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**Second Committee****Summary record of the 8th meeting**

Held at Headquarters, New York, on Friday, 8 October 1999, at 3 p.m.

*Chairman:* Mr. Olhaye ..... (Djibouti)  
later: Mr. Brauzzi (Vice-Chairman) ..... (Italy)

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

### **General debate (continued)**

1. **Mr. Taib** (Malaysia) said that on the threshold of the new millennium, the Committee should consider whether its efforts had made the world a better place for future generations. His Government considered that multilateralism, for all its faults, would ultimately benefit mankind and that the sense of purpose and political will of Member States would determine the quality of the Committee's future work.

2. His Government hoped that within 20 years, Malaysia would become a developed country and, to that end, had been implementing its Vision 2020 for nearly 10 years. However, Government efforts to eradicate poverty had been hindered by the Asian financial crisis. Ironically, not only had the country been impoverished virtually overnight as a result of attacks on its currency; it had also been unfairly blamed for that impoverishment.

3. He welcomed the European Union's emphasis on a more comprehensive approach to poverty eradication and said that he hoped that that implied a readiness to address the systemic problems in the international financial architecture which had led to the crisis by giving free reign to the movement of short-term capital. Through measures taken at the national level, Malaysia had recovered from the crisis. However, there were lessons to be learned from that experience. The Internet revolution had transformed globalization; through the activities of hedge funds and highly leveraged institutions, trillions of dollars moved unfettered across borders at the click of a mouse. A crisis of the magnitude experienced should not be attributed entirely to domestic macroeconomic policies; the volatility of short-term capital flows and the activities of currency manipulators were also to blame.

4. The world must be guided by values and decisions that embodied fair play and the common good. The new international financial architecture should address the fundamental weaknesses of the free-market system and the inherent instability of the international financial system. It was important to avoid destabilizing capital flows in order to maximize the benefits from globalized capital markets and minimize risks; decrease the likelihood of future crises; limit the contagion effect of any such crisis; contain the adverse impact of currency trading on small economies; and ensure good practices by Governments and the private sector.

5. The international community, the United Nations, the Bretton Woods institutions and the "private clubs" of the world's wealthiest nations, such as the Group of Seven, should move quickly to establish a system of checks and balances in order to discourage abuse of the financial system. The Organization must see itself as a custodian of core values and take concerted action to prevent another crisis from setting the development clock back by decades.

6. **Mr. González** (Paraguay) said that economic growth was at a virtual standstill worldwide and that much recent progress, particularly in developing countries such as his own, had been undone by the financial crisis. Paraguay had what amounted to a negative growth rate, its lowest in over two decades. Government measures aimed at lowering the fiscal deficit must include consideration of the consequences of such measures, particularly in view of the increased levels of poverty, unemployment and crime that had resulted from the current economic situation.

7. Recent years had seen a fall in the price of Paraguay's exports on the international market, decreased investment in productive sectors and climate conditions unfavourable to the agricultural activities on which the country's economy was based. While the current situation could be attributed in part to the transition from an agricultural to an industrialized society, it was also the result of globalization and of flaws in the existing global financial and trading system. The crisis had alerted the international community to the need for a more efficient and secure system, but little had been done to prevent the occurrence of future crises.

8. While considerable progress had been made towards the development of an open, non-discriminatory, secure, transparent and predictable multilateral trading system, much remained to be done; his country, which was heavily dependent on foreign trade, had suffered greatly from the remaining inequities in the current system. Technical barriers, health and phyto-sanitary measures, competition policies, intellectual property issues, subsidies and environmental policies constituted new barriers to trade. He therefore attached great importance to the rapid, effective implementation of the Uruguay Round agreements and to the success of the Millennium Round of trade negotiations. Future WTO negotiations should include all sectors of commercial activity and avoid falling into the trap of sectoral negotiations.

9. His Government was committed to its membership in the Cairns Group and supported the admission of Bolivia, Costa Rica and Guatemala. He also stressed the importance of the Southern Common Market

(MERCOSUR) to the process of integration and trade liberalization. Development financing was of great importance, particularly in view of the current decline in development assistance. With respect to the environment, his Government was committed to the implementation of Agenda 21 but stressed the need for adequate resources and rejected categorically the use of environmental policies for protectionist purposes.

10. Lastly, he thanked the Governments that had supported Paraguay during its recent political crisis. His own Government was committed to pursuing economic development within the framework of democratic institutions and human rights and was convinced that democracy was the only path towards fair and equitable development.

