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SECOND COMMITTEE
Agenda item 84

EXTERNAL DEBT CRISIS AND DEVELOPMENT

Malaysia*: draft resolution

Towards enhanced debt reduction to revive growth and promote
development in developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of
11 December 1987 and 43/198 of 20 December 1988,

Recalling also Trade and Development Board resolutions 165 (S-IX) of
11 March 1978, 1/ 222 (XXI) of 27 September 1980, 2/ 358 (XXXV) of
5 October 1988 3/ and 375 (XXXVI) of 13 October 1989, 4/

Reaffirming that the external debt crisis of developing countries has
political dimensions requiring a global and comprehensive solution,

* On behalf of the States Members of the United Nations that are members of
the Group of 77.

1/ Official Records of the General Assembly, Thirty-third Session,
Supplement No. 15 (A/33/15), vol. I, part two, annex I.

2/ Ibid., Thirty-fifth Session, Supplement No. 15 (A/35/15), vol. II,
annex I.

3/ Ibid., Forty-third Session, Supplement No. 15 (A/43/15), vol. II,
sect. II.A.

4/ A/44/15 (vol. II), sect. II.A.

Deeply concerned that the external debt crisis continues to be a major cause of the deterioration in the economic situation of the developing countries, thereby causing social upheaval and posing a serious threat to their political stability,

Convinced that, in this context, an early solution to the long-standing external indebtedness of developing countries would require, inter alia, a significant reduction in the stock of debt and debt service sufficiently large to permit the resumption of vigorous growth and sustained development in the indebted developing countries,

Concerned that a number of recent initiatives to write off and/or to reduce the debt stock and debt service of developing countries have had a very limited impact on the resolution of the debt crisis of developing countries and do not extend to all those countries,

Noting the close interrelationship among money, finance, resource flows, trade, commodities, development and external debt, and recognizing in this regard the important policy implications of this interrelationship for a durable solution to the debt problem,

Profoundly concerned at the huge negative transfer of resources from the developing countries as a result of, inter alia, the continuing debt crisis, thereby depriving them of much needed resources for their growth and development,

Recognizing that an equitable and durable solution to the debt crisis will require adjustment in the economies of the industrialized countries having a major impact on the world economy, including appropriate fiscal, monetary and trade policies, in order to eliminate the major imbalances in the world economy,

Deeply concerned that developing countries continue to make great sacrifices in striving to service their external debt and that, in the absence of a significant improvement in the present adverse international economic environment, they may not be able to service their external debt,

Recognizing the need for intensification of efforts by the international community to resolve the severe debt crisis, to forestall its proliferation and prevent its further aggravation,

Noting with deep concern the changes that have continued to occur in the destination and pattern of financial and capital flows from developed countries and the consequent decline in those flows to developing countries, which have further hindered the efforts towards the economic recovery and sustained development of these countries,

1. Takes note of the report of the Secretary-General on the external debt crisis and development; 5/

2. Welcomes the contributions of the United Nations Conference on Trade and Development to the international search for a solution to the external debt crisis of developing countries and, in this regard, takes note of Trade and Development Board resolutions 165 (S-IX) and 375 (XXXVI), on debt and development problems of developing countries;
3. Expresses its appreciation to the Secretary-General for his efforts to find a solution to the debt problem and, in this regard, stresses the need for the intensification of his efforts;
4. Urges the international community to search for a durable, equitable and mutually agreed growth-oriented and development-oriented solution to the debt problem of developing countries;
5. Stresses that the debt crisis of developing countries is global in impact and political in nature and consequences, with a bearing not only on relations between debtors and creditors, but also on prospects for the world community as a whole, thereby continuing to require concerted political action;
6. Expresses deep concern that in spite of some efforts the debt crisis remains unabated, that indebted developing countries are still unable to grow and develop and that their economic and social prospects remain bleak;
7. Also expresses deep concern that under the prevailing conditions, including the absence of a supportive international economic environment, internationally supported structural adjustment programmes, owing to their negative political, social and economic consequences, have resulted in increasing adjustment fatigue among the debtor developing countries, as well as inability to restore economic growth and creditworthiness;
8. Welcomes the increasing acceptance by creditor countries of the need for writing off and/or reducing the debt stock and debt service of developing countries and in this regard, takes notes of the recent initiatives aimed at the reduction of the debt stock and debt service of developing countries;
9. Stresses the urgent need for the broadest implementation of the recent initiatives and for the elaboration of effective and comprehensive measures for dealing with the debt crisis in its entirety, so that all indebted developing countries benefit from the process;
10. Emphasizes that in order to ensure that the debt-relief measures, in particular debt reduction, have an effective and comprehensive impact on the reactivation of economic growth and sustained development in the developing countries, the following measures would be required:
 - (a) The reduction of debt stock and debt service that is large enough to significantly contribute to the release of adequate resources required to generate higher levels of investment;

