debt burden must be defined. Sustainability was too often considered in purely macroeconomic terms, leaving aside the more equitable sharing of the burden or the social consequences of reform measures, especially for the poorest sectors of society. Economic reform programmes which produced or increased dramatic inequalities in society were not sustainable, even in economic terms. For example, at a time when the international community was recognizing in various forums that investment in the health and education sectors was critical to development, it was unacceptable for the implementation of structural adjustment policies to entail, as a first step, cutbacks in the resources allocated to those sectors. Secondly, debt relief packages for the poorest countries must be applied quickly, to the benefit of the greatest possible number of countries. He noted the importance of ethical issues in that regard. Recent proposals aimed at resolving the debt problems of the poorest countries reflected greater recognition of the ethical dimension. Even so there was a need to foster a deeper ethic of solidarity, which would counter the current reluctance to provide the resources needed to overcome the debt problem and, above all, to place the poorest countries in a position to invest in and assume responsibility for their own development.

45. Miss CUI Ying (China) said that global financial integration had led to accelerated flows of financial resources. In 1995 net financial flows to developing countries had continued to grow, a welcome phenomenon. Nevertheless, the serious shortage in development financing had been a problem for developing countries for many years, and was far from being resolved. At the same time the increase in net financial flows to developing countries had not only meant new opportunities, but had brought with it new problems and challenges. Therefore the issue of development financing for the developing countries should be looked at in a comprehensive manner. In 1995 private capital had accounted for 72 per cent of the total flow of financial resources to the developing countries. However, private capital, which was driven solely by balance sheet considerations, had tended to be relatively concentrated in its distribution, thus failing to benefit developing countries on a broad scale. While a number of developing countries had overcome the obstacles resulting from an unfavourable external environment and had succeeded in attracting and effectively utilizing foreign private capital, the majority continued to suffer from a serious lack of development financing. That situation was particularly difficult for African countries and the least developed countries. Accordingly, in addition to recognizing the importance of private financial resources, full recognition must be given to the importance for many countries of official development assistance. In the foreseeable future, such assistance would remain irreplaceable. In that context the developing countries were greatly concerned at the continuing decline in resources for development assistance.

46. In the opinion of her delegation, the developed countries suffering from "aid fatigue" should realize that official development assistance (ODA) was not charity but an indispensable complement to developing countries' efforts towards economic take-off. Therefore, ODA was essentially a form of investment in the future. On the basis of shared responsibility and partnership, the international community should seriously consider how to recover the political momentum in favour of ODA.

47. The fluctuations in financial markets, caused by speculative short-term capital flows, threatened the healthy development of the world economy. With their limited capability, developing countries tended to suffer most from the negative effects of such fluctuations. Considering that the stability of the world financial system was in the best interest of all, ways should be found to reduce systemic risk in international private capital markets, especially portfolio markets, while simultaneously strengthening direct investment flows, particularly to developing countries. Her delegation proposed various measures for that purpose. First, it was necessary to strengthen macroeconomic policy coordination, improve budgetary and monetary policies and at the same time intensify surveillance in order to stabilize financial markets and address the risks threatening global development. The crises in the financial markets demonstrated mismanagement of macroeconomic policies and lack of effective coordination among countries. Given the role and influence of the developed countries in the world economy, those countries should assume special responsibility in that regard. It was therefore necessary to improve surveillance, especially in the developed countries. Secondly, due consideration should be given to the special needs of developing countries. The international community should encourage and support developing countries' efforts to adopt appropriate policies and create sound domestic conditions for

attracting foreign investment. At the same time, it was necessary to ensure the right of developing countries to express their views on the ways in which changes in the international financial environment affected them.

48. The problem of external debt was closely linked to the issue of financing for development. The joint efforts undertaken by the international community had, to a certain extent, contributed to the alleviation of the debt burden for some developing countries. However, the number of heavily indebted countries had not been reduced, and many developing countries were obliged to divert their limited resources to debt servicing at the expense of development requirements. It was therefore imperative to continue to explore further measures that would lead to a comprehensive, effective and durable solution of the developing countries' external debt problem. In that regard, her delegation welcomed the joint initiative of the World Bank and the International Monetary Fund (IMF) for the highly indebted and poor countries, which should be implemented immediately.

49. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis), referring to China's recommendation concerning macroeconomic policy coordination, said, as the Secretary-General had pointed out in his report entitled "Global financial integration: challenges and opportunities" (A/51/388), that kind of coordination had already almost ceased to exist. There were currently agreements on the implementation of general principles, which the Interim Committee of the Board of Governors of IMF considered a "sound" policy approach. The negotiation or formulation of adjustment programmes and programmes to reduce excessive budget deficit should take account of a special measure for improving the quality and structure of fiscal adjustment by reducing unproductive spending while ensuring an adequate basic level of investments in infrastructure. In that regard, the ministers of finance referred to "social infrastructure" and "economic infrastructure" and also included the creation of affordable social safety nets. That measure was important for what could be called a sound macroeconomic policy; however, coordination proper, in the sense that countries jointly established monetary or fiscal policies, was a thing of the past, since it had proved to be ineffective, as had been indicated in the World Economic and Social Study, 1995.

50. Mr. BONE (Fiji) said that his delegation associated itself with the position of the Group of 77 and China. The debt crisis continued to be one of the main constraints for development in developing countries. Although some developing countries had achieved remarkable levels of growth, the majority of them had failed to achieve a sustained pattern of growth in real terms. In that regard, the gap in per capita income between developed and developing countries had tripled between 1960 and 1993.

51. Small island developing countries in the Pacific region were constrained in their growth by a number of critical and unavoidable factors. The biggest constraint was their geographical isolation from the rest of the world. Owing to their small size and limited resource endowments, those countries could not become major producers of primary commodities and therefore could not influence world market prices. Moreover, small developing countries such as Fiji were also affected by internal factors that impeded growth and development. The external debt problem was only one such factor. In order to achieve a

sustainable growth pattern, it was necessary to meet certain preconditions, such as a high-level infrastructure, good access to foreign markets, relatively high levels of capital accumulation and adequate technical capabilities. The economies of small island developing countries could not meet all those requirements and therefore needed to borrow from external sources.

52. Over the past few years, small developing economies had been emphasizing the need to achieve high and sustainable growth levels. A key step in that direction had been the adoption of a more outward-looking private-sector-led growth strategy. However, private investors were confident only if the aforementioned preconditions were in place, which enabled them to receive a better return on their investments. Investors did not provide capital for infrastructure development, which made it necessary for Governments to assume that responsibility. Most island developing countries had limited resources for undertaking such expensive capital projects. Consequently, they were obliged to impose high taxes as a source of revenue on a low-income population. External borrowing was the only way to finance the "take-off" phase of development.

53. High interest rates further worsened the debt-servicing burden for many small island developing countries. Currency devaluation policies to promote exports increased the costs of imported goods and made it increasingly difficult to service debt in dollars. Attempts to stimulate the economy through deregulation created new dilemmas. The situation was aggravated even further by the adverse effects of the increased protectionist tendencies of the developed countries. In that regard, his delegation welcomed the update of the international debt strategy provided by the Development Committee, in particular, debt structuring, either rescheduling or partial cancellation of debt-servicing obligations due over a period of time, or reduction in the stock of debt itself. That option would be viable only if each country met certain qualifications, including having the required "track record" in terms of macroeconomic policy adjustments. Finally, his delegation called for the renegotiation of outstanding debt where extension of the loan term, lower interest rates and debt write-off were possible options for small island developing countries. It also called for a slide-rule package of interest rates to facilitate debt repayment and reflect the reality of the development environment of small island developing countries.

54. Ms. DREYFUS (Nicaragua) said that her delegation endorsed the statement made by Costa Rica on behalf of the Group of 77 and China and welcomed the reference to the debt problem of the "heavily indebted poor countries" in the report of the Secretary-General entitled "Developing country debt situation as of mid-1996" (A/51/294).

