



SUMMARY RECORD OF THE 20th MEETING

Chairman: Mr. NAVAJAS-MOGRO (Bolivia)

later: Mr. OTOBO (Nigeria)

CONTENTS

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)

*This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned within one week of the date of publication to the Chief of the Official Records Editing Section, room 1822 J50, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate fascicle for each Committee.

Distr. GENERAL
A/C.2/43/SR.20
26 October 1988

ORIGINAL: ENGLISH

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

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

(A/43/235-S/19674, A/43/287-S/19740, A/43/510-S/20091, A/43/667-S/20212; A/43/184, 370, 373, 399, 480, 538, 587, 647, 671, 692 and 709)

1. Mr. BARNETT (Jamaica) said his delegation wished to associate itself with the statement made by the representative of Tunisia on behalf of the Group of 77. While the impact of the debt crisis on the economic and social stability of developing countries was widely acknowledged, it seemed unlikely that the crisis would abate in the near future. Nevertheless, the international community was beginning to recognize that the debt problem must be confronted imaginatively as a matter of urgency. In that connection, he welcomed the decisions reached at the Toronto Economic Summit regarding the debt of low-income countries, and hoped that they would be implemented as quickly as possible. Further action should also be taken to limit the debt burden of African countries.
2. His delegation looked forward to the further elaboration of the proposals made by France and Japan regarding the debt of middle-income countries and urged the international community to give them serious consideration. Recently, a number of developing countries had put forward proposals for tackling the debt problem which also merited further attention.
3. The United Nations had a crucial role to play in sensitizing world public opinion to the debt problem so that urgent, concerted and comprehensive action could be taken. the Secretary-General's report (A/43/647) made a convincing case for a new policy impetus to deal with that problem.
4. The report recognized, for the first time, the need to address the debt-servicing problems of countries which were neither among the poorest nor major debtors to international commercial banks. His delegation fully endorsed the report's conclusions that the international community should attach priority to an in-depth assessment of those countries' debt problems and urged the relevant bodies of the United Nations to take the lead in examining them further.
5. Although internal adjustment measures were vital to increase production, widen the productive base and improve production efficiency so that sustained growth and development could be achieved, the adjustment process must involve the social sectors. Human resource development and measures to eradicate critical poverty were particularly essential to a successful growth-and-development strategy. Such measures would be even more successful, however, if they were supported by appropriate flows of capital to maintain the necessary levels of investment and imports.
6. In that connection he recalled that, at the previous session of the General Assembly, his Prime Minister had put forward a proposal to facilitate the rescheduling by multilateral institutions of the debts owed them.

(Mr. Barnett, Jamaica)

7. A properly structured system for debt retirement and rescheduling must be worked out between creditor and debtor nations as part of a global debt-servicing and reduction strategy. Broad reference to such criteria as vulnerability to natural disasters, the world market for major exports and the existence of hard-core poverty should be made. The external environment of developing countries must also be taken into consideration; the major industrialized countries had a crucial role to play in that regard. Policy co-ordination should be improved and should involve the developing countries as active partners.

8. The expansion of international trade and improvement of the terms of trade were also vital. The adverse impact of certain trends, such as the changing structure of commodity trade, must be carefully monitored so that corrective action could be taken. It was to be hoped that the forthcoming review of the Uruguay Round would be successful in that regard. Finally, additional concessional flows were required to support the growth and development process.

9. Mr. GRECU (Romania) said that the international debt crisis was one of the most important political issues in international relations. After briefly reviewing that situation, he stated that the current approach to the debt problem was inequitable, asymmetrical and partial. That was why the developing countries had been drawing attention for several years to the global nature of the crisis and the need for a political solution based on the concept of shared responsibility.

10. That need was gradually being acknowledged by multilateral financial institutions and the industrialized countries, and it was to be hoped that that growing recognition would mark a turning point in the development of a development strategy that would truly benefit all countries.

11. His delegation supported the convening, under United Nations auspices, of an international conference on the external debt crisis. It also favoured the establishment of a special body within the United Nations to deal with that issue as well as the establishment of an appropriate Secretariat unit.

12. The cost of debt-servicing must be reduced; a return to low and stable interest rates would be helpful in that regard. A proportional reduction of developing countries' debt based on their levels of development; rescheduling on concessional terms, with longer maturity and grace periods; a limiting of debt-servicing to a percentage of export earnings; the resumption of financial flows to developing countries on concessional terms; and improvement of the external economic environment through the elimination of protectionism were also important.