11. **Mr. Aho-Glele** (Benin) said that on the eve of a new millennium, the Committee should evaluate the results of the plans, programmes and strategies adopted during the current decade. The situation of developing countries continued to worsen, the poverty rate was on the rise and official development assistance (ODA) was declining. His delegation therefore considered that the situation of the developing and, in particular, the least developed countries deserved greater attention from the international community.

12. **Mr. Guglielmelli** (Venezuela) said that the effects of globalization were not limited to the economic field; that process had also led to new relationships between many different issues. It was time to develop a new global financial architecture and his delegation therefore supported the holding of a high-level international intergovernmental forum on financing for development not later than the year 2001 as mandated in General Assembly resolutions 52/179 and 53/173 and considered that it was essential for the multilateral financial bodies, including WTO, to participate actively in that conference.

13. In order for the developing countries to benefit from globalization, the multilateral trading system must be based on clear, equitable, transparent and non-discriminatory rules. His delegation was opposed to protectionist measures based on environmental or labour-related considerations and hoped that the Millennium Round of trade negotiations would help to eliminate trade barriers and guarantee free market access. Cooperation between the developed and the developing countries must be strengthened in order to seek flexible solutions for debt reduction, including the timely rescheduling under advantageous conditions of the financial commitments of

the developing and, in particular, the least developed countries.

14. Organizations of civil society must be involved in the development, implementation and evaluation of social programmes in order to ensure continuity and genuine impact and to make more efficient use of the available financial resources. Despite the structural adjustment measures taken in Venezuela, his Government had developed a set of compensatory programmes for the most vulnerable groups, focusing on young people and women. The United Nations had provided invaluable assistance in national capacity-building and the execution of social programmes; he was, therefore, deeply concerned at the continued decline in funding for the agencies of the United Nations system and, generally speaking, in ODA.

15. South-South cooperation was essential to the promotion of development. His delegation supported the implementation of the Caracas Programme of Action on Economic Cooperation among Developing Countries and welcomed the results achieved through the Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries.

16. His Government was committed to the conservation and rational use of the country's many natural resources, particularly those of the Caribbean coastal region. It therefore supported the proposal to have the Caribbean Sea recognized as a special area in the context of sustainable development.

17. **Mr. Lewis** (Antigua and Barbuda), speaking on behalf of the Alliance of Small Island States (AOSIS), thanked the delegations that had expressed support, at the twenty-second special session of the General Assembly, for the Programme of Action for the Sustainable Development of Small Island Developing States and the Governments that had made concrete commitments in that regard. The Alliance looked forward to the position paper on the need for better coordination of environmental issues that would be forthcoming from the European Union.

18. Small island States were particularly vulnerable to the effects of climate change, globalization and trade liberalization; the loss of trade concessions, in particular, had had a dire impact on their economies. He hoped that the United Nations system and the international community would help find and implement workable solutions to those problems. Small island countries were deeply committed to the Barbados Programme of Action, which had established their special status in the context of environment and development, and had worked hard to move towards sustainable development. Ultimately,

however, there was a need to ensure global recognition that the agenda for the small islands was, in fact, the agenda for all.

19. Finally, turning to two issues of particular relevance to small island States — climate change, and globalization and trade liberalization — he said that the Alliance planned to play an active role in the Fifth Conference of the Parties to the United Nations Framework Convention on Climate Change. He emphasized that the international community must recognize that free trade must mean fair trade, in goods and services produced and supplied under conditions respectful of the rights and dignity of the labour force and bearing in mind the need for environmental protection.

20. **Mr. Ayari** (Tunisia) said that globalization was the biggest challenge facing the international community. It had contributed to the universal integration of markets for goods and services and, to a certain extent, for capital and technology; but it had also destabilized the economies of developing countries, and widened the gap between rich and poor countries. If globalization was not brought under control, it could lead to more difficulties in international relations and development models. To that end, an international economic climate must be maintained that was conducive to development and to growth, particularly of the developing countries.

21. Financial deregulation was one aspect of globalization which had contributed to the destabilization of developing countries. The international community and United Nations bodies must work in cooperation with the Bretton Woods institutions to prevent cyclical upheavals. Tunisia supported the idea of establishing a multilateral mechanism to control foreign capital and speculative flows in order to stabilize and regulate the international financial and monetary situation so as to respond better to the development requirements of the countries of the South and promote their progressive integration into the world economy. It was also essential to implement the commitments which had been made, particularly in the context of major international conferences on economic and social development, and to adapt them to the requirements of the next stage.