55. Since 1990, Nicaragua had made great efforts to stabilize its economy, re-enter the international financial market and take advantage of the opportunities offered by globalization. In that respect, Nicaragua had first implemented the IMF "shadow programme" in order to resolve its credit situation with the international financial institutions and in 1994 had launched the first stabilization and structural adjustment programme. One of the great challenges for Nicaragua had been to progress from a centralized economy to a free market economy, which involved the adoption of structural adjustment policies, without disregarding the social aspects of development, such as poverty alleviation.

56. Although it had been able to reduce the volume of debt, eliminate hyperinflation and achieve monetary stability, and despite the slight economic growth experienced after 1994, Nicaragua's economic situation was still not fully satisfactory. Nicaragua had been considered as one of the countries with the highest per capita debt in the world. The debt servicing burden therefore continued to be one of Nicaragua's main problems. Although Nicaragua had been able to make progress in solving the problem of the external debt, through the cooperation of the international community and friendly countries, such as the Russian Federation, which had recently announced the cancellation of the debt balance, the external debt was still a very heavy burden which impeded economic growth and inhibited public and private investment.

57. Nicaragua believed that, in an increasingly interdependent world, a permanent, effective, flexible and lasting solution must be found to the debt problem, and that solution must be geared towards economic and social development. In that respect, Nicaragua welcomed the recent initiative of the World Bank and IMF to reduce the debt servicing burden of the most heavily indebted poor countries to sustainable levels, and looked forward to its early implementation.

58. In that context, support from the international community was very important; there was a need to provide additional financial resources for the new initiative rather than simply redistributing resources previously earmarked for development. The new initiative should also take into account the vulnerable situation of many countries deriving from the structure of their economies, their levels of reserves and the impact of debt servicing on their fiscal situation. Nicaragua, specifically, was one of the eight countries whose debt was "unsustainable" according to the recent analysis of the debt sustainability of the heavily indebted poor countries carried out by the World Bank and IMF.

59. Her delegation felt that the United Nations should promote the rapid application of debt relief measures at both the multilateral and bilateral levels, and hoped that bilateral creditors which were not members of the Paris Club would support the efforts which were being made by the heavily indebted poor countries. The debt burden must be reduced to sustainable levels, so that export earnings, capital flows and external assistance would enable those countries to service their debts without having to bear an excessive burden. To that end, it was important for the member countries of the Paris Club, with which Nicaragua hoped to be able to continue negotiating rounds in the second half of 1997, to go further than agreed in the Naples terms and grant a debt reduction of up to 90 per cent. In that context, her delegation welcomed the role played in alleviation of the external debt by the support group for Nicaragua consisting of Canada, Mexico, the Netherlands, Spain and Sweden, which in their statement of 16 April 1996 had indicated the need for resources that might be released as a result of global tackling of the debt problem to be used to support production and social development, so that alleviation of the debt burden would help eliminate poverty.

60. Mr. KEBEDE (Ethiopia), after thanking the Secretary-General for his valuable report on the external debt crisis and development (A/51/294), endorsed the statement made by the representative of Costa Rica on behalf of the Group

of 77 and China and said that the external debt burden of the heavily indebted poor countries remained the major challenge to their development. That was particularly true of Africa, whose external debt had grown at an average annual rate of 1.5 per cent between 1990 and 1995. Debt servicing, which had reached $322 billion in 1995, accounted for over 30 per cent of the continent’s exports.

61. One of the main causes of the external debt problem of developing countries, especially those in Africa, was the decline in real commodity prices. The high level of external debt impeded economic reforms in the affected countries and gave rise to a decline in production expenditure, which in turn led to reduced growth. In addition to those direct costs, successive increases in unpaid debt over the past decade had eroded the solvency of African countries and made it difficult to attract new investment.