13. The World Economic Survey 1988 noted that Romania's approach to the debt problem had been unique. In addition to restructuring its debt through renegotiation, Romania was reducing its level of hard currency outstanding. It was seeking to repay all hard-currency debt by 1990 and to refrain from using foreign credit. Moreover, Romania's steadfast promotion of exports and thrifty management of resources allocated for imports had helped reduce the country's debt further.

(Mr. Grecu, Romania)

14. The real causes of the external debt crisis lay in the deep contradictions inherent in the outdated system pertaining to the international division of labour. Solution of the debt problem must be viewed in the context of the struggle to create a better world and to establish a new international economic order, bearing in mind the important relationship between disarmament and development.

15. Mr. KING (Trinidad and Tobago) recalled General Assembly resolution 41/128, which proclaimed the right to development as an inalienable human right, and observed that the current debt crisis was a major obstacle to development. For many countries of the South, debt-servicing had become excessively onerous as a result of the negative forces operating within the world economy. Growing trade barriers which prevented the developing countries from exporting products to developed countries were thwarting the liberalization envisaged during the Uruguay Round of trade negotiations. Plummeting commodity prices - which had led to a 69 per cent drop in GNP in his country between 1983 and 1987 - together with a reduced flow of financial resources from commercial banks had contributed to economic instability in island developing countries. The budgetary and policy measures which those countries had been forced to adopt could not easily be reconciled with their inalienable right to economic, social, cultural and political development.

16. While some considered structural adjustment to be the sine qua non for promoting growth in economies in the South, greater access to financial resources and the markets of the North were of crucial importance, as was the need for debt relief. The initiative announced by the President of France during the current session of the General Assembly constituted a step in the right direction.

17. New approaches and renewed vigour on the part of multilateral financial agencies were required to overcome the debt problem and energize the sluggish world economy. Those agencies should fill the gap created by the reduction in loans from commercial banks, and should develop innovative strategies that were more sensitive to the social impact of structural adjustment programmes that would help recycle surpluses from the developed to the developing countries. Drawing attention to paragraph 31 of the Secretary-General's report, he noted that, because of the linkages which existed within the global economy, the liberalization of world trade and the alleviation of debt burdens were essential prerequisites for long-term growth in all countries. Trade problems transcended national boundaries; consequently, threats and retaliations between countries of the North merely reduced the prospects for sustained investment and growth, especially in the developing countries. Trade problems must be settled in accordance with agreed multilateral principles and rules. Full use must be made of the liberalization process provided for in the Uruguay Round and protectionist action based on narrow self-interest must be eschewed.

18. The United Nations was the forum best equipped to meet the formidable challenge posed by world economic, trade and debt problems. Member States must participate actively in efforts to resolve those problems while upholding the purposes and principles of the Charter.

19. Mr. UMER (Pakistan), examining the extent to which the debt strategy had succeeded, said that the debtor countries had initiated stringent reform measures, many devaluing their currencies, deregulating their economies, scaling down social programmes, increasing agricultural output and exports, and taking steps to encourage investment through indigenous savings. It was generally recognized that the efforts of the countries of Africa to implement reform had been impressive.

20. However, the second component of the strategy - namely, adequate financing to underpin adjustment - had fallen far short of requirements. Financial transfers were at an alarmingly low level, with estimated total net flows to developing countries in 1987 at approximately half the 1982 levels after adjustments for price and exchange rate variations. IMF, in an ironic reversal of roles, had become a net recipient of resources from every geographical region. A similar pattern was to be seen in the case of Official Development Assistance and commercial lendings.

21. The third element of the debt strategy - creation of a favourable external environment - had never been applied. Protectionist barriers had been maintained, and even strengthened; voluntary restraint arrangements had been made or renewed; anti-dumping measures had been taken; and restrictions imposed on products and sectors in which developing countries had a competitive advantage. The problem had been compounded by the continued depression of commodity prices, and that situation was likely to become worse during the current year. According to some forecasts, interest payments were likely to rise for most debtor countries, and their debt-to-export ratio had continued to deteriorate.

22. The social repercussions of the problem were becoming increasingly ominous, with the more vulnerable social groups suffering most from reductions in public expenditure.

23. Recognition of the seriousness of the crisis had resulted in some initiatives by the major creditor countries, commercial banks and multilateral financial institutions, although the problem was no nearer solution than it had been in 1982.