22. The steady increase in poverty in many regions of the world resulted partly from the decline in official development assistance, which was an important source of external resources for many developing countries, especially in Africa. At the forthcoming Ministerial Conference of the World Trade Organization, the arrangements agreed upon in trade negotiations should be

consolidated, particularly special and differential treatment for the developing countries.

23. Substantial support was needed from the international community to deal with the many, varied challenges in the African continent. In order to achieve the goal of a 50 per cent reduction in poverty by 2015, the gross domestic product would have to increase by at least 7 per cent a year; currently the growth rate was only about 3 per cent.

24. The problem of external debt and debt-servicing in developing countries required effective, equitable and development-oriented solutions. The African debt, which had risen from \$344 billion in 1997 to \$350 billion in 1998, required special attention because of the very limited repayment capacity of the African countries. Tunisia welcomed the debt reduction plan approved recently for the heavily indebted poor countries, and hoped that the middle income countries would also benefit from the efforts made to resolve the debt problem.

25. **Mr. Li Hyong Chol** (Democratic People's Republic of Korea) said that although the international community had made considerable efforts to achieve the goal of sustainable development along with environmental protection, the economic situation of the developing countries had worsened due, in large measure, to the inequitable international economic order. Unilateral economic sanctions were obstructing the economic development of many developing countries and undermining regional economic development. The long-standing unilateral economic sanctions maintained by the United States of America against his own country were hindering development in the area of the Tuman river, which was pivotal to the overall economic development of north-east Asia.

26. Efforts should be made to seek consensus on ways to address the challenges faced in the implementation of the International Development Strategy for the Fourth United Nations Development Decade. First, a fair and equitable international economic order must be established; that required economic cooperation that would enable developing countries to build industry by themselves, and fair trade relations without protectionism. Developing countries must further intensify South-South cooperation on the basis of the principle of collective self-reliance. All unilateral economic sanctions must be eliminated immediately, and in the context of conflict resolution, due attention should be paid to sustainable economic development. Second, developed countries should be more rigorous in fulfilling their ODA commitments, on the basis of non-interference in internal affairs. Third, appropriate

measures must be adopted to further consolidate the role of the funds and programmes of the United Nations system in the field of development and enable developed countries to fulfil their commitments regarding the transfer of funds and technology.

27. **Mr. Jordan-Pando** (Bolivia) said that although globalization and liberalization offered opportunities to all countries, they had widened the gap between the developed and the developing countries. Moreover, the recent financial crises had increased the vulnerability of most of the developing countries and undermined their prospects of being integrated into the global economy. For example, although Bolivia had made great efforts to achieve political and economic stability and to create the conditions for sustained development, it had seen an abrupt deceleration in its growth rate. It was extraordinary that the capital market did not distinguish between productive capital and speculative capital, giving rise to crises which had not been foreseen by the Bretton Woods institutions.

28. In view of the decline in resources allocated to development, it was essential for the international community to fulfil the development commitments it had voluntarily assumed. Development financing must not only increase, but must be sufficient to reverse current trends in the world economy and prevent increased marginalization of the poorest countries, and the perpetuation of underdevelopment.

29. His delegation attached importance to the topic of science and technology, and supported the organization of a global forum, with regional and national participation.

30. **Mr. Hovhannisyan** (Armenia) said that all Governments needed to pursue sound policies and make appropriate structural adjustments to meet the challenges and take advantage of the opportunities that globalization presented.

31. Armenia was trying to adjust to the multiple stresses of post-Soviet economic, cultural and political transformation. The new Government's economic programme had recently been approved by the newly elected national assembly, which had once again endorsed the course of economic reforms in a spirit of free market relations. The key issue in Armenia was to further strengthen financial stability, for which cooperation with international financial institutions, particularly the Bretton Woods institutions, was increasingly important. Foreign investment had increased somewhat over the past two years, demonstrating the growing trust of foreign investors. Another top priority was the establishment of institutional and structural machinery and capacities to increase export-

led production. Bilateral negotiations for Armenia's accession to the World Trade Organization were almost completed.

32. The economic problems common to all countries in transition were further aggravated in Armenia by lack of access to the sea and the blockade of transportation routes. His Government condemned unilateral economic coercive measures, particularly in the South Caucasus region, which seriously hampered the implementation of regional projects and the elaboration of new programmes, but it believed that through close cooperation, both economic and political, the region would eventually achieve lasting stability.

