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New York

SUMMARY RECORD OF THE 29th MEETING

Chairman: Mr. DOLJINTSEREN (Mongolia)

later: Mr. GHEZAL (Tunisia)

CONTENTS

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued) (A/C.2/44/L.22, L.23, L.25)

Draft resolution A/C.2/44/L.22, entitled "Prevention and control of acquired immunodeficiency syndrome (AIDS)

1. Ms. ARMSTRONG (Canada), introducing the draft resolution, said that its sponsors, who had been joined by Brazil and Spain, had taken account of the relevant resolutions adopted by the General Assembly, the 1989 World Health Assembly, the Economic and Social Council at its second session of 1989, and the highest bodies of the World Health Organization in directing and co-ordinating AIDS education, prevention, control and research. The draft resolution, which was the outcome of consultations with many interested delegations and with experts on the subject, was regarded as a positive step towards even further promoting international co-operation to eradicate AIDS - a cause for concern for all nations, especially those affected by the pandemic. In conclusion, she pointed out that the first line of the fourth preambular paragraph should be amended to read "Global Programme" instead of "Special Programme". It was to be hoped that the draft resolution would be adopted by consensus.

Draft resolution A/C.2/44/L.23, entitled "Patterns of consumption and qualitative indicators of development"

2. Mr. BEN MOUSSA (Morocco) said that the subject-matter of the draft resolution that he was presenting had been discussed in economic forums for several decades and in a more structured way since the fortieth session of the General Assembly. At that time, on the initiative of Morocco, the General Assembly had adopted resolution 40/179 by consensus. As evidence of the importance attached to patterns of consumption and qualitative indicators of development, the United Nations Research Institute for Social Development had initiated case-studies of the subject in Morocco, Kenya and India. For reasons of time, his delegation had not been able to submit the text of the draft resolution for consideration by the Group of 77 first, as it would have wished, so it was asking the Second Committee not to hold informal consultations on the draft resolution until the Group of 77 had taken a position on it.

3. The CHAIRMAN said that the request would be taken into account.

Draft resolution A/C.2/44/L.25, entitled "Assistance to the Palestinian people"

4. Mr. UMER (Pakistan), introducing the draft resolution on behalf of its sponsors, said that the international community was very familiar with the question of assistance to the Palestinian people. The sponsors sincerely trusted that the whole Committee would support the draft resolution, which was moderate in tone and constructive in content, because the foundations would thus be laid for offering greater assistance to the Palestinian people and their economic development would

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(Mr. Umer, Pakistan)

be accelerated. The first line of paragraph 1 of the draft resolution should be amended to refer to "the report annexed to the note by the Secretary-General" instead of simply to "the note by the Secretary-General".

AGENDA ITEM 82: DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION (continued)

(g) DESERTIFICATION AND DROUGHT (continued) (A/C.2/44/L.26)

(h) HUMAN SETTLEMENTS (continued) (A/C.2/44/L.24)

Draft decision A/C.2/44/L.26, entitled "Countries stricken by desertification and drought in Africa"

5. Mr. FALL (Senegal), introducing the draft decision on behalf of Algeria, Burkina Faso, Cape Verde, Mauritania and Senegal, said that in working on the draft, account had been taken of Economic and Social Council resolution 1989/103, which had been adopted as a result of discussions on the problem of desertification and drought in Africa. That resolution remained one of the tangible elements of international co-operation for the benefit of the countries affected.

Draft resolution A/C.2/44/L.24, entitled "Living conditions of the Palestinian people in the occupied Palestinian territory"

6. Mr. UMER (Pakistan), introducing the draft resolution on behalf of its sponsors, said that its request to the Secretary-General to make available to the United Nations Conference on Trade and Development the extra funds needed to prepare a comprehensive study on the Palestinian national economy was of key importance. Two amendments to the draft resolution were required. The first line of paragraph 1 should read "Takes note of the study annexed to the note by the Secretary-General ...". In addition, paragraph 6 should be amended to refer to "the" rather than "a" comprehensive study on the Palestinian national economy.

AGENDA ITEM 88: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(a) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolution A/C.2/44/L.21, entitled "Assistance for the reconstruction and development of Lebanon"

7. Mr. NABULSI (Jordan) said that the sponsors of draft resolution A/C.2/44/L.21 had based their text on the report of the Secretary-General (A/44/559). The more important paragraphs were those in which the Secretary-General was requested to continue and intensify his efforts to mobilize all possible assistance within the United Nations system, and the organs, organizations and bodies of the United Nations systems were called upon to intensify their programmes of assistance and to expand them in response to the pressing needs of Lebanon. The sponsors hoped that the United Nations would take the necessary steps to ensure that their offices in Beirut were operational and adequately staffed at the senior level. They also hoped that the draft resolution would be adopted by consensus.

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AGENDA ITEM 84: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/44/235, A/44/275, A/44/355, A/44/361, A/44/376, A/44/401, A/44/408, A/44/409 and Corr.1, A/44/415, A/44/477, A/44/551, A/44/617, A/44/628, A/44/683; A/C.2/44/L.8)

8. Mr. PILBEAM (Australia) said that his country was concerned that many developing countries were heavily in debt and was keenly aware that high levels of indebtedness could be major obstacles to development. There was no alternative to structural adjustment for all countries if investment and saving were to increase, economic growth to improve and external viability to be enhanced. Australia had implemented such policies itself and recognized that they must be implemented with sensitivity to the need to protect vulnerable groups.