62. For all those reasons, Ethiopia called for the establishment of additional innovative debt reduction and cancellation mechanisms. The existing international strategies for debt reduction and rescheduling were insufficient to alleviate the debt burden of heavily indebted poor countries. In that respect, Ethiopia welcomed the declaration by the Group of Seven at their summit meeting held in Lyon (France) in June 1996 calling for additional action of broader scope than the Naples terms to alleviate poor countries’ debts to multilateral institutions and bilateral creditors, and the recent initiative of the World Bank and IMF to substantially reduce the debt burden of heavily indebted poor countries through the establishment of a trust fund. However, the criteria and conditionalities envisaged in that initiative were a source of concern for the potential beneficiary countries.

63. In that respect, the eligibility criteria could prevent most African countries from benefiting from the initiative; it was to be hoped that the criteria would be flexible enough to offer a durable solution to the debt problem of most of the least developed countries, especially in Africa, to which the international community should pay special attention in addressing the external debt crisis. The international community should also give serious consideration to the proposal to convene an international conference on Africa’s external debt, as proposed by the OAU Contact Group on the external debt crisis.

64. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis), responding to the comments made by the representative of Ethiopia, said that although it was true that in the long term there was a tendency to decline, since 1994 there had been an increase in commodity prices which had provided additional resources for African countries and favoured their economic growth. That situation seemed to have come to an end, however, so that resources should now be provided to make it possible to take advantage of the growth in recent years and promote further progress.

65. Mr. KADANGHA-BARIKI (Togo), after congratulating the Secretary-General on the quality of his report on the debt crisis (A/51/294), endorsed the views expressed by the delegation of Costa Rica on behalf of the Group of 77 and China. The debt problem had become one of the main concerns of the capital-importing countries of the third world, and was even currently of greater importance because it lay at the heart of development problems. In that

respect, the interest shown by the United Nations in solving that crisis was encouraging.

66. As a result of the combined effects of several negative factors, the majority of debtor countries had been unable to meet their commitments to their creditors and had found themselves faced with an enormous debt at a time when their ability to repay was declining. In response to that alarming situation, the Bretton Woods institutions had imposed strict structural adjustment programmes on the debtor countries, disregarding any social considerations. Those measures had reduced the accumulated arrears, but did not constitute a solution to the debt crisis. Neither did the more generous Toronto terms or the additional Naples terms adopted by the members of the Paris Club. The new international debt strategy consisting in the purchase of private debt by public creditors and donors, such as the debt reduction fund for countries which could only receive financing from IDA, had been limited in its scope.

67. The people of debtor countries could not accept any further sacrifices. Meanwhile, Governments were torn between their obligation to meet the requirements of structural adjustment and economic recovery and their duty to meet the social needs of their citizens. Measures intended to promote economic growth could not ignore the financing of basic development infrastructure. It would be ingenuous to believe that the fundamental problem of debt affected only developing countries; the globalization of the economy demanded solidarity in cost-sharing.

68. His delegation noted with gratitude the initiatives taken over the course of the year to promote development assistance; in its view, however, development was contingent on a fundamental approach to the debt crisis. Bilateral creditors which were not members of the Paris Club should make greater efforts to release domestic resources in order to support the development efforts of third world countries. His delegation also had great hopes for the United Nations System-Wide Special Initiative on Africa, given the magnitude of that continent’s debt burden and its needs for additional resources to finance basic infrastructure in the areas of health, education, food security, public administration, water supply and sanitation and to consolidate peace and democracy. In the view of his delegation, a new, more just and equitable economic order would allow debtor countries to obtain sufficient resources for development through the sale of their commodities. Thus, there was an urgent need to approve and implement new development programmes.