24. Those countries which were highly indebted to official institutions but which were not considered among the poorest or the major commercial debtors had not had access to involuntary commercial bank loans, nor had they been eligible for any of the recently established concessional financing facilities and programmes or for rescheduling. If they were to default they would be denied further multilateral financing. It would be unfortunate if those countries had to suffer further punishment before they attracted the attention of the international community; preventive action could still save the situation, but should not be delayed.

25. A global debt strategy should be agreed which would enable the debtor countries to meet their debt obligations while at the same time allowing for growth and development. The strategy should include a significant and continued reduction in real interest rates and easier rescheduling terms for interest and principal; additional financing at concessional rates without conditions, although if conditions were imposed they should relate to the expansion of supply rather than the management of demand; conversion of official debt into grants; creation of a

(Mr. Umer, Pakistan)

debt-refinancing facility under the auspices of the World Bank and IMF to be funded by the creation of SDRs to restructure the profile of third world debt through innovative schemes; and enlargement of compensatory financing facilities. As part of the global strategy, the World Bank should once again become a net lender to developing countries, undertaking more non-project lending and assuming its role as a development bank; countries with large surpluses should be encouraged to find appropriate institutional ways of recycling their accumulating funds to the developing countries on a long-term basis; and for low-income countries that were heavily dependent on concessional external finance and had not yet experienced serious debt difficulties, measures and mechanisms should be worked out to identify potential problems early enough for remedial action to be taken. In that connection Pakistan proposed that the United Nations should undertake a study of the experience of the 1980s.

26. In evolving a comprehensive debt strategy, such measures would not by themselves be sufficient. A more supportive external economic environment was essential. Action was necessary to promote growth in the debtor countries through progressive reform of the international economic system. Protectionist barriers should be taken down; arrangements for technology transfer should be established; and the supply of external finance should be placed on an assured and long-term footing. Only if debtor countries were helped to exploit their development potential in a supportive economic environment would they be able to emerge from the stranglehold of massive indebtedness.

27. Mr. JAYASINGHE (Sri Lanka) said that in 1982 there had been a tendency to treat the debt crisis as a short-term liquidity problem, but the crisis had now attained international proportions. The debt strategy pursued so far had been based on the expectation of continued vigorous domestic adjustment and new lending, but lending had been inadequate and the external environment had failed to improve. Debtor countries, had made substantial improvements in their trade balances, often at the cost of a sharp drop in imports and domestic investment; that had given rise to a vicious circle in which low investment and low growth reinforced each other. In addition, uncertain growth prospects and inadequate policy implementation had led to a reluctance on the part of financial institutions to lend, and to the flight of capital.

28. A permanent solution to the debt crisis should incorporate a reduction of debt and alleviation of debt-servicing burdens; the injection of additional external funds; the improvement of external trade; and continuation of vigorous domestic adjustment programmes in circumstances of strict financial discipline.

29. The recognition that the crisis required collective action at an international level was encouraging, but there was still no consensus on a comprehensive strategy, and the political will needed to add impetus to the process was lacking. Discussions within and outside the United Nations had been of immense assistance in identifying the major symptoms of the crisis and the areas in which action was necessary; the next phase should be the formulation of a comprehensive strategy which would win the confidence and approval of all parties concerned.

(Mr. Jayasinghe, Sri Lanka)

30. In that connection the points mentioned in paragraph 6 of the introduction to the report of the Secretary-General (A/43/647) formed a valuable basis on which to proceed. There was also the proposal made by the Secretary-General of UNCTAD to reduce the debt burden by 30 per cent; the proposal made by President Mitterrand of France for the creation of a fund with IMF to guarantee the payment of interest charged on certain commercial loans converted into bonds and to lower significantly the finance charges payable by debtor countries, and the agreement to cancel one third of the debt owed to France by the poorest debtor countries; and the announcement by Japan of a plan to relieve the debt burden of middle-income debtor countries. Those proposals were hopeful ones and gave some political direction to the search for a comprehensive strategy and a genuine political will.

31. The bulk of external debt lay with the private sector, and one way of encouraging private banks to be more understanding and flexible in relieving the debt burden would be for creditor Governments to provide those banks with adequate guarantees. International financial institutions should continue to provide short- and medium-term facilities for debtor countries so that the savings generated by the injection of official and private funds and by the reduction of the debt and debt-servicing burden would be further cushioned by that assistance. Such action would also enhance the ability of debtor countries to invest in growth-oriented programmes, and in the long run would improve their creditworthiness. Many developing countries had expressed concern over the rigidity of the adjustments expected by international financial institutions, but those concessions should be seen in a more sympathetic light as part of a comprehensive programme to be agreed by all parties concerned.