9. A lasting solution to debt problems depended largely on the continuation of world economic growth. Developed countries needed to maintain the vigour of their expansion while reducing or containing inflation. They also needed to use every opportunity to strengthen the multilateral trading system and improve access to international markets so that debtor developing countries had the opportunity to grow out of their indebtedness. The correction of fiscal imbalances in developed countries also had important global implications for stabilizing exchange rates, reducing interest rates and generally improving the international economic environment to the benefit of indebted countries.

10. Australia supported a case-by-case growth-oriented adjustment strategy for debt resolution and believed the approach to debt reduction supported by the World Bank and IMF could make a useful contribution to solving the debt problems of the heavily indebted countries. That reduction must be undertaken, however, in such a way as to enhance creditworthiness, promote new money flows and support reform programmes in debtor countries which would need to adopt appropriate policies to promote development-oriented macro-economic stabilization, structural adjustment and reform. In that context, Australia welcomed the recent conclusion of negotiations between Mexico and its creditors under the Brady Plan, and noted that it was important for creditor banks to participate fully in one of the three options available in order to maximize the benefit to Mexico of the negotiated arrangement. The problem must be solved, not only to advance the development of large developing debtor countries but also to stabilize the world economy. The poorest countries, primarily in sub-Saharan Africa, continued to require special treatment, while not neglecting the problems and needs of other developing countries, particularly in Australia's part of the world.

11. Mr. ABRAHAM (Czechoslovakia) said that the debt problem could not be solved in isolation from the internal situation and the external relations of each country, since it had become not only a factor in the deteriorating economic and social situation of the majority of developing countries but also a destabilizing factor in the world economy and had endangered the international monetary and financial system. Furthermore, it was the cause of the political instability that affected the democratic process and a reflection of the contradictions in the system of international economic relations and the international division of labour.

12. The complexity of the problem called for a wide approach and the adoption of national and international debt-reduction measures, for which it was necessary to

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(Mr. Abraham, Czechoslovakia)

guarantee the social and economic development of the debtor countries. So far the measures adopted had not succeeded in remedying the situation.

13. His delegation supported the reasonable demands of the developing countries that a fair solution to the problem should be found without impairing the sovereignty of States over their natural resources and economic activities. The critical situation called for a political approach based on a restructuring of the system of international economic relations that took into account the interests of all countries. A wide-ranging and constructive dialogue should be instituted between debtors and creditors and the international institutions should adopt a positive attitude. The new International Development Strategy for the next decade should combine development with solving the debt problem.

14. In that context, it should be noted that there would be additional resources for development if phenomena such as the net outflow of capital from the developing countries, the deterioration of their terms of trade, the protectionist measures hampering their exports and the instability of the world monetary and financial system were eliminated from international economic relations. The main objective of credit and financial policy, combined with favourable conditions for the developing countries, should be the economic efficiency of each country's investments and their amortization.

15. The consensus needed to solve the grave debt problem should be based on General Assembly resolution 43/198 and on the report of the Secretary-General (A/44/628).

16. Mr. POERWANTO (Indonesia) said that the global spread and exponential growth of the external debt crisis had affected the developing countries and the world economy at large. In addition to inhibiting growth and causing social hardship and political instability, its continuing gravity was an indictment of the international community's ability to find an equitable, comprehensive and durable solution. Conventional debt strategies, including rescheduling and prolonged adjustments, had proved inadequate to solve the debt problem. They did not take into account the extreme vulnerability of the developing countries to adverse changes in the external economic environment. Exchange-rate volatility, depressed commodity prices and acute deterioration in the terms of trade of developing country exports had had a combined effect which had further worsened the external debt crisis. The adjustment process had demonstrated the close linkages between the interrelated issues of money, finance, trade and development. Developing countries, like Indonesia, which had in the past managed to meet their debt-service commitments, had done so at great cost to their development process. The situation was not sustainable.

17. His delegation welcomed the new initiatives within the debt strategy. It was pleased to note that the concept of debt and debt-service reduction had been accepted and that adjustment was recognized as a burden that should be shared equitably by debtor and creditor countries and the international financial institutions. In that context, the interest of countries which had pursued vigorous adjustment programmes and managed to meet their debt-repayment schedules

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(Mr. Poerwanto, Indonesia)

should be taken into account in reformulating initiatives and international debt strategies.

18. His delegation strongly supported the analysis and outcome of the extensive deliberations held on the debt crisis at the Ninth Non-Aligned Summit in Belgrade and the Caracas Special Ministerial Meeting of the Group of 77 in 1989, and concurred in the proposal that developing debtor and developed creditor countries should jointly and urgently implement the existing initiatives and elaborate new ones for dealing with the debt problem, especially those based on the concept of debt reduction and debt-service reduction. In that connection, the international financial institutions had an important role to play. His delegation also supported the recommendation that an appropriate forum should be convened under the auspices of the United Nations, with the participation of international financial institutions and banks, to review all aspects of the external debt problem within the context of an improved environment for development.