33. As an active advocate of regional economic cooperation, his Government strongly supported the Black Sea Economic Cooperation, which would undoubtedly contribute to the creation of a future Europe-wide economic space and promote mutual understanding, peace and security in the region. However, it believed that the success of regional economic initiatives was dependent on the cooperative involvement of all those who wished to participate: any attempts to isolate any of the interested parties would result in negative effects.

34. His Government had always been committed to the implementation of the United Nations conventions on biological diversity, climate change and desertification; land degradation was becoming an issue of concern in Armenia because of loss of forest cover, drought and soil erosion. It supported the establishment of an additional regional instrument to the United Nations Convention to Combat Desertification which would cover the specific concerns of the countries of Central and Eastern Europe, and had submitted a draft for consideration by the Conference of the Parties at its third session.

35. **Mr. Castillo** (Dominican Republic) said that poverty eradication was the greatest challenge facing the United Nations system. Stronger action was needed to combat the continuing burden of poverty and unemployment in the developing countries. Unless there were significant changes in the world economy to ensure a more participatory and equitable multilateral trading system and sustained growth, the development crisis would be further exacerbated; the terms of the Uruguay Round of multilateral trade negotiations must be fulfilled.

36. Progressive deterioration of the environment seemed inevitable due to people's lack of awareness and to the limited financing available to combat poverty. The failure of most of the developed countries to meet the targets for official development assistance and the sharp decline in the funds provided through the Development Assistance

Committee gave great cause for concern. The external debt of the developing countries, which had almost tripled over the past decade, was a major obstacle to growth. In the case of Latin America and the Caribbean, external debt had increased almost 17 times since 1980.

37. While the Dominican Republic had achieved levels of sustained economic growth averaging 7.8 per cent over the past three years it still had many of the limitations typical of a developing country. It had achieved growth and stability and had even reduced its debt by \$289 million over the past three years, but had done so at great cost to itself, for it had had to cut back on investment in the social sector.

38. In view of the decline in official development assistance, the idea that the developed countries should adopt measures to streamline their assistance programmes was encouraging. In that context, a number of things needed doing: access of the developing countries to major markets, direct external investment and the transfer of technology must be assured; short-term private capital flows must be subject to monitoring to ensure that the interests of developing countries were taken into account; bureaucratic processes for the disbursement of assistance and loans of multilateral bodies must be simplified; the trend towards decline in official development assistance must be reversed; the external debt relief programme must be expanded to include middle-income countries and lasting solutions must be found to the problem of the external indebtedness of the developing countries. Finally, at the conference on financing for development, Governments should affirm their commitment to fulfil agreements in respect of development and the elimination of extreme poverty. In order to carry out those tasks, the United Nations must develop an agenda which would place the international economy at the service of the peoples of the world.

39. **Mr. Larrain** (Chile) said that the Committee's debate on financing for development should take into account lessons learned from the world financial crisis and lead to a consensus on the need for a stronger, stable monetary and financial system. His delegation hoped that Member States would agree on the modalities for the high-level international intergovernmental consideration of financing for development to take place in the year 2001, which should allow for the effective participation of the Bretton Woods institutions and the private sector and input from regional groups. Action in the fields of environment and women in development should be informed by the principles of gender equity and generational equity (the concept that development models should preserve the environment for future generations).

40. It was to be hoped that the forthcoming trade negotiations during the tenth session of the United Nations Conference on Trade and Development (UNCTAD) and the Ministerial Conference of the World Trade Organization (WTO) would be conducted as a genuine "development round". The Committee must send a clear message on the need to strengthen technical cooperation by building the negotiating capacities of developing countries and integrating them into the dispute settlement mechanism of WTO. Its discussion of business and development must emphasize the decisive role of the private sector in the development of international economic relations and stimulate an exchange of experiences on building private-sector productive capacities without distorting competition.

41. The Committee should focus, in particular, on globalization and poverty eradication and the strong linkage between the two. In future, an item on equity might be included in the agenda of the General Assembly, for joint consideration by the Second and Third Committees, with a view to encouraging the equitable distribution of the benefits of economic growth.

42. In conclusion, his delegation welcomed the Secretary-General's appeal to Member States, to reconcile the demands of a unified world with a tolerance for differing sovereign political and economic systems. His delegation also hoped that the Committee would place special emphasis on the question of science and technology for development, on which much remained to be done by the entire United Nations system.

