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Summary record of the 10th meeting

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Chairman: Mr. Brauzzi (Vice-Chairman) (Italy)

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

Agenda item 97: Macroeconomic policy questions
(continued)

(d) Science and technology for development

(e) External debt crisis and development

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

1. **Mr. Ntakhwana** (Botswana), associating his delegation with the statement made by the representative of Guyana on behalf of the Group of 77 and China, emphasized the importance of science and technology and explained the focus adopted by his country for reorienting educational curricula to satisfy its growing needs through incentives for students in those disciplines.

2. Developing countries with industries still in their infancy were required to compete in world markets with the developed countries. Foreign direct investment through which technology transfer was facilitated should continue to be a central element in North-South cooperation. Science and technology were essential not only for the economy but also for protecting the environment and predicting and dealing with environmental changes.

3. Debt servicing continued to be a heavy burden for the developing countries, particularly the least developed countries. Repayments to lenders were not only unaffordable but also unsustainable. Debt servicing endangered development financing and the provision of social services.

4. The Heavily Indebted Poor Countries Initiative and the Cologne Initiative had the noble objective of helping to solve the debt crisis. However, they were not a panacea. A recent high-level seminar on African debt, held in Nairobi and chaired by President Festus G. Mogae of Botswana, had reached the conclusion that debt relief alone was not a definitive solution and that it was necessary to integrate the objectives of economic growth and social development; that encouragement must be given to the establishment of responsible systems of government and sound economic management; that solving the debt problem of Africa required a deep understanding of its structure, nature and origin and must be consistent with sustainable and long-term social and economic development; and that it was necessary to reduce dependence on Official Development Assistance.

5. Participants in the seminar had also expressed their satisfaction with the revision of the Heavily Indebted Poor

Countries Initiative agreed at the Cologne Summit and with the broadening of the Initiative criteria to incorporate social dimensions, particularly poverty eradication. They had pointed to the need to reduce the time-frame for obtaining debt relief and to relax the stringent requirements pertaining to fiscal and other factors. They had also underlined that it was necessary for the Heavily Indebted Poor Countries Initiative to produce a positive net flow of resources even with the cancellation of the debt overhang; that it was essential to ensure that the savings accruing from debt relief were directed towards priority government expenditure and to have a partial cancellation of both bilateral and multilateral debt for all African countries.

6. Botswana expressed its gratitude to the President of the United States for his recent announcement of a possible 100 per cent debt relief for the poor countries and urged other member countries of the Organisation for Economic Cooperation and Development (OECD) to follow that example.

7. **Mr. Guglielmelli** (Venezuela) drew attention to the negative impact on his country of the reduction in commodity prices, particularly oil prices, and the heavy burden represented by the public external debt and its servicing, in spite of which Venezuela had fulfilled its international obligations on time and managed to reduce the volume of debt from 45 per cent of Gross Domestic Product at the end of 1993 to 22.4 per cent at the end of 1998.

8. It was necessary to establish a new system for managing external debt in order to release resources for social purposes and expenditure, and it was hoped to secure the support of creditors. Venezuela acknowledged the work done by the United Nations in connection with the problem of external debt and supported all activities directed at achieving practical and concrete results for solving it. Implementation of the Heavily Indebted Poor Countries Initiative was of particular importance for reducing the debt burden to feasible levels in the medium term. It was also important to increase international cooperation in producing a lasting solution to the problem of the external debt of developing countries, which could contribute to strengthening the world economy and promote the economic growth and sustainable development of those countries. It was necessary to encourage foreign investment and new resource inputs both by alleviating the debt burden through conversion programmes and by exchanges of debt for educational and social protection projects. It would also be advisable to introduce greater flexibility in the Paris

Club negotiations and to reformulate the criteria for debt rescheduling.

9. The multilateral institutions must alter their policies, particularly with regard to ensuring a positive transfer of resources to developing countries, reducing interest rates, extending debt repayment periods and cooperating with debtor countries in negotiations with commercial banks. He called on the International Monetary Fund to adopt vigorous measures to relieve the debt of the poorest countries and, in special circumstances, of middle-income countries encountering serious difficulties, and urged an increase in Official Development Assistance in order to release resources which would enable growth prospects to improve.

10. His delegation expressed its concern both at the delay in restructuring the debt of the most heavily indebted poor countries and, in particular, at the serious impact on many developing countries of the fall in commodity prices. It was also concerned that there was insufficient funding for the activities of the Enhanced Structural Adjustment Facility and the Heavily Indebted Poor Countries Debt Initiative, even for the few countries that could currently opt to receive such support. Bilateral contributions should be increased, distributing the burden proportionately, so that more countries could benefit from the Initiative.

11. At the ninth summit of the Heads of State and Government of the Group of 15, held in Jamaica in February 1999, his Government had signed the joint declaration and pointed out the need to resolve the problem of the debt burden for developing economies, for the sake of both the economies themselves and the international financial system. His delegation also reiterated its support for the Cologne Initiative to solve the debt problem and favoured giving preferential treatment to the poorest countries.