19. The collective quest for an equitable, comprehensive and durable solution to the debt crisis could not ensure success through deliberations, recommendations and resolutions alone. A sustained dialogue should be undertaken between all parties so that a common understanding of the debt crisis could be achieved and a political consensus forged to resolve it and revive growth and development in the developing countries. Only then could a debt strategy be adopted and speedily implemented.

20. Mrs. de WHIST (Ecuador) said that the external debt crisis had brought about an economic and social decline constituting a very serious threat to peace and stability in more than two thirds of the States Members of the United Nations. Ecuador's basic views on the measures and terms that should be taken into consideration in order to solve the debt crisis were reflected in the statement by the Chairman of the Group of 77.

21. The repeated reference to the responsibility of the developing countries themselves for establishing and strengthening growth-oriented domestic institutions by applying effective measures designed to correct the vicious circle of crisis led to a regrettable misunderstanding of history because, in the case of the countries of Latin America and the Caribbean which had shown themselves responsible for their own destiny, the debt had been incurred even before the creation of the different republics, and to that had been added the crisis brought about by their vulnerability to persistent and prolonged fluctuations in the world market in the first quarter of the century, the depression of the 1930s and the Second World War, together with the internal political changes resulting from that vulnerability. Despite that, the region had succeeded in attaining a moderate but promising rate of growth, which in the 1970s had yielded to pressure from credit institutions bent on collecting the dollars that were flooding the markets. Her delegation hoped that it was clearly established that the developing countries were heavily indebted for endogenous reasons, for which they were responsible and for exogenous reasons for which they were not and could not be responsible, and that in many cases the latter reasons had given rise to the former.

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(Mrs. de Whist, Ecuador)

22. She reiterated that debt was a political problem whose solution required commitment and determination from all parties on an equal basis and that that solution must bring about a substantial reduction in debt and interest rates. It was imperative that repayment schedules should be extended and adjusted to actual circumstances, which meant that multilateral financial organizations, too, must adapt and not merely require debtors to do so. But none of that would be enough unless measures were taken to stimulate the supply of new capital and help correct the negative terms of international trade.

23. The flexibility and rapidity mentioned by the Secretary-General must characterize two phases that should be implemented in a complementary fashion: an emergency strategy to cover all debtor countries and a medium- and long-term solution. In addition, production, domestic marketing and exports must be reactivated in order to generate employment for youth, who comprised 40 per cent of the population in Latin America and the Caribbean.

24. The Secretary-General's report on the external debt crisis and development indicated that debtor countries would have to make many sacrifices to extricate themselves from their current situation. Those countries currently had to put up with harsh conditions of various origins which had become chronic. They were overwhelmed by repayment schedules, fluctuating interest rates, inflation, protectionist measures and trade barriers and, what was more, owed a social debt to their own peoples which must also be discharged if freedom and democracy were to survive.

25. The industrialized countries were experiencing the most prolonged period of steady growth since the Second World War and had succeeded in taking the necessary steps to offset the losses they had suffered from the developing countries' failure to pay back their debts. In addition, the performance of their banking systems had attracted investment, which had contributed to the flight of private capital from developing countries. She wondered what measures those countries were taking to reverse that trend. Measures for debt reduction must take into account external circumstances, such as the impact of budgetary and trade deficits in some industrialized countries on the developing countries' economies and the patterns of activity displayed by international financial institutions, which had gone from being suppliers to net recipients of resources in the amount of some $50 billion in 1988.

26. Her delegation welcomed the progress that had been made in reaching a new understanding of debt reduction. Nevertheless, the initiatives taken in that direction were in their initial phase; greater efforts and a more serious commitment on the part of official and private sectors were thus still needed.

27. As the establishment of peace in freedom and democracy was the raison d'être of the United Nations, a solution must be found to all problems that jeopardized peace, freedom and democracy. The United Nations must make full use of the management capacity of the entire system in order to tackle the crisis and stagnation in which the developing countries found themselves promptly and efficiently. She was confident that the negotiations currently in progress would

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(Mrs. de Whist, Ecuador)

lead to a better understanding and result in a unanimous decision to solve that problem so that the final decade of the twentieth century could begin with hope in progress and faith in the capacity of mankind.

28. Mr. Ghezal (Tunisia) took the Chair.

29. Mr. BANDARA (Sri Lanka) said that his delegation fully supported the views expressed by the Chairman of the Group of 77 on the item before the Committee.

30. It was only recently that the debt problem had become a "crisis" whose causes lay in an entrenched world system in which the partners were unequal but highly interdependent. In the 1970s, the developing countries had not thought it imprudent to borrow money externally, since conditions had been entirely different and the economies of developing nations had been experiencing satisfactory growth rates. However, the situation had begun to change towards the end of that decade as the interest rates on loans from both private banks and official sources had increased, the terms of trade had begun to deteriorate and Governments had pursued tight monetary policies in order to control inflation and the outflow of capital, so that external borrowing had become more expensive for them. The result of all that had been the current crisis, which threatened the social and political fabric of many countries. The crisis was global in nature; contributing factors included slow growth in the industrialized countries, those countries' tight monetary policies and multilateral financial institutions' insufficient resources.