43. **Mr. Akinsanya** (Nigeria) said that the Committee should address the problems of developing countries, particularly the African countries, which had scarcely benefited from globalization and even faced the risk of further marginalization as a result of it. With consistently negative economic growth and development indicators, the African countries needed an international economic and financial climate that promoted fair trade; increased market access for African products; stimulated net capital inflows and, above all, gave globalization a human face. His delegation endorsed the initiatives being taken by the developing countries in preparation for the Ministerial Conference of the World Trade Organization.

44. Debt overhang remained the greatest single obstacle to Africa's development efforts. The African countries devoted more resources to debt-servicing than to addressing the social needs of their teeming populations; the per capita debt burden in Africa was \$357, compared to per capita income of less than \$100. It was now common knowledge that some of that debt had been contracted

under morally questionable circumstances. Cancellation of the African debt should therefore be regarded not as a favour but rather as a necessity. His delegation would make specific proposals in that connection during the Committee's consideration of external indebtedness.

45. The recovery of capital illegally transferred from African countries by corrupt regimes in collaboration with foreign partners might well enable the African countries to repay a large portion of their debt. Convinced that the problem should be dealt with at the international level, the President of Nigeria had proposed the elaboration of an international convention on the repatriation of capital illegally transferred from Africa and other developing regions of the world. His delegation hoped that the Committee would consider the question during the current session. The international community must also address conflict situations in Africa; the deployment of scarce national resources for both the prosecution of conflicts and peacekeeping and peace-building efforts were an obstacle to African countries' development.

46. Other issues which the Committee should consider included the problems of HIV/AIDS and environmental issues, such as climate change, biodiversity, desertification, deforestation and gully erosion.

47. *Mr. Brauzzi (Italy), Vice-Chairman, took the Chair.*

#### **Agenda item 97: macroeconomic policy questions**

(A/54/56, A/54/94-S/1999/518, A/54/170 and A/54/175, A/54/270, A/54/370)

##### **(d) Science and technology for development**

##### **(e) External debt crisis and development**

48. **Ms. Brandwayn** (United Nations Conference on Trade and Development) introducing the report of the Secretary-General on science and technology for development (A/54/270), said that, with so many areas to cover in a biennial report, it had been impossible to do justice to, or even to address all issues. One question which had not been treated was the creation of support structures and a policy environment conducive to learning and innovation in an era of increasingly innovation-based and, very often, technology-innovation-based competition. Useful supplementary reading in those areas might include the report of the Secretary-General of UNCTAD to UNCTAD X (TD/380); the 1999 World Investment Report; a book entitled *Knowledge-based Societies*, published by the Centre for Science and Technology for Development; the most recent report of the Centre for Science and Technology for Development to the Economic and Social

Council; and the reports of the UNCTAD Commission on Enterprise, Business Facilitation and Development dealing with electronic mail commerce.

49. Capacity-building was a central issue in the formulation of a common vision regarding the future contribution of science and technology for development (A/54/270, sect. V). To that end, explicit and coherent national science, technology and innovation policies and appropriate international frameworks were needed. Priority should be given to increased investment in education, particularly engineering and science; the promotion of vocational training; and the improvement of the scope and methodology of scientific and technological education. It would be important to collaborate with the private sector in matching skills and needs and to integrate women in the technological change process, including through universal access to basic education for all women.

50. In an era in which access to knowledge was expanding and becoming less costly, it would be crucial to monitor the quality of information and to strike a proper balance between providing incentives to invest in knowledge creation and maintaining a tradition of openness and the free exchange of scientific information. It would be necessary to increase support for research in the public sector, particularly in health and agriculture, to encourage the development of indigenous knowledge systems and to increase capacities for the assimilation of transferred technology. Research institutions could not be expected to play both a long-term public research function and a short-term entrepreneurial role. Linkages between users and producers of knowledge would be particularly vital in developing countries, where the information-seeking and in-house development capabilities of small enterprises were limited.

51. **Mr. Rahman** (United Nations Conference on Trade and Development), introducing the report of the Secretary-General on recent developments in the debt situation of developing countries (A/54/370), said that the total external debt of developing countries and countries with economies in transition at the end of 1998 had been estimated at nearly \$2.5 trillion, representing a 6 per cent increase over the preceding year. Debt to exports and debt to gross domestic product ratios had increased significantly, but the distribution of debt among the different developing and transition country regions had not changed significantly. The amount of total debt service paid had remained almost unchanged, while arrears on interest and principal payments had increased slightly. Those overall trends masked the serious debt problems faced by the heavily indebted poor countries and the fact

that a growing number of middle-income developing countries had experienced serious payments problems, aggravated by the contagion effects of the Asian financial crisis (A/54/370, paras. 3 to 5).