32. Sri Lanka hoped that the greater readiness to co-operate shown by the international community in the last few years would be extended to the area of external debt. The key to the solution of that problem lay mainly with the creditor countries, and in particular their readiness to apply a greater degree of political will. It was well within their capacity.

33. Mr. VILCHEZ (Nicaragua) said that the problem of external debt must be considered with as much seriousness and honesty as possible. Yet despite the urgent nature of the problem, little had been done since 1982. Moreover, the new attitude which existed towards a number of major political problems was not mirrored in an improvement of the world economic situation. In the specific case of the debt problem, a genuine political commitment to finding just and lasting solutions was more important than a technical approach. A global strategy, based on a realistic approach which accommodated the interests of all members of the international community, was required.

34. The debt crisis and related phenomena had caused serious setbacks in the economic and social development of most developing countries and had wrought extraordinary changes in their economies. Indebtedness was an irreversible phenomenon which must be solved immediately if a new international economic order and international peace and stability were to be established.

(Mr. Vilchez, Nicaragua)

35. In the Latin American and Caribbean region, the subject had been discussed, in many forums, including at the Fourteenth Regular Meeting of the Council of the Latin American Economic System (SELA), held in September 1988. The Council had agreed that the problem had economic, social and political as well as financial dimensions and was clearly related to the policies of industrialized countries, thus warranting a global approach. Three parties were to blame for the debt crisis: debtor countries, creditor banks and the industrialized countries. All three must therefore ensure that the debtor countries did not bear the burden alone.

36. The only way to find a global and lasting solution to the crisis would be for creditors and debtors to recognize that they were both responsible, and to engage in a political dialogue, together with commercial banks and multilateral financial institutions. At the same time, the primary responsibility for solving the crisis lay with the industrialized countries, most of which had yet to approach the problem from the proper humanitarian standpoint. The political dialogue long sought by the developing countries had repeatedly been rejected by creditors, who continued to adopt a purely financial and technical approach. The debt problem had evolved into a situation of economic colonialism, a new form of political domination under which debtors who did not play by the rules immediately lost financial or political credibility and were subjected to threats or sanctions from creditors.

37. His delegation welcomed the general request made at the Fourteenth Meeting of the Latin American Council of SELA for the holding of a regional conference on external debt which would consider new approaches that might lead to just, stable and lasting solutions.

38. Any genuine debt strategy must include the following basic elements: a substantial reduction of principal and interest; a significant lowering of interest rates; the immediate reversal of the flow of resources from developing to developed countries and a significant increase in financial flows from developed to developing countries; growth-oriented adjustment policies in debtor countries; alignment of the debt-servicing burden of debtor countries with their capacity to pay; and the beginning of a political dialogue between creditors and debtors based on the principle of shared responsibility. The United Nations had a historic role to play in that connection. The Secretary-General must therefore maintain an ongoing dialogue with creditors and debtors as well as with the financial organizations and other specialized agencies of the United Nations system with a view to finding solutions to the debt problem.

39. Mr. Otoho (Nigeria) took the Chair.

40. Mr. TSEGAYE (Ethiopia) said that in spite of the fact that the international community was aware of the specific problems of the least developed countries, the measures taken to alleviate those problems were still far below expectations. Unless the trend were reversed, the result would be devastating both in terms of human suffering and in terms of its implications for international peace and security. However, if sufficient attention were given to the problems of those

(Mr. Tsagaye, Ethiopia)

countries, and if that attention were translated into tangible assistance, rapid progress could be made towards arresting economic decline.

41. The problems of the poorest countries were a major challenge to the international community, and to meet that challenge the efforts of the debtor countries should be enhanced, and support from the international community redoubled. The cancellation and/or reduction of their external debt would be an important step in that connection. Initiatives such as the declaration of the Toronto Summit were encouraging but they would have to be translated into practical action.

42. Debt relief was necessary, but not sufficient to promote development; it would have to be supplemented by significant financial transfers and other measures such as those indicated in the Substantial New Programme of Action for the Least Developed Countries and more recently in the African common position on African external indebtedness.

43. The special attention needed by the poorest countries should not, however, diminish the global attention given to the debt crisis afflicting developing countries in general. It should be recognized that the debt crisis was not only a serious impediment to development in the developing world but also a menace to the developed world. Any meaningful solution to the problem required genuine international co-operation on the basis of co-responsibility.