31. His delegation recognized that the developing countries themselves had to do everything they could to improve their economies by increasing productivity in the private and public sectors, but that required the creation of a suitable international climate. The developing countries needed external assistance and a reduction of their debt burden without delay; otherwise it would not be easy to take the necessary steps towards the desired goal. All creditors, whether official, multilateral or commercial, should provide the developing countries with financial assistance but should impose far fewer conditions, which should be adapted to the very difficult circumstances those countries were facing.

32. His delegation welcomed the initiatives taken by some of the developed countries at the Toronto summit and in the Paris Club. However, those initiatives should be implemented as broadly as possible so that debtor countries could benefit from them. In the mean while, he urged the developed countries to increase their assistance so that the developing countries could reactivate and accelerate their economic growth. He placed particular emphasis on the link that existed between debt, commodity prices and the development process, to which could be added reduced production, unemployment, slow growth in international trade, and environmental degradation.

33. Mr. IBRAHIM (Egypt) said that his delegation endorsed the statement made by the Chairman of the Group of 77. The external debt crisis was a key factor in the stagnating development of developing countries. There was a growing awareness of the need to develop a broad strategy to solve that crisis by means of substantial debt reduction. A number of initiatives had been taken to that end, but none was

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(Mr. Ibrahim, Egypt)

more than a first step, and additional financial resources were needed if simpler and more efficient mechanisms were to be established. It was particularly important that those initiatives should cover all aspects of the debt crisis. The plans which had been formulated had failed to include the poorest countries, the bulk of whose debt was owed to official sources and institutions. While the total amount of their debt did not equal that of the developed countries, in a few cases it exceeded 150 per cent of those countries' gross domestic product. Their situation was therefore very delicate: they must either pay what they owed or economize as needed in order to complete the development plans that would help raise their peoples' standard of living, which had become a threat to political and social stability.

34. The international community must examine and develop financial practices which could be adopted by creditor countries in order to create conditions conducive to debt reduction for countries in that category. The solution of the external debt crisis lay in accelerating the growth indexes of developing countries, thereby enabling them to meet their commitments. To that end, now more than ever, they must have the necessary additional financial resources.

35. All the initiatives formulated must take into account the long-term objectives and other social considerations which affected a country's political stability. The initiative must take the global context into consideration and must enjoy general support, otherwise, they would not yield results.

36. Mrs. MATHURIN-APPLEWHAITE (Jamaica) said that her delegation associated itself with the statement by the Chairman of the Group of 77 on the item "External debt crisis and development". Since the Committee had last addressed the item, the external debt crisis had shown no sign of abating. That had led to a highly explosive situation in which the output of stagnant or shrinking economies was being distributed in an increasingly unequal fashion. However, there had been encouraging changes in the approach taken by the international community in seeking a solution to the crisis. The need for debt reduction in order to be able to restore sustained growth and development had become part of the debt lexicon. There was also greater political will on the part of creditor institutions and Governments, as indicated by their involvement in the implementation of debt-reduction measures.

37. None the less, major obstacles still existed. Public and private lending institutions were limited as to the contributions they could make by their strict regulations, the financial resources necessary to support debt-reduction measures were patently inadequate and access was restricted by eligibility criteria and the type of debt covered by existing options.

38. The difficulties of middle-income developing countries which were indebted to multilateral financial institutions had largely been ignored in debt-reduction proposals. It was particularly disappointing to note that at the recent World Bank and International Monetary Fund meetings there had been no indication of any willingness to address the problem; institutions had become net beneficiaries of heavily indebted developing countries. At the same time, the priority allocation

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(Mrs. Mathurin-Applewhaite, Jamaica)

of domestic and foreign resources to meet debt-servicing obligations had prevented countries from investing in crucial social sectors and capital infrastructure. That seriously endangered their ability to grow out of debt and to fulfil fundamental development objectives. The economy could not grow when the quality of education, nutrition, health care and housing was declining.

39. As the report of the Secretary-General pointed out, what was needed at the present time from multilateral financial institutions was a degree of flexibility in their policies. There would be a need for economic programmes under which it would be possible to service reduced debt obligations and thereby accumulate the surpluses needed for economic growth and social development. None the less, such programmes must be combined with a supportive international economic environment, which was contingent on the existence of constructive dialogue involving all the parties concerned - debtor and creditor countries, multilateral financial institutions and commercial banks. From that viewpoint, the special session of the General Assembly devoted to international economic co-operation scheduled for 1990 would provide a major opportunity for the United Nations to play an important role in laying the groundwork for such dialogue.

40. The net negative transfer of resources from developing countries was one of the perverse effects of the debt crisis. Despite falling per capita income and investment, many developing countries, in order to pay their debt, were exporting more capital than they received, even as the prices of their exports were on the decline. That situation seriously called into question the effectiveness of the international consensus on the need for positive flows to such countries. If a country developed, its ability to finance its own investments with domestic savings increased. That was the only way out of the vicious cycle of underdevelopment. It was therefore important to emphasize the importance of the concept of net transfer of resources.