69. Mr. MOON (Republic of Korea) said that his delegation welcomed recent indications that a substantial shift was taking place in the overall net resources available to developing countries, as indicated in the report of the Secretary-General (A/51/291). It shared the views expressed by the representative of Costa Rica on behalf of the Group of 77 and China. The international community must pay more attention to the monumental scale of international capital flows and their rapidly increasing influence. Since 1991, a higher share of investments in developing countries had come from private sources than from official sources. The main drawback to that trend was that investment was concentrated in a relatively small number of developing countries, bypassing others badly in need of foreign capital. For example, between 1991 and 1994, 21 developing countries had registered negative net

transfers of financial resources. His delegation hoped that the Secretariat could comment on measures that the international community should take to rectify that situation.

70. Official loans and grants, in particular official development assistance on highly concessional terms, remained the sole reliable source of development funds for most of the least developed countries. Since the Republic of Korea had become a net donor five years earlier, it had consistently increased its official development assistance, and its voluntary contributions to United Nations development activities had increased at an average rate of 25 per cent a year.

71. His delegation applauded the measures taken by the international financial institutions to restructure their procedures for assessing the creditworthiness of developing States and the introduction of new methods for evaluating projects and streamlining the loan approval process, but it believed that those institutions should pay more attention to the needs and priorities of recipient countries and increase their support to the efforts of developing countries to introduce market reforms.

72. The debt problem continued to be one of the most onerous constraints on the development of developing countries, particularly the least developed countries and the African countries. In the latter, the ratio of external debt to GNP was more than twice that of other developing regions; in sub-Saharan Africa, the ratio was nearly double that for Africa as a whole. His delegation welcomed the initiatives taken to address the issue by the World Bank and IMF, especially the World Bank's heavily indebted poor countries initiative. Effective and comprehensive debt relief measures were needed at the bilateral level as well. It also welcomed the series of debt relief initiatives launched in recent years by the Paris Club to reduce the bilateral debt burden and hoped to see further measures, as stated in the recent communiqué of the Group of Seven.

73. The Republic of Korea was prepared to play its part in supporting development cooperation, commensurate with its economic capabilities. It had contributed $30 million to the Eleventh Replenishment of the funds of the International Development Association, and would participate in the New General Arrangements to borrow and the activities of the African Development Bank. In addition, it had contributed to the activities of the Central American Bank for Economic Integration and had increased its contributions to various regional development institutions.

74. Mr. HERMAN (Chief, International Economic Relations Branch, Department of Economic and Social Information and Policy Analysis), replying to the statement by the representative of the Republic of Korea, explained that negative transfers of resources were not necessarily detrimental, since in certain cases it could be appropriate for a country to supply capital rather than receive it. For example, in comparing the data in Table 2 of the report of the Secretary-General on net transfer of resources between developing and developed countries (A/51/291), it should be noted that the situation of Brazil, which had registered a negative transfer of approximately $10 billion between 1991 and 1994, was quite different from that of the Republic of Korea. The latter had registered a negative transfer of almost $7 billion at the end of the 1980s

because it had paid its external debt, accumulated resources and made investments abroad, while Brazil had basically been paying interest. The important thing with respect to transfers of resources was to determine whether countries were thus being helped to invest more than if they must limit themselves to their own economies, or whether such transfers were absorbing the countries' resources and thus reducing domestic investment to a lower rate than domestic savings. In some cases, the latter would be an indicator of success; in others, it would reflect a profound crisis.

75. Mr. AL-ADWANI (Kuwait) said that, while the close interdependence of all areas of economic and social development had created an environment that was propitious to the exchange of ideas and cultural dialogue, the worst aspect of that environment was the problem of external debt and its servicing, which constituted a major impediment to the development of developing countries.

76. Despite all the measures adopted, that situation had not been improved. For that purpose, appropriate adjustment measures, coupled with the creation of an economic, social and political environment that could attract investors and help bring about an open and dynamic world economy, were required. While it was becoming an increasingly widespread practice to set new terms with respect to adjustment programmes, social reform and debt rescheduling, it was also necessary to reduce the debt stock. In that regard, the activities of the International Monetary Fund (IMF) and the World Bank, including the new initiative to solve the debt problem of heavily indebted poor countries, which required the coordination and participation of all the interested parties, were commendable. At the forty-fifth session of the General Assembly the Emir of Kuwait had proposed an initiative aimed at cancelling all interest on loans in order to lighten the debt burden of the poorest countries. Moreover, Kuwait was one of the major donors of official development assistance, which accounted for as much as 8.3 per cent of its gross national product (GNP).