44. Mr. AL SALLAL (Kuwait) said that the external debt crisis of the developing countries was not just a local or regional phenomenon but an acute global crisis which directly threatened the international monetary system as a whole. It was no longer a purely economic problem, but one that required radical political solution that took into account the human, social and economic factors that had halted development in many debtor countries. His delegation fully agreed with the assessment of the situation contained in document A/43/647.

45. Since its accession to independence, Kuwait had paid great attention to the problems of the developing countries despite the fact that all aspects of its own economy were in dire need of development. Over the past 30 years, Kuwait had provided much assistance and many concessionary loans to a large number of developing countries. It had been one of the first creditor countries to call attention to the devastating impact of the external debt crisis on the economies and social fabric of the developing countries. It had called for increased financial flows to developing countries and a halt to protectionist practices against their exports and had called upon the industrially advanced countries to meet the target of 0.7 per cent of gross domestic product for official development aid.

46. In his address to the General Assembly on 28 September 1988, the Emir of Kuwait had proposed an initiative that embodied the spirit and exalted principles of Islam and its overall humanitarian and unselfish tenor. The proposal centred on three elements: a meeting of creditor countries, including Kuwait, to discuss

(Mr. Al Sallal, Kuwait)

writing off the interest due on their loans to debtor countries and a reduction in the loan principal for the poorest countries; consideration by the International Monetary Fund and the World Bank of more flexible and humane conditions on the development assistance provided by them; and increased technical assistance provided by North to South in the conservation of natural and human resources, environmental protection and support for development projects.

47. Solving the external debt problems of the developing countries in a manner that benefited both creditor and debtor countries would require creative action and sacrifices on the part of both, the implementation of policies in keeping with the criteria laid down in General Assembly resolution 42/198 and a strategy for constant growth, the reactivation of development in the developing countries and the elimination of the negative consequences of the adjustment process.

48. Mr. MAHGOUB (Sudan) welcomed the growing awareness of the extent and seriousness of the external debt crisis, and in particular the recent initiatives of France, Kuwait, the Toronto Summit, the World Bank, IMF and the fifth replenishment of the African Development Bank. Regrettably, no solution seemed to be in sight, and the external debt of the poorest countries of Africa was imposing extremely severe constraints on the continent's development. The most heavily indebted African countries were suffering economic decline and even retrogression. The enormous transfer of resources from an impoverished region was untenable, since it had imposed untold hardship at a time when many of the countries concerned had been carrying out structural adjustment and policy reform programmes. Domestic investment had had to be sacrificed so that they could meet their debt service obligations.

49. Financial obligations to international financial institutions were assuming alarming proportions; they were of a short-term nature and therefore had a high repayment ratio. It was one reason why Sudan's current debt service ratio was one of the highest in sub-Saharan Africa. Imaginative approaches and innovative measures would have to be explored in order to grant relief from such obligations.

50. Adjustment with growth could succeed only if it were undertaken in the context of a favourable international economic environment, and that environment continued to be unfavourable. His delegation noted the statement delivered on behalf of the Nordic Group by the representative of Denmark, and particularly his remark that substantial external financing was essential for structural adjustment programmes. Sudan sincerely hoped that the recognition of that need would be translated into concrete policy measures. It was to be regretted that international support, particularly in the form of increased development finance and debt relief, had not been forthcoming; two years after the adoption of the United Nations Programme of Action for African Economic Recovery and Development, the pledge to increase financial assistance had still not been fulfilled. The time had come for creditor countries and institutions to come to grips with the debt problem by taking innovative and specific measures. The current strategy was totally inadequate, and more action was urgently required. Financing by international institutions was

(Mr. Mahgoub, Sudan)

also insufficient, and in that regard creditor Governments had a critical role to play. Sudan hoped that the recommendation of the Toronto Summit that Official Development Assistance to the poorest countries of Africa should be converted into grants would be implemented as soon as possible.

51. There was a growing recognition of the dangers posed by the debt problem to both creditors and debtors, of the principle of shared responsibility and of the need for a global consensus, which was not only an economic and moral imperative but also a political imperative of the highest order.

52. Mr. KENDECK MANDENG (Cameroon) said that the external debt crisis had become a major obstacle to the growth and development of countries in the South. The international debt strategy had failed to mitigate the harmful effects of external debt and its servicing on the fragile economies of the developing countries. The position had become critical: African debt represented an average of 44 per cent of export revenue. From \$US 29,000 million in 1987, debt-servicing obligations were expected to increase to \$US 45,000 million in 1995.