12. **Mr. Sibeko** (South Africa), after aligning his delegation with the statement made by the representative of Guyana on behalf of the Group of 77 and China, said that the chronic problem of external indebtedness was a drain on the resources of developing countries, especially the least developed. The net transfer of the resources of developing countries to developed countries condemned them to a state of perpetual underdevelopment and the continuing decline in official development assistance compounded the debt problem of developing countries, since they depended on it for their development. The failure to meet commitments made at various summits and conferences and the half-hearted implementation of the outcomes of the Uruguay Round of trade negotiations

further worsened the situation. Additionally, the state of indebtedness of such countries was a disincentive for foreign direct investment.

13. The Economic Commission for Africa estimated that the total external debt of the continent had reached \$350 billion, which imposed an unbearable burden on all the countries of the region. His delegation therefore welcomed the Cologne declaration of the Group of Seven and hoped that it would bring about an improvement to the Heavily Indebted Poor Countries Debt Initiative by allowing deeper, broader and faster debt relief through lower debt sustainability targets and larger debt reduction. A new set of targets should take into account the principle of capacity to pay; the Initiative should be well-financed; and the linkages between poverty reduction programmes and social and human development should not become new conditionalities. Eligibility criteria should also be clearly defined and time-frames should be reviewed in order to bring relief to countries faced with an untenable debt overhang.

14. In addition to debt relief measures, there was an urgent need for new financial flows to debtor countries and for creditor countries and the multilateral financial institutions to continue extending concessional financial assistance to support the economic reforms and the stabilization and structural adjustment programmes in developing countries. It was also important for African countries themselves to address the question of the flight of capital, since it was exasperating that a corrupt elite engaged in the illicit transfer of capital yet expected others to invest their resources in Africa's economy.

15. If developing countries were to meet their debt obligations, they needed additional sources of funding. Expansion of trade could bring in new resources, but in that case it was necessary to put an end to the new forms of protectionism within the framework of World Trade Organization agreements and provide market access for the competitive products of developing countries.

16. African leaders had immersed themselves in the struggle to end poverty, ignorance, disease, backwardness and the underdevelopment and pessimism of Africa. They had taken steps to restore the dignity of the people of Africa and deal with the perception that the continent depended on the charity of donors. The President of South Africa had recently said that it was no longer tolerable that, while the world recorded growth and development, Africa communicated a message of regression and underdevelopment. The new century must be an African century. Africa needed the support of the international

community in the difficult and complex task of achieving its renaissance. Debt forgiveness was but one way of doing so.

17. **Mr. Cabactulan** (Philippines), after aligning his delegation with the statement by the representative of Guyana on behalf of the Group of 77 and China, said that a durable solution to the debt problem of developing countries should not only relieve their debt burden but also put them on the path to sustained economic growth and development. For that reason, the reduction of debt stock and the lowering of debt servicing must be accompanied by the infusion of new money. United Nations resolutions had emphasized that new financial flows should go to debtor countries and that creditor countries and multilateral financial institutions should continue to extend concessional financial assistance. The United Nations had contributed to sensitizing the international community to the debt problem. Previously, it had not been possible even to speak of relief on debts owed to multilateral financial institutions; that had changed and the Heavily Indebted Poor Countries Debt Initiative had come into being. Over the past three years, United Nations resolutions on debt had stressed the need for faster and deeper reduction of debts and flexible implementation of the eligibility criteria. The rigid time-frames in the “decision points” and “completion points” seemed to have become more flexible. The Cologne Initiative made it possible to shorten the second phase to less than three years, while the reduction of debt sustainability targets, the Paris Club debt cancellation at over 90 per cent and the possibility of a 100 per cent forgiveness of bilateral official development assistance debts opened up possibilities for even deeper debt reduction.

18. His delegation had welcomed President Clinton’s announcement remitting in full the debts of countries meeting certain criteria and encouraged other creditor countries to follow his example. It was necessary to go even further, however. The intentions of the international community had to be translated into action. They should not get entangled in procedural complications. The financing required for the Heavily Indebted Poor Countries Debt Initiative should be made available at once and the industrialized countries should come forward immediately with their contributions. Flexibility should be the rule rather than the exception, and moreover it should be made retroactive for countries that had already completed their negotiations. The arrangements for eligible countries that had already reached their decision or completion points should be adjusted accordingly.

19. No solution to the problem would be complete until the debt burden of debt-distressed middle-income countries was taken into account. Such countries had been religiously meeting their obligations, sometimes at the expense of their social programmes. Some might have debt-servicing difficulties as a consequence of financial crises, however, or because of structural problems in raising enough revenue. It should be remembered that middle-income countries contributed a significant share to global finance and trade and that the debt crisis in the 1980s had been precipitated by their failure to service some of their debts. It might be judicious to monitor their situation, particularly with regard to private sector debt, and to explore ways of resolving the problem of their indebtedness. That would be to the benefit of all.