41. U SWE (Myanmar) said that the solution to the debt crisis, which had been confronting the international community for a decade, was not yet in sight; in 1988, the external debt of the developing countries had come to $1,300 billion - $9 billion more than in 1987. It was widely accepted that the malfunction of the international economic system was at the root of the crisis. High interest rates, depressed commodities prices and declining terms of trade had exacerbated the problems of developing countries. Even with the recent 18 per cent increase in the prices of non-fuel commodities, prices were still 30 per cent below the 1979-1981 level. That was all the more serious because raw materials accounted for a substantial portion of the exports of those countries, particularly the least developed countries. The solution to the debt crisis must therefore take the price of raw materials into account.

42. The negative transfer of resources was also associated with the debt crisis. At the beginning of the 1980s, developing countries were the net recipients of $41.7 billion in resources but by 1988, the negative transfer of resources had reached $32.5 billion. Among the recent attempts to resolve the problem were the Toronto Initiative and the Brady Plan, which placed emphasis on debt reduction. In

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(U Swe, Myanmar)

that connection, his delegation welcomed the decision by Japan to provide debt-relief grant assistance to the least developed countries by writing off ODA loans amounting to approximately $5.5 billion and the decision by the Federal Republic of Germany to cancel ODA debts in the amount of DM 900 million. Myanmar was among the beneficiaries of those decisions. Equally laudable was the announcement by Japan at the Paris summit in July that it would expand the capital recyling programme from approximately $30 billion over a three-year period to $65 billion over a five-year period. Those measures would serve to mitigate the problem, but new approaches and additional financial resources would be required.

43. The acceptance of debt reduction had resulted in new IMF and World Bank policy guidelines. The new financial resources which had become available as a result of those policy guidelines amounted to appproximately $30 billion, including the $10 billion contributed by Japan. However, full use of those resources would result in only a 15 per cent reduction in interest and less than a 20 per cent reduction in principal on the debt of the highly indebted countries. According to the 1988 report of the Trade and Development Board, those figures needed to be doubled. That meant that the search for an innovative international debt strategy would have to be intensified. The problem affected the developing countries in particular, but also had repercussions on the economic situation of the developed countries: resolving it was the key to revitalizing the world economy.

44. Mr. KING (Trinidad and Tobago) said that the total external debt of developing countries at the beginning of the year had stood at $1,300 billion, which was equivalent to twice the combined export earnings of the countries of the South. In Latin America and the Caribbean, where the debt amounted to nearly $500 billion, the ratio was even higher. The debt crisis was a new phenomenon because of its unprecedented magnitude and the inability of those trapped in it to escape. The relative stability and growth of the previous decade had given way to the current situation, primarily because of two factors: the upward trend of interest rates and the dramatic fall in commodities prices, which were currently at their lowest levels since the 1930s.

45. The debt crisis had emerged at a time when the international economic environment had become more hostile to the countries of the South. Many of those countries had responded by diversifying or restructuring their economies with the assistance of structural adjustment programmes. However, the net transfer of resources and reduced access to science and technology, among other factors, prevented them from breaking out of the vicious circle of debt. Those national measures were adopted at high social cost and had caused much suffering to wide sectors of the population of developing countries. In some countries, the foundations of political institutions had become more fragile.

46. The debt crisis could not be reduced to its financial dimensions: it was a problem of development. Its solution had three essential prerequisites: acknowleding the close relationship between debt, development and trade; establishing a less hostile economic environment and ensuring that the economically dominant nations would take more effective policy co-ordination measures. Such

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(Mr. King, Trinidad and Tobago)

co-ordination should encompass the reduction of protectionist barriers to exports originating from the South and the adoption of debt-relief measures.

47. He stressed the necessity to take into account the situation of middle-income countries such as his own and maintained that debt reduction by the developed countries must be a component of any effective strategy to resolve the crisis. The approach must be global and backed by adequate financial resources, and measures must be implemented in the short term. The willingness of the international community to take steps to reduce the debt should contribute significantly to the elaboration of a more comprehensive and effective strategy.

48. Mr. RAKOTONAIVO (Madagascar) said that the external debt of developing countries was one of the great economic challenges of the day and a political question of great importance. Recent initiatives included measures for the reduction or renegotiation of the public debt of the least developed countries proposed at the Toronto summit meeting, establishment by the World Bank of special mechanisms to assist those countries, increase of the capital of the World Bank and of available concessional resources, the agreement to create the Multilateral Investment Guarantee Agency (MIGA), improvement by the International Monetary Fund (IMF) of the terms for medium-term credit, and the recycling of financial and monetary surpluses of certain industrialized countries in favour of development. Those measures had not, however, brought about a visible improvement in the debt crisis. Between 1988 and 1989, the external debt of developing countries had increased from $1,200 billion to $1,320 billion. The negative net transfer of financial resources had grown considerably in 1988 and had reached $33 billion as against $26 billion in 1987. The budgetary deficit of one of the developed countries and imbalances in the economies of the developing world had brought about an increase in real interest rates.