77. He appealed to the International Monetary Fund and the World Bank to review their terms in order to make them more flexible and suited to the circumstances of debtor countries. Despite the political and economic development achieved at the regional and international levels, the establishment of economic groupings and the expansion of free trade, there had been an increase in poverty, diseases and illiteracy resulting in a deterioration in the standards of living of developing countries. Moreover, economic barriers continued to be erected against developing countries. Therefore, it was incumbent on developed countries to enhance fruitful cooperation for the benefit of all developed as well as developing countries.

78. In his view, the increase in the level of assistance from developed to developing countries constituted the mainstay of such cooperation. In that connection, he noted the results of the Group of Seven Summit held in Lyon, which had confirmed that Group's solidarity with the international community in its efforts to ward off the adverse effects of globalization. The developing world expected more substantial capital flows and transfer of technology for social development programmes in order to stimulate development and market access and to strengthen unrestricted competition, which would help to usher in a world with a greater sense of solidarity, which was more interdependent, stable and developed.

79. Mr. ELTINAY (Sudan) said that 33 of the world's least developed countries were in Africa. In 1990, the debt burden of such countries had stood at $260 billion; in 1995, it had been $320 billion, representing 65 per cent of the gross domestic product. In 1995 multilateral debt had represented 38.3 per cent of export earnings. That situation was even more serious since the earnings of those countries were derived from commodity exports whose value had been declining steadily. Under those circumstances, the creditors had launched initiatives such as that of Toronto, focused on bilateral debt, which had not provided adequate solutions; the crisis had put enormous pressure on the heavily indebted African countries. Foreign exchange reserves were nearly exhausted while official development assistance had declined. That situation had been compounded by the increased pressure for the implementation of economic and financial reform and the cancellation of subsidies granted to the poorest countries. As a result, the heavily indebted countries were forced to draw on their export earnings to pay off their debt, and meet the requirements of economic reform and poverty eradication programmes. The Naples terms had benefited only 13 African countries and had not been applied to the majority of the heavily indebted African countries. The terms imposed on the heavily indebted countries were very harsh and the World Bank plan, adopted by the International Monetary Fund and other creditors, took the same harsh approach by requiring that adjustment measures should be implemented within six months. He called for an international conference of creditors and debtors to work out a joint strategy to resolve once and for all the crisis that was paralysing the African countries' development.

80. Mrs. MAIKARFI (Niger) said that, while in some developing countries the external debt crisis had already been overcome and the situation had improved, in others, especially the least developed ones, the external debt crisis had continued to worsen and its impact on the economy was greater than ever before. All of the previous speakers had mentioned the external debt and debt servicing as one of the root causes of underdevelopment. The external debt burden, the decline in development assistance and the deterioration in the terms of trade were the main obstacles created by the external economic environment, which hindered the efforts of developing countries, especially the least developed ones.

81. The implementation of a variety of relief measures had freed her country in 1992 from 86 per cent of its nominal debt. In 1994, the enhanced Toronto terms had permitted the cancellation of half of the debt of 18 of the poorest countries in Africa. Despite those increasingly generous terms, the overall reduction in debt-servicing had been less than the debt-relief ratios indicated. Moreover, the cut-off dates fixed by certain bilateral creditors had restricted in many cases the debt stock to which relief measures could be applied. All the initiatives undertaken since 1990 had thus provided only a temporary relief from the external debt burden of developing countries; however, the external debt had continued to increase considerably and the situation had worsened as a result of accumulated arrears. The situation of some countries had worsened recently as a result of the devaluation of their currency.

82. Donors must demonstrate real political will and adopt appropriate decisions with respect to the external debt crisis of developing countries, especially the poorest ones. The debt problem should be addressed not only from the

perspective of the long-term equilibrium of the balance-of-payments and public budgets, but also in terms of the real and potential savings capacity of those countries.