20. **Mr. Toussaint** (Haiti) said that he associated himself fully with the statement made by the representative of Guyana on behalf of the Group of 77 and China. The developing countries and, in particular, those of Latin America and the Caribbean had begun the 1990s with optimism regarding their economic development, since the end of the cold war and the resolution of various conflicts in the region had promoted a more stable political climate favourable to growth. Many Governments had taken advantage of that situation to undertake economic reforms and implement structural adjustment policies, despite the attendant social costs. Unfortunately, their hopes had been frustrated by the international macroeconomic situation, including the implementation of the Uruguay Round trade agreements, the serious financial crisis originating in Asia and, above all, the persistent debt burden of the poorest countries.

21. Since 1994, his Government had been carrying out a programme for revitalization and modernization of the economy with a focus on external debt rescheduling and entry into negotiations with creditors within the Paris Club framework. Although Haiti’s partners had been very understanding, the debt relief granted had proved insufficient to free up the capital needed to finance renewed economic growth. Economic and Social Council resolution 1999/11 of 27 July 1999, entitled “Long-term strategy and programme of support for Haiti”, showed that country’s need for special treatment of its external debt. Unfortunately, Haiti’s difficult economic situation had not sufficed to convince the primary world creditors that Haiti should be among the beneficiaries of the Heavily Indebted Poor Countries (HIPC) initiative.

22. His Government appreciated recently adopted debt relief measures such as the Cologne Initiative, the Jubilee 2000 campaign and the announcement by the United States

Government that it would soon cancel the bilateral debt of poor countries. However, he hoped that there would be no discriminatory or restrictive provisions affecting the implementation of those measures since the consequences of debt were the same everywhere: poverty and social instability.

23. **Mr. Aujali** (Libyan Arab Jamahiriya) said that he associated himself with the statement made by the representative of Guyana on behalf of the Group of 77 and China and that the United Nations was aware of the harmful effects of debt, which had slowed the economic and social development of the heavily indebted poor countries, leaving them unable to meet the basic social needs of their people. Those most affected by that situation were children, women and older persons.

24. The debt problem had expanded out of control in the 1980s; since then, its burden had become increasingly heavy. Public spending had decreased considerably, and the poor had no influence on decisions affecting their future. The African countries were the worst affected, since they faced not only economic problems but also natural disasters. The excessive conditions imposed by creditor countries had placed a genuine political stranglehold on the people and governments of developing countries. Despite the good intentions of some creditors, they had been unable to establish equitable mechanisms to resolve the problem. There had been many proposals to cancel debt and lighten the debt burden of the developing countries, and he hoped that those proposals would be translated into concrete actions such as the HIPC initiative without the imposition of conditions for assistance.

25. It was unfair to handle the debt problem on a case-by-case basis, since the developing countries had no alternative but to engage in negotiations that were programmed in advance by the creditor countries of the North and the multilateral financial institutions. It was no surprise that the results of those negotiations had always been unfair to the developing countries. The international community should respect the right of peoples to development and evince the political will to establish a harmonious, balanced and fair system by endeavouring to ensure the effective implementation of the principles set forth in United Nations documents.

26. **Mr. Choi Seok-young** (Republic of Korea) said that the report of the Secretary-General on recent developments in the debt situation of developing countries (A/54/370) revealed the serious problems faced by heavily indebted poor countries and the growing number of medium-income developing countries whose problems had been accentuated

by the Asian crisis. The unsustainable debt burden was a major impediment to most developing countries' efforts to achieve poverty eradication and sustainable development. Debt relief should not be considered as a final goal, but rather as a means of helping countries to escape from poverty and to achieve social and human development.

27. Problems associated with the debt burden were complex, structural and interrelated. It was therefore important to note the emerging consensus on the link between property reduction and macroeconomic issues. The strategy for debt relief should be comprehensive and should take into account the interests of all sectors and stakeholders. While the HIPC initiative was a useful mechanism for addressing debt problems, its implementation had thus far been slow. Nevertheless, the Bretton Woods institutions' evaluation of the initiative had been positive. The Cologne Initiative, the enhanced HIPC initiative and the new Poverty Reduction and Growth Facility were considered major steps towards faster, deeper and broader debt relief. His Government welcomed the those initiatives and was considering contributing to the HIPC trust fund established by the World Bank.

28. It was essential to find the political will to translate those proposals into practice. At the international level, it was important to continue to provide developing countries with an enabling environment that would allow them to escape poverty and underdevelopment. At the national level, there was a need to develop policies for the promotion of sustainable development and to implement them in a transparent, participatory manner with a focus on the social sectors. Governments' social policies should be the key element of structural adjustment under the HIPC initiative. His Government was also concerned at the worsening situation of some middle-income countries which, despite good policies, were facing insolvency problems because of structural bottlenecks or external shocks. He hoped that the international community would also take appropriate action in that regard.

The meeting rose at 3.55 p.m.