52. The most noticeable efforts with respect to international debt strategies had been those relating to the heavily indebted poor countries or involving the private sector within the framework of the Paris Club (A/54/370, para. 19). Thus far, a total of 14 countries had been included in the HIPC process, which had been brought to completion in four cases. Overall, implementation of the initiative had been slow in the first two years, owing to the complexity of the process itself and to financing constraints; meanwhile, the situation of the HIPC countries was deteriorating. A review process initiated by the Bretton Woods institutions had attracted proposals from non-governmental organizations, creditor Governments and international organizations, including the United Nations. In that connection, he drew attention to a report prepared by UNCTAD for the Executive Committee on Economic and Social Affairs of the United Nations entitled "Finding solutions to the debt problems of developing countries".

53. A major development in relation to the HIPC initiative had been the Cologne debt initiative (A/54/370, para. 44), which linked debt relief to poverty reduction, and aimed at deepening and quickening debt reduction through a reduction in debt sustainability thresholds; a deeper degree of cancellation; interim relief; "floating completion points" (A/54/370, para. 46); and, as a result, an increase in the number of countries expected to be eligible for debt relief. The initiative had resulted in Paris Club reductions of 90 per cent or more and debt cancellation under official development assistance. The ultimate objective was to provide an exit from unsustainable debt burden or constraints to debt repayment, such as the scarcity of foreign exchange or the lack of budgetary resources. In that connection, he welcomed the recent statement by the President of the United States of America concerning debt cancellation for HIPC countries. It was crucial, however, that financing for the HIPC initiative should not be provided at the expense of official development assistance and that the ability of multilateral development banks to provide support to member States be safeguarded.

54. The effectiveness of linkages between poverty reduction and debt relief would depend on how such linkages were made. Particular attention should be devoted to the inflationary risks and budgetary pressures to which HIPC countries were subject and new demands on their limited administrative resources.

55. Middle-income countries facing serious payment pressures, often as a result of the Asian financial crisis, were again seeking debt rescheduling; however no new initiatives had been put forward in their favour other than the proposal to increase the upper limits for debt swaps made at the Cologne Summit. The major debt crisis in the Russian Federation was affecting Eastern European countries and international capital markets and had resulted, in July, in an arrangement with the Paris Club to postpone servicing on the Soviet-era debt.

56. One reason that the problem of external indebtedness had become so entrenched was the failure to reconcile the interests of the wealthier countries, bent on maintaining stable prices and growth below potential in order to maximize the rate of return on their capital, and the developing countries seeking to achieve the highest possible growth of per capita income. Even the emergency funding provided during the Asian financial crisis had been designed to provide a means of repaying international creditors rather than to help the borrowing countries. In general, as developing countries attempted to improve their growth performance, they ran balance of payments deficits, and required greater capital inflows. The various effects of the large deficit, however, discouraged investors. The resulting decrease in capital flows affected both the imports and exports of the debtor country and certain sectors of developed countries. Some of the European economies had demonstrated that such asymmetries were reconcilable, and that growth in developing countries actually contributed to price stability; however, it remained to be seen whether those experiences could be replicated globally.

57. **Ms. Critchlow** (Guyana), speaking on behalf of the Group of 77 and China, said that, as a result of globalization, the gap in knowledge and technology had exacerbated the income divide between developed and developing countries. It was therefore vital to intensify international cooperation in the field of technology. Such cooperation should enhance endogenous capacity-building in developing countries and also promote and finance access to the transfer of environmentally sound technologies and corresponding know-how to those countries on favourable terms, including mutually agreed concessional and preferential terms. It was a source of deep concern to the Group of 77 and China that the United Nations still seemed ill-equipped to deal with current challenges in the field. The Commission on Science and Technology for Development should be strengthened in order to increase its efficiency and effectiveness, including through a review of its working methods, focusing its work



more on facilitating transfer of technology and capacity-building in developing countries.