53. The situation in Africa was compounded by a number of other factors, such as the sharp drop in commodity prices and consequent deterioration in terms of trade, and the net transfer of resources from Africa to the developed countries and multilateral financial institutions. Export revenue had fallen overall by 20 per cent since 1985, while the cost of imports had increased to the extent that the balance-of-payments deficit had reached \$US 11,200 million in 1987, representing a deterioration in terms of trade of around 17 per cent between 1985 and 1987. In accordance with their commitments in the context of the Programme of Action for African Economic Recovery and Development 1986-1990, and notwithstanding a highly unfavourable international environment, almost all African countries, including Cameroon, had initiated far-reaching economic adjustment programmes. In most cases, such measures entailed high political and social costs. Although many of those countries had achieved better management and production, their efforts were being thwarted by the inadequate response of the international community.

54. He welcomed the decisions taken at the Toronto Summit with regard to the debts of the poorest countries which had implemented structural adjustment programmes, the decision by the World Bank to set up a special programme of assistance to the low-income, heavily indebted African countries, and the opening of a "window" by the International Monetary Fund to increase the flow of concessional resources to low-income countries.

55. The gravity of the situation called, however, for more far-reaching measures. Unless the debt burden were reduced it would constitute a threat to world peace and stability. Accordingly, the debt-reduction proposal made by the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) deserved special attention.

56. Coupled with drought, desertification and natural disasters, the closely linked problems of commodity prices, indebtedness, resource flows and structural

(Mr. Kendeck Mandeng, Cameroon)

reforms constituted major obstacles to the economic and social development of Africa. His delegation supported the proposal to convene an international conference on the African debt problem, as recommended by the Organization of African Unity, and the setting-up by the Secretary-General of a group of experts to make an in-depth study of the commodities issue. Above all, the situation called for political will on the part of the international community in an increasingly interdependent world.

57. Mr. DIAKITE (Mali) said that the debt crisis was one of the major factors impeding the growth and development of developing countries. It had disastrous political, economic and social consequences.

58. It was clear from the Secretary-General's report that the international debt strategy had produced no significant results. While there was no shortage of proposals as to how to solve the problem, the necessary political will was lacking.

59. In adopting the Programme of Action for African Economic Recovery and Development 1986-1990, the international community had recognized the serious implications of external debt with regard to the development of African countries. However, in spite of the considerable efforts made by those countries to solve the problem, the situation continued to deteriorate.

60. Virtually all of the low-income countries classified by the World Bank as the most heavily-indebted were in Africa, and conditions were particularly critical in the sub-Saharan countries. Accordingly, the Heads of State and Government of the Organization of African Unity (OAU) had devoted a special session to the debt problem, from which a common position had emerged. It had been agreed that the debt crisis in Africa called for a comprehensive and equitable approach in the context of an integrated development-oriented strategy, taking account of the specific characteristics of African debt. In view of the economic interdependence of the debtor and creditor countries, such a strategy must be based on co-operation, dialogue and shared responsibility. The African countries had called, therefore, for the convening of an international conference to enable debtors and creditors to establish ways of achieving a radical solution in the short term.

61. His delegation welcomed the initiatives taken by some of the developed countries to cancel part of the debt of African countries. Such initiatives should continue and be extended to all the African countries, in particular the low-income, least developed countries. Lastly, he called upon the international community to implement the relevant resolutions concerning debt relief and the transfer of resources.

62. Mr. GONÇALVES (Angola) said that the Secretary-General's analysis of the external debt crisis and development provided a valuable basis for further conclusions and recommendations.

(Mr. Gonçalves, Angola)

63. External debt was a highly political issue since it involved not only relations between creditors and debtors, but also the future of the world as a whole. Debt-servicing obligations had become so onerous that they could not be met without compromising the development of the countries concerned at high political and social cost. The scale of the problem was such that short-term solutions were no longer sufficient. The international community must adopt a comprehensive, improved debt strategy based on facilities guaranteeing continuous and adequate supplies of resources for development, together with progressive debt reduction. Financial support for development must include official development assistance, loans from commercial banks and increased loans from the multilateral institutions. There must also be more resources that did not involve debt and more direct foreign investment. Adjustment policies and programmes must be implemented in accordance with the specific conditions of each country and the type of development pursued.

64. His delegation called upon the international community to take advantage of the current political climate to initiate a fundamental restructuring of the world economy, enabling all countries to benefit from progress made in other parts of the world. While recent measures such as the increase in World Bank capital and in the resources of the International Monetary Fund were encouraging, they would be inadequate without a co-ordinated, multilateral effort to adopt comprehensive measures, taking account of the interests of the developing countries.