83. The international community must adopt relevant measures to eliminate the root causes of the external debt, which represented a scourge for developing countries. If the interests of each party were objectively taken into account in conducting financial studies preparatory to the granting of loans and in setting of the terms of repayment of such loans, the reimbursement of the loans would not constitute any problem whatsoever. It would be useful to consider ways in which investment risks would be shared by the parties with the backing of existing or future financial institutions.

84. She welcomed the latest initiative of the Bretton Woods institutions and urged that it should be applied to a greater number of countries and that the eligibility criteria should be reduced to a minimum. The new initiative would help to make progress towards resolving the external debt crisis of developing countries. She hoped, however, that the international community would not limit its efforts to the application of that initiative but would also propose solutions that were suitable to the developing countries, especially the least developed ones, so that they could use their national financial resources to undertake economic reforms that were vital for their development.

85. Mr. OUCH (Cambodia) said that he fully supported the statement made by the representative of Costa Rica on behalf of the Group of 77 and China. The development efforts of developing countries were still hampered by protectionist measures which affected exports, and by the decline in resource flows and the growing debt burden. There had been an alarming increase in the gross external debt of capital-importing developing countries as a result of the current world economic environment, which was characterized by exchange rates and a trade situation that were unfavourable to developing countries and by the decline in commodity prices. Countries which, like Cambodia, were heavily dependent on commodities and had only a domestic market and a limited resource base, needed debt relief in order to pursue their development activities and to ensure that what they had achieved would not be lost.

86. Cambodia, one of the least developed countries, was going through a crucial phase of transition and transformation. The re-establishment of democracy and installation of a new Government in October 1993 had sparked the process of reviving and rebuilding the country. Following the normalization of relations between Cambodia and the Bretton Woods institutions and the timely assistance of the International Committee on the Reconstruction of Cambodia, a vast programme of reforms had been launched aimed at stabilizing the economy, improving the distribution of resources and the balance of payments, enhancing fiscal discipline and controlling inflation. While the economic reform and political stability programmes had re-established confidence in the country, Cambodia still needed a considerable volume of external assistance especially in the areas of budget support, administrative reform, mine clearance, resettlement and reintegration, agriculture, social services, the maintenance of public utility services and the rehabilitation of transport systems and infrastructure. Despite its political will to carry out the necessary reforms, the Cambodian Government continued to face two major obstacles: the enormous bilateral and

multilateral debt, which constituted a heavy burden on the Government, and poorer access to markets and deteriorating terms of trade.

87. In his view, the external debt problem should be addressed on a case-by-case basis, taking into account the situation of both debtors and creditors. In that regard, greater attention should be paid to debt contracted by developing countries with multilateral financial institutions. Furthermore, the guidelines set for negotiating debt restructuring should be respected.

88. Very few developing countries had benefited from the net transfer of resources and the funds that were available came from very unpredictable private sources which were affected by fluctuations in exchange and interest rates in their countries of origin. The international community should adopt transparent measures to monitor short-term private capital flows in order to further promote investments and protect developing countries from the adverse effects of such unpredictable private capital flows.

89. His delegation welcomed the outcome of the Development Committee meeting of 23 April 1996. It hoped that all the resolutions relating to the external debt problem would lead to the application of the commitments entered into with respect to developing countries within the framework of the various programmes of the international debt strategy, as well as in international legal instruments on the subject of development. He appealed to developed countries to go beyond the Toronto and Naples terms and to do their utmost to ensure the outright cancellation of the debt of developing countries.

90. Mr. HERMAN (Chief, International Economic Relations Branch, Department for Economic and Social Information and Policy Analysis) noted that the 1996 *World Economic and Social Survey* had highlighted the interesting case of Cambodia. Although that country had just emerged from a serious conflict and had yet to resolve all its problems, it had achieved economic growth.

The meeting rose at 6 p.m.