49. One positive development was the general recognition of the principle of debt reduction as a fundamental element of any lasting international debt strategy. Another important element of the new debt strategy was the growing commitment of all parties concerned, including the authorities and all groups of countries. That commitment reflected a new awareness of the necessity for official backing for debt-reduction agreements, since it was unlikely that measures based solely on the initiatives taken by the commercial banks could achieve the desired results. In addition, the principle of shared responsibility and the necessity to ease the inequitable burden placed on debtor countries as a result of the obligations they had originally incurred had received widespread support.

50. In order to translate those ideas into action the debt reduction process must be accelerated and simplified. Faster reduction could be achieved if creditor countries adopted legislative, fiscal and accounting measures to encourage the writing of a substantial portion of the debts. Studies by the Secretariat showed that a reduction in debt of 40 to 45 per cent was required.

51. For an international debt strategy to be successful, additional external resources were required, "new money", which would be additional to the traditional sources of development financing and would not prejudice the reconstitution of

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(Mr. Rakotonaivo, Madagascar)

financial flows to the South. The $29 billion which the World Bank and IMF estimated were available referred only to the 15 most indebted countries. According to President Mitterrand, additional resources could come from the share of the developed countries of a proposed issue of special drawing rights and be supplemented with reserves from the international financial institutions. Those measures did not entail any transfer of risk from the private sector to the public sector, and thus would not affect the taxpayer. The international community should therefore study the possibility of creating a multilateral mechanism to lay down criteria for the equitable treatment of all debtors and creditors.

52. The debt crisis revealed the shortcomings, imbalances and uncertainties of the operation of the world economy. Many developing countries, including those in Africa, had shown determination and courage in accepting highly exacting and difficult adjustment policies. The case of Africa merited close examination with regard to the continent's repayment capacity. Its total external debt had reached $220 billion in June 1988 and, according to IMF, the portion accounted for by sub-Saharan Africa was equivalent to 69 per cent of the gross domestic product of the region in 1987. The ratio of debt to exports had deteriorated from 93.6 per cent in 1980 to 355.4 per cent in 1987. Those figures proved that Africa was one of the worst affected regions in the world.

53. The Assembly of Heads of State and Government of the Organization of African Unity had repeatedly called for the convening of an international conference on African debt. Madagascar was a member of the contact group set up to prepare that conference.

54. In the long term the search for solutions to the debt problem must be conducted in the context of the reform of the international monetary, financial and commercial system. The international conference on money and finance, which should be convened without delay, would be a good opportunity to set that process in motion.

55. Mr. LICHTINGER (Mexico) said that the problem of the external debt of developing countries was not merely the result of financial miscalculation or of the unprofitable uses to which the credits had been put, but also the consequence of incorrect forecasts, misguided policies and factors outside the control and influence of the debtors, such as the deterioration of the terms of trade and the high real interest rates on international financial markets.

56. The net transfer of resources brought about by debt-service payments had reduced the possibilities of capital formation in indebted countries. The lack of resources had, in turn, led to a serious decline in living conditions for the people of those countries, above all those in the poorest sectors, whose basic needs for food, health care and housing were met only at the subsistence level, while their education and clothing needs were often not met at all. Furthermore, the transfer of resources was exacerbating the disorders in the international economy. A sharp decline, in excess of 40 per cent, had been recorded in the purchase of commodities imported from indebted countries, especially those of Africa and Latin America. The growth of world trade was an indispensable factor in

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(Mr. Lichtinger, Mexico)

revitalizing the economic activity of those countries and in achieving international economic stability.

57. The need for debt reductions and debt-servicing reductions as a central element in the solution to the problem of external indebtedness was recognized internationally. However, the reductions must be of such a magnitude as to eliminate the excessive debt burden, and fresh financial resources must also be increased. It must be pointed out that the contribution of commercial banks in that respect had been minimal.

58. To achieve significant progress in solving the problem, all parties concerned would have to seek new alternatives. On the one hand, the Governments of creditor countries should explore mechanisms to ensure that the reduction in the debt servicing would extend to debts contracted with international financial institutions and to official debts. On the other hand, in view of the key function played by commercial banks in the improvement of the situation of indebted countries, it was not sufficient for them merely to recognize their non-recoverable credits. In addition, very specific mechanisms were required in order to link bank action in secondary markets, and action to increase bank reserves, to the acquisition of clear benefits for the developing countries. In that connection, the intervention of creditor Governments was also important in their capacity as regulators of banking activities and tax policies. A third important factor was the role of international financial institutions in ensuring sufficient financial resources for reduction operations.

59. In recent years his Government's attention had been focused on reducing the amount and servicing of its external debt. In 1989, an agreement had been reached with the commercial banking advisory committee concerning renegotiation of the medium-term external debt with the 500 institutions represented by that committee. In essence, the agreement dealt with the restructuring of $53 billion on the basis of three options: reduction of the principal, reduction of the interest rate, and the channelling of fresh resources to finance national development. To support the debt-reduction operations, Mexico would have available $7 billion from the International Monetary Fund, the World Bank and the Government of Japan, as well as its own international reserves.