58. As far as the external debt crisis was concerned, the Group of 77 and China welcomed the Cologne initiative and the enhanced HIPC framework which had been adopted at the recent annual meetings of the International Monetary Fund and the World Bank and which held out the promise of faster, deeper and broader relief; a critical factor to its success would be the provision of adequate financing. The Group of 77 and China were therefore concerned about the difficulties being encountered in securing the necessary funding and urged industrialized countries to go beyond pledges made so far in order to assure the full and effective implementation of the initiative.

59. However, funding for the initiative should not affect the support required for other development activities of developing countries. In that regard, the Group of 77 and China welcomed the agreement reflected in the communiqué of the Development Committee that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association (IDA). Debt relief alone was insufficient to achieve the goal of poverty reduction. A broader strategy that took into account the specific problems of least developed countries, non-HIPC low-income countries and middle-income countries was needed. There was also an urgent need to implement appropriate actions in favour of least developed countries, in particular concerning their official bilateral, commercial and multilateral debt as agreed to in the Mid-term Global Review on the Implementation of the Programme of Action for the Least Developed Countries for the 1990s. Special attention must also continue to be given to countries in special situations, such as those ravaged by humanitarian disasters.

60. The Group of 77 and China had given some consideration to measures that could end the external debt crisis. First, new standards for determining the sustainability of external debt could be established, based on the fiscal consequences of the debt burden. Debt sustainability targets should, as a matter of principle, realistically reflect the capacity to pay of the debtor countries concerned. Secondly, debtor Governments and international institutions could agree on a multi-year fiscal scenario that addressed, *inter alia*, macroeconomic stability consistent with non-inflationary financing; domestic rates of taxation consistent with rapid growth; and adequate financing for core public goods, including education, public health and basic infrastructure.

61. That kind of debt reduction programme could then be presented to the Paris Club for consideration. Beyond that, the Group of 77 and China would continue to advocate a global approach that contemplated not only the linkages within countries, but also the critical importance of an enabling environment. Without such a holistic approach, there was little hope of finding a practical and lasting solution to that persistent and pervasive problem.

62. **Mr. Kääriäinen** (Finland), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia, said that, in order to ensure that developing countries were not left out of the breathtaking strides being made in information and communications technologies, the establishment of regional and subregional centres for training, research and services in that fast-evolving area should be further encouraged. The European Union welcomed the decision of the Economic and Social Council to further address those issues. It attached a high priority to a steady improvement in the food and health conditions of people and therefore believed that the specific needs of developing countries must be met through concentrating first on the areas of natural resources management, agricultural production and health.

63. The European Union was convinced that the transfer of technology was of paramount importance to the developing countries in order to contribute to the enhancement of national scientific and industrial capacities, including the capacity to innovate. Within that context, it was also crucial to develop technological partnerships. The European Union supported business practices which permitted the rapid dissemination of technologies, in particular to developing countries, while paying due attention to the protection of industrial and intellectual property rights.

64. Technological innovation should be assessed in terms of its economic, social and environmental impact with the participation of all concerned. Capacity-building in science and technology was even more crucial in developing countries than it had been 20 years previously. The international community as a whole needed to learn how to better utilize opportunities and how to meet the challenges arising in that constantly changing sector. Partnerships such as the twinning of universities or research centres had proved to be an effective means of cooperation. Indeed, many scientific institutions, including universities in European countries, had direct bilateral cooperation agreements with their counterparts in a number of developing countries.

65. Mechanisms for access to research results and technologies needed to be further developed, taking into account local and regional needs. Biotechnology was one area where developing countries could benefit from international and regional centres for biotechnology and agricultural research. Technical advances appropriate to small farmers should improve nutritional quality and yield without burdening the environment and requiring considerable investments. An example of cooperation in that field was the development, with European Union financing, of rice plants rich in vitamin A, which might save millions of children in developing countries from becoming blind.

66. Much more remained to be done with respect to the gender aspects of science and technology. For example, the number of women in top positions in scientific and research institutions was still very small. The European Union welcomed the extension of the mandate of the Gender Advisory Board for another two years, by which time it expected to see concrete proposals for improvements in gender aspects of science and technology for development, especially in developing countries.

67. On the issue of external debt, he noted that the international community should not forget the financial difficulties faced by some middle-income countries. Countries suffering from emergency situations might also require debt relief in addition to and after emergency assistance. It was no coincidence that sub-Saharan African countries had some of the worst social indicators in the world, given the crushing debt burden they carried. There was an urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of those countries. The European Union was committed to contributing substantially to implementing such solutions.