65. Notwithstanding unfavourable international economic conditions, many developing countries had made considerable efforts to redress their balance of payments, usually at very high cost. Adjustment programmes had resulted in severely reduced imports and public expenditure, devaluation and higher interest rates. Since there were more least developed countries in Africa than in any other continent, the external debt problem was more serious there than elsewhere, despite the enormous efforts made by African Governments and the measures taken as part of the Programme of Action for African Economic Recovery and Development. Angola's economic problems were compounded by the war of aggression conducted on its territory by the South African racists. Notwithstanding implementation of a programme of economic and financial reform and an emergency programme, numerous problems remained. Angola's external debt equalled over half its annual export income. Stabilisation of that income was a prerequisite for a successful economic adjustment programme.

66. He called upon the international community to continue to assist Angola to repair the considerable damage caused by the war of aggression and the destabilisation tactics of South Africa. In spite of all its problems, Angola had always honoured its commitments, but could continue to do so only if it received international support.

67. Mr. MUTOMBO TSHITAMBWE (Zaire) welcomed the international community's resolve to examine all the implications of the debt crisis. Of the various scenarios described, it was important to decide which were the most likely to attract a consensus and thus provide a meaningful basis for negotiation.

(Mr. Mutombo Tshitambwe, Zaire)

68. Zaire had for over 10 years had a special department to manage its official debt, and to ensure that the country had a thorough understanding of the situation. Nevertheless, it had become disillusioned after having to disburse \$US 2,000 million in four years to service its debt. It had become practically impossible to revitalize growth over that period.

69. Mr. AL-KHATANY (Saudi Arabia) said that, in 1982 the developing countries had expressed concern at their increasing external debt, and had warned that the crisis was likely to grow worse. By the end of 1987 external indebtedness had grown threefold. The industrially developed countries were well aware of the parameters of the crisis, since they themselves were exposed to its ill effects.

70. Despite the cautious optimism expressed by the Secretary-General following the recent consultations, a solution was still not within reach and would require much international effort and political will on the part of the industrially advanced countries and the international financial institutions.

71. Although the report of the Secretary-General (A/43/647) had only been distributed on 17 October 1988 and the competent authorities in Members' capitals had not yet had time to study and assess it, his delegation was in substantial agreement with the Secretary-General's evaluation.

72. After reviewing the causes of the crisis, he said that unless urgent steps were taken to rectify that situation and address its causes, then the burden of debt servicing would be beyond the capacity of most debtor developing countries.

73. As a developing country itself, Saudi Arabia appreciated the suffering endured by the peoples of the developing countries in achieving the standards of living to which they aspired. Believing in its responsibilities as a member of the international community and desiring to strengthen relations of co-operation and solidarity among peoples and to make an effective contribution to the solution of development problems, his country had, over the period 1973 to 1977, provided official development aid in the amount of \$56 billion. The grant element in that assistance had been 70 per cent of the total, and the remainder had been in the form of concessionary and unconditional development loans. The cost of loans provided to the developing countries by the Saudi Development Fund had been extremely low and covered the administrative expenses of the Fund alone. The institutions which derived at least 20 per cent of their capital from Saudi Arabia adopted the same approach and restricted their interest charges to covering administrative expenses. Those institutions were: the OPEC Fund for International Development; the Islamic Development Bank; the Arab Bank for Economic Development in Africa; the African Development Bank; the African Development Fund; the Arab Fund for Economic and Social Development; and the International Fund for Agricultural Development.

74. Saudi Arabia had recently decided to contribute \$200 million to the Structural Adjustment Facility managed by the International Monetary Fund in order to provide additional financing to the poorest countries.

(Mr. Al-Khatany, Saudi Arabia)

75. Although it had been hoped that a positive attitude might be adopted towards debt alleviation at the Berlin meeting of the International Monetary Fund and the World Bank, no tangible steps had yet been taken by the industrially advanced countries in that regard, to the disappointment of participating developing countries.

76. Saudi Arabia shared the concern of many at the continued deterioration of the economic situation of the developing countries, many of which were encountering abnormally high indebtedness together with weak growth rates. While stressing the importance of dispatch in concluding arrangements for debt alleviation, his delegation would also like to stress the importance of eliminating customs barriers and administrative restrictions and thus allowing the developing countries to step up their exports to the industrially advanced countries.

77. Mr. YENEL (Turkey) said that the debt problem was currently the most pressing international issue and would apparently continue to be so for some time.