60. The objective of his Government's international negotiations had been to achieve a reduction in the transfer of resources abroad and to lay the bases for the reactivation of the country's economic growth. A climate of confidence in the country's economic future had been generated basically as a result of the debt negotiations and of a policy aimed at combating inflation and promoting sustained growth.

61. Mexico did not claim that its experience in debt negotiations should be taken as the only model to be followed. It considered, however, that it was a first step in a long process of successive renegotiations. Every developing country which initiated a process of debt negotiation would have to take account of its own characteristics and requirements. It was, however, a process that could not be indefinitely postponed, since in the indebted countries society required a prompt

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(Mr. Lichtinger, Mexico)

and responsible solution to the debt problem that would make it possible to regain growth rates compatible with economic, social and political needs.

62. The United Nations General Assembly had, at an early stage, suggested new alternatives and options in connection with the debt problem which were now part of common practice; for example, the view that the solution to the external debt problem should be based on the shared responsibility of all parties and the need to reduce debt and debt servicing. There was now a clearer idea of how the debt problem should be resolved. What was still not clear was how to proceed. To close the gap between theory and practice, it would be essential to promote discussions in multilateral forums and to see that the conclusions were made known to those concerned with international economic decision-making. The United Nations Secretariat would have to play a fundamental role in that area.

63. One of the major challenges facing the international community was that of resolving the external debt crisis over the short term. To expect the debtor countries to continue to accumulate economic, political and social costs was to overlook the fact that one of the conditions for stability and peace was, precisely, development.

64. Mr. MORET (Cuba) said that the origins of the debt problem were directly related to the crisis of the capitalist economy at the international level and to its effects on the distorted, weakened and unduly dependent economies of the less-developed countries.

65. Other factors contributed to the critical state of the debtor countries' capacity to pay including, primarily, the internal economic policies adopted by the developed capitalist countries for the purpose of weakening the impact of the crisis without taking account of the repercussions on other countries. There was also the crisis in the international financial and monetary system as well as some of its by-products in terms of currency instability, and an unusual growth in international liquidity and in capital markets and flows.

66. The external debt crisis perpetuated the dependence of the third-world countries. In Latin America and the Caribbean, it constituted the main obstacle not only to development but also to economic growth. The region had transferred abroad over a period of seven years more than 45 per cent of its actual debt. In 1988 alone the net transfer of resources abroad had reached the sum of $29 billion. The decline in the standard of living of broad segments of the Latin American population, and the increase in unemployment and inflation rates created a permanent climate of crisis. Those social consequences had resulted in the widespread belief that the external debt should be tackled as a political problem.

67. Attention had been drawn repeatedly to the political instability which was caused by the debt burden of the developing countries and the social upheavals due to the application of adjustment programmes imposed by the multilateral financial institutions, which could even undermine the democratic processes of many countries. Experience had shown that the various solutions proposed were not sufficient and had produced very limited results. His delegation considered that

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(Mr. Moret, Cuba)

the majority of the proposals based on case-by-case renegotiation would only provide relief if debt reduction reached substantial levels. The same was true with regard to the proposals made by specialists in the Latin American Economic System, who had set it at no less than 50 per cent, provided that maximum limits were established for interest rates and applied to all debts and all debtors without exception.

68. The solution of the external debt crisis of the developing countries could not be treated as an isolated phenomenon. His delegation reiterated its view that only through the establishment of the new international economic order would it be possible to achieve a just and lasting solution to the problem. Even if a radical decision was taken now to forgive the external debt of the third world without resolving the other problems affecting the less developed economies, in a few years' time the same phenomenon would reappear, with the same devastating effects.

69. Mr. ROKOTUIVUNA (Fiji) said that his delegation supported the statement made by the Chairman of the Group of 77. In recent years, balanced, equitable and sustained development had become a catchword, especially in the recommendations made to the developing countries. The majority of the developing countries had been unable to break out of the vicious circle of poverty, poor terms of trade, high import costs and unmanageable debt-service obligations. The creditor countries and financial institutions had required from the developing countries substantial structural adjustments and other conditions at a time when understanding, compassion and boldness should have prevailed rather than timidity or narrow national or regional interests.

70. A genuine and collective evaluation needed to be made of the position of the debtor countries in order to work out and to put into effect pragmatic arrangements to reduce the debt to manageable levels and elaborate appropriate long-term strategies for growth and development. Some developed countries had taken the lead in forgiving or reducing debt or adopting other measures to overcome the problem. A more concerted effort was called for.

71. His delegation wished to express its profound concern over the slow pace at which the search for a solution to the problem was proceeding. The problem was very complex, but that was not a good enough reason for postponing action. Fiji was also concerned at the scant consideration given to countries which had not yet reached a critical stage in their debt situation but which needed access to financing in order to avoid that extreme. There must be mechanisms available to deal with the needs of that category of countries, which should not be given the impression that they were being penalized for trying to keep their heads above water.

72. Urgent action was needed to stop the problem of indebtedness from getting even worse. What seemed to be lacking was the political will to take difficult decisions on the procedure to follow. His delegation urged the developed countries to take the bold initiatives which the desperate situation called for. That would boost morale and confirm the often stated premise that all countries belonged to one world.