68. In that connection, it welcomed the recent decisions of the Development Committee of the World Bank and the Interim Committee of the International Monetary Fund concerning the financing of the enhanced HIPC initiative and the proposals for linking debt relief to poverty reduction, including the proposal that debt relief should be used to support poverty-reduction strategies prepared by national Governments. It welcomed the proposals from IMF and the World Bank that their assistance would be linked to those poverty-reduction strategies, and would work to enable European Union aid, including European Investment Bank financing, to fit within the same framework.

69. The European Union welcomed the decision taken in Washington that IDA resources would not be compromised by financing the initiative. Debt relief for the poorest countries should be financed from additional resources, and not at the expense of ODA funding for developing programmes and projects. The European Union was ready to take a substantial share of the burden. In that connection, European Union countries were prepared to support in the Paris Club an increase in the remission percentage on commercial loans, as well as the renegotiation of official bilateral debt up to 90 per cent, in order to contribute to achieving debt sustainability. The European Union was also prepared to make debt relief contributions of up to 1 billion Euros, within the framework of the European Development Fund, to African, Caribbean and Pacific heavily indebted poor countries. A proportion of that contribution would be used to assist the African Development Bank to participate in the HIPC initiative. Paris Club creditors had also made efforts to involve the private sector in the treatment of the debt of developing countries. Beyond the immediate task of reducing the excessive debt burden of developing countries, there was a need to look into preventive measures; they would include ensuring responsible lending and borrowing behaviour. In addition, the debt management capacity of debtor countries should be further strengthened.

70. **Mr. Farar** (United States of America) said that unsustainable debt was helping to keep too many poor countries and poor people in poverty. Accordingly, the United States along with its Group of Seven partners had endorsed the Cologne debt initiative, which broadened the 1996 HIPC initiative by deepening debt relief, providing faster debt relief through earlier cash flow relief and broadening participation; the number of countries expected to qualify for HIPC would increase from 26 to as many as 33. Debt relief was being undertaken in order to free up resources for development purposes. The Cologne initiative linked debt relief directly to poverty alleviation and development objectives, encouraging countries to target budgetary savings to social expenditures in such areas as health care, child survival and greater transparency in government budgeting.

71. His delegation was encouraged by the progress made by IMF and the World Bank regarding implementation of the enhanced HIPC initiative and urged others to join it in working for a speedy implementation of the initiative, so that eligible countries could begin to benefit as quickly as possible. Referring to the recent announcement by President Clinton that the United States would seek to write off up to 100 per cent of the debt owed by HIPC

countries, as needed and when the savings funded by such debt relief would be used by those countries to finance poverty reduction programmes and address the basic human needs of their people, he encouraged other creditor countries to join his Government in that extra effort.

72. While attention continued to be focused on the public debt of the poorest countries, several middle-income countries had also been experiencing difficulties. Countries needed to maintain good working relationships with all creditors in order to ensure continued access to international capital markets. Normally, that meant meeting all debt repayment obligations in full and on time, and maintaining an environment conducive to further investment. In the event that extraordinary circumstances precluded a sovereign nation from temporarily meeting its debt service commitments, the Government should work with creditors in a transparent and timely fashion towards an amicable resolution of the repayment crisis. Rescheduling might also be available for those middle-income and lower-income countries facing imminent danger of default through the Paris Club mechanism, provided that IMF had identified their financing need and that rescheduling took place within the context of an improved economic reform programme. At the same time, countries must not lose sight of how the debt crisis had come about. Economic reforms must continue or more countries would become enmeshed in the cycle of debt that was so destructive of development.

73. As far as science and technology for development was concerned, the potential effects of advances in science and technology on the achievement of sustainable development were enormous. The advances of the previous two decades, however, had been unevenly distributed among the world's population. In order to bolster the capacity of developing nations to take advantage of science and technology developments, it was necessary to eliminate illiteracy and increase investment in higher education. Women must be assured equal access to education, and public research must be encouraged to safeguard local interest and to strengthen the ability to assimilate acquired technologies and attract trade and technology partners. The international community had a role in promoting those mechanisms. While his delegation welcomed an active and analytical role by the Commission on Science and Technology for Development, it believed that the Commission's activities should complement and not duplicate related activities elsewhere in the United Nations system. The value added of the Commission's work came from its technical working groups. With the exception of limited analytical work by

the Secretariat, the Commission's activities should be funded from extrabudgetary resources.

*The meeting rose at 6.05 p.m.*