78. Since countries varied so much from one to another, Turkey favoured the case-by-case approach, and supported the Secretary-General's call for forgiveness of ODA debt owed by low-income developing countries. Debt relief could not, however, be the sole solution. In order to diversify their exports, maintain and expand infrastructure, and achieve sustainable growth, countries needed a continuous flow of adequate finance, whether in the form of foreign investment, development assistance or export earnings. A positive transfer of resources was essential. The most difficult tasks for low- and middle-income debtor countries were the expansion and diversification of export production and the overcoming of trade barriers. While there had been nominal increases in commodity prices, the additional income earned had been more than offset by debt servicing.

79. Turkey subscribed to the view that investment in export industries alleviated foreign exchange constraints and had been pursuing an appropriate policy for several years. Non-tariff barriers and protectionism must, however, be eliminated to allow the free flow of trade. Such artificial restrictions on access to foreign markets would make investment in export industries fruitless.

80. In order to pursue successful structural adjustment policies, developing countries needed to achieve continuous and balanced growth. Such growth required capital transfers, foreign investments and steady access to foreign markets. In that connection he said that the Secretary-General's report had failed to take account of the adverse effect that debt and structural adjustment policies had on the economic, social and political life of developing countries, an omission that should be remedied in future.

81. Mr. Navajas-Mogro resumed the Chair.

82. Mr. MISSARY (Democratic Yemen), speaking also on behalf of Yemen, said that the proposal made by the Chairman of the Group of 77 that there should be a special session of the General Assembly devoted to the reactivation of development in

(Mr. Missary, Democratic Yemen)

developing countries deserved support. Such a session would give new impetus to efforts to resolve the external debt crisis and address international economic problems in general. The suggestions made in the various international and regional forums with a view to contributing to the solution of certain aspects of the problem should be translated into reality as part of an international strategy to cope with the external debt crisis. It would thus be possible to assess what faith could be placed in the intentions expressed in the general debate in the General Assembly at its current session, especially since all had professed deep concern at the crisis.

83. The deteriorating situation required a new approach that would help to reactivate development in the developing countries. In the context of such an approach, the industrially advanced countries should take the necessary steps to reverse the fall in commodity prices and increase the export earnings of the developing countries, and the protectionist measures imposed by them on imports from the developing countries should be lifted; financial flows should be increased; the transfer of technology to the developing countries should be encouraged; and the international financial institutions should make an effective contribution to reform and adjustment policies.

84. The external debt crisis had first been discussed by the Committee three years earlier, and it had now become more acute. There was some hope that it might be possible to make serious inroads on the problem in the light of recent improvements in international political relations, which might also prove useful in promoting the establishment of a new international economic order acknowledging the developing countries as active partners, helping them to make their own economic choices and strengthening their political independence.

85. The political will required to achieve a lasting and comprehensive solution should be reflected in a clearly defined international strategy. There should be an international conference of all the parties concerned, and the efforts of the entire United Nations system should be bolstered so that it could play a major role in mitigating international economic problems and promoting the achievement of progress and prosperity.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)

Draft resolution on prevention and control of acquired immunodeficiency syndrome (AIDS) (A/C.2/43/L.12)

86. Mr. FERNANDEZ (Philippines), Vice-Chairman, introduced draft resolution A/C.2/43/L.12, which was a consensus text based on informal consultations on draft resolution A/C.2/43/L.10. The earlier draft had been sponsored by Austria, Belgium, Djibouti, German Democratic Republic, Ireland, Jamaica, Malta and Mauritania in addition to the countries listed in the heading.

87. He said that one paragraph, which was based on operative paragraph 5 of resolution 42/8, had inadvertently been omitted. The paragraph read as follows:

(Mr. Fernandez, Philippines)

"Invites the World Health Organisation to continue to facilitate the exchange of information on and promotion of national and international research for the prevention and control of AIDS through the further development of Collaborating Centres of the World Health Organisation and similar existing mechanisms;"

It should be inserted as paragraph 6 and the subsequent paragraphs renumbered accordingly.

88. The CHAIRMAN said that, if he heard no objection, he would take it that the Committee wished to adopt draft resolution A/C.2/43/L.12, as orally revised.

89. Draft resolution A/C.2/43/L.12, as orally revised, was adopted.

90. The CHAIRMAN said he took it that, in the light of the adoption of draft resolution A/C.2/43/L.12, draft resolution A/C.2/43/L.10 was withdrawn by the sponsors.

91. It was so decided.

The meeting rose at 6.05 p.m.