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73. Mr. NYAKYI (United Republic of Tanzania) said that his delegation fully associated itself with the views expressed by the representative of Malaysia on behalf of the Group of 77. The debt crisis was one of the major concerns of the international community because of its serious impact on the economic growth and development of the developing countries and the tension which it had caused in relations between the developed and the developing world. That has brought home the reality of the interdependence of the one world of today.

74. The effects of the debt crisis became evident when the economic performance of the low-income debt-distressed countries and the highly indebted countries in the 1980s was compared with that of developing countries which did not have to service any debt. That performance showed the casual relationship between the decline in the economic growth rate and the debt burden.

75. That burden was political, social and moral, and endangered the stability of the Governments of the indebted countries which were carrying out structural adjustment reforms. Unless a quick, just and durable solution was found, political turmoil might erupt in the third world; such a situation would have adverse consequences for everyone. The situation was unfair to the poor people who constituted the greater part of the populations of the developing countries and who had to endure most of the adverse effects resulting from structural adjustment programmes undertaken to raise resouces to pay for the debt.

76. The various efforts which had been made so far to deal with the crisis had not yielded satisfactory results. The one thing they had in common was that they had underestimated the gravity of the crisis and had failed to differentiate between a debt crisis and a debt problem. A debt problem was related to the question of liquidity, which could be solved perfectly well through the use of adjustment programmes and additional external financing, as proposed by the International Monetary Fund. A debt crisis, on the other hand, was a situation in which the debt-export ratios were so high that structural adjustment efforts were self-defeating, and the provision of additional credits was illogical because such credits essentially further increased the debt burden. A debt crisis was therefore a situation in which the debt was too high to be paid. That was the case with many of the indebted developing countries, especially the low-income debt-distressed countries of Sub-Saharan Africa.

77. Those countries constituted the majority of the world's least developed countries and, even if their debt amounted to only 6 per cent of the total third world debt, the impact of debt on their economies was much more damaging because of their economic structural weaknesses. Regrettably, the recent financing initiatives for mobilizing resources for adjustment programmes and debt servicing had not fully addressed the problem of debt reduction and additional financial assistance to those countries, both of which were essential measures for the revival of economic growth. The use of the Fund's Structural Adjustment Facility and the Enhanced Structural Adjustment Facility for the purpose of debt relief in the low-income African countries had been limited. The problem of the net transfer of resources from those countries had yet to be solved and had been further aggravated by the vagaries of world market prices, especially commodity prices, the

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(Mr. Nyakyi, United Republic of Tanzania)

increasing price of imports, constantly deteriorating terms of trade and volatile exchange rates.

78. The developing countries recognized that the primary responsibility for their development lay with themselves, but they needed, and had the right to expect, the co-operation of the rest of the world in solving problems which arose for reasons beyond their control. In order for there to be prosperity in the world, there was also a need for mutual co-operation between the developed and the developing countries. Short-term solutions must be followed by long-term radical changes which would ensure fair and predictable prices for the primary commodities of developing countries on the world market, fair terms of trade and adequate resource flows to those countries.

79. Mr. AGUILAR (Venezuela) said the need for urgent and concerted action should be re-emphasized. So far, the initiatives which had been taken to solve the debt problem had not been successful. The situation became complicated not only because interest rates remained high and a high percentage of export earnings still had to be earmarked for debt servicing, but also because the creditor countries were continuing to increase their intake of capital and investment resources on international markets, while opportunities for the flow of such resources to indebted developing countries were decreasing. The net transfer of resources from the developing to the developed countries had increased to more than $30 billion in 1989, and that was the best illustration of that absurd situation.

80. The Brady plan could provide a solution to the problems of the highly indebted countries but, so far, the implementation of one of its principal mechanisms - debt reduction - had been limited. The Government of Venezuela had insisted that, if debt reduction was to be meaningful, it should be in the region of half the amount of the debt owed. There were other ways of alleviating the external debt burden, such as the lowering of interest, and facilities for the long-term repayment of such obligations. Venezuela also considered it very important to create the appropriate incentives so that commercial banks could respond positively; in that regard, the action of the Governments of developed countries and of multilateral financial institutions was of fundamental importance. IMF quotas should be increased and appropriate resources should be provided to the World Bank.

81. The debtor countries had already made major adjustment efforts, and very little remained to be done. Further demands could not be made on populations which had experienced a dramatic drop in the standard of living which they had achieved after many years of effort. Not only development plans but also social programmes had been halted or reduced to a minimum, so that the future development of those peoples had been jeopardized. Those sacrifices had been made in the hope of meeting with a response from creditors, but so far that had not been the case. Such a situation could not continue indefinitely without endangering the peace and political stability of those countries.

82. As the Secretary-General had said, the negotiating processes should be speeded up and simplified. Fortunately, the international community seemed to have

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(Mr. Aguilar, Venezuela)

realized that the problem affected all countries and transcended purely financial and economic considerations since it also had political implications, and unless it was solved in a timely manner it could have serious repercussions on international peace and security.

The meeting rose at 6.30 p.m.