(b) Broadening by the creditor Governments of their eligibility criteria and scope of country coverage of their relief measures, in particular reduction of debt outstanding to them and improvement in current procedures for debt-relief measures through strengthening dialogue and negotiations with the full participation of indebted developing countries, as well as an increase in the flow of development finance to developing countries;

(c) Review by creditor Governments of budgetary, tax, regulatory and accounting practices in order to remove unnecessary impediments with respect to debt reduction for developing countries and to ensure that a supportive policy environment is achieved and maintained in regard to new lending;

(d) The rescheduling of official debts encompassing all debtors, the totality of the debt and longer consolidation periods, as well as the extension of debt-relief measures to all debtors, write-offs of outstanding interest payments and reduction of interest rates agreed in previous rescheduling agreements, longer maturity and grace periods and a prompt return to full export credit cover;

(e) A substantial increase in the resources of the multilateral financial institutions - in the case of the International Monetary Fund, a significant increase also in special drawing rights allocations - in order to enable them to contribute efficiently and speedily to the debt-reduction process while ensuring the preservation and increase in the flow of resources for development;

(f) Review of the policies and practices of the multilateral financial institutions in order to reduce, reschedule and convert on more concessional terms the debt of developing countries owed to them;

(g) Regulatory support for the participation of commercial banks in debt reduction so that indebted developing countries can benefit from secondary market discounting of their loan portfolios;

(h) Establishment of new compensatory mechanisms and facilities within the framework of existing international financial institutions to cope with exchange-rate and interest-rate fluctuations, which adversely affect the external debt of developing countries;

(i) Use of local currency by indebted developing countries to repay part of their external debt;

11. Stresses that a durable solution to the debt crisis and the revival of growth and sustained development in the developing countries requires, inter alia, the following:

(a) A more open international trading environment with better conditions of market access for products from developing countries;

(b) Effective dismantling of protectionist barriers and other support measures maintained by the industrialized countries to the disadvantage of developing countries;

(c) Increased export earnings of the developing countries, and improvement of existing mechanisms and establishment of new ones for compensating shortfalls in export earnings from commodities in developing countries;

(d) A substantial increase of resource flows from developed countries to developing countries;

(e) Adoption by the industrialized countries of an appropriate mix of fiscal and monetary policies that would bring about a prompt reduction of imbalances in and among those countries and would allow for exchange-rate stability and a substantial decline in interest rates;

(f) Strengthening of multilateral surveillance mechanisms aimed at correcting existing external economic imbalances;

12. **Decides**, in the context of seeking a durable solution to the debt crisis, to establish, under the aegis of the Secretary-General, an advisory commission on debt and development with a three-year term, composed of eminent persons from the academic, political and financial sectors with knowledge and experience in international finance, trade and development, to develop innovative approaches and evolve specific proposals related to all types of debt in order to solve the debt problem of the developing countries in a manner consistent with their sustained growth and development; and requests the Secretary-General to appoint the members of the Commission, and organize its support staff from within the United Nations and, through secondment or other appropriate means, from relevant intergovernmental organizations and bodies of the United Nations system;

13. **Requests** the Secretary-General to prepare a comprehensive and analytical report on the impact of the external debt crisis of developing countries on the availability of resources for their growth and socio-economic development;

14. **Requests** the Secretary-General to report on the implementation of the present resolution to the General Assembly at its forty-fifth session;

15. **Requests** the Secretary-General to include in his report a study on the feasibility of establishing an institution that would be devoted to the resolution of the debt crisis of the developing countries.