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at 3 p.m.
New York

SUMMARY RECORD OF THE 31st MEETING

Chairman: Mr. GHEZAL (Tunisia)

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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)

Draft resolution on the International Decade for Natural Disaster Reduction (A/C.2/44/L.31)

1. Mr. HUSSEIN (Malaysia), introducing the draft resolution on behalf of the Group of 77, said that, in its resolution 42/169, the General Assembly had decided to designate the 1990s as a decade in which the international community, under the auspices of the United Nations, would pay special attention to fostering international co-operation in the field of natural disaster reduction. The International Framework of Action for the International Decade for Natural Disaster Reduction, contained in the annex to the draft resolution, dealt with the objective and goals of the Decade, policy measures to be taken at the national level, actions to be taken by the United Nations system, organizational arrangements during the Decade, financial arrangements and provisions for a mid-term review of the implementation of the International Framework of Action. He announced that Belgium, Greece, Italy, Japan, Poland and Turkey had joined in sponsoring the draft resolution.

2. Mr. SEZAKI (Japan), speaking on behalf of the sponsors of the draft resolution which were not members of the Group of 77, said that the draft resolution drew heavily on the work carried out by the International Ad Hoc Group of Experts appointed by the Secretary-General in accordance with General Assembly resolutions 42/169 and 43/202. It was also based on the results of a study prepared by the United Nations Steering Committee for the Decade, and had taken account of the many useful statements made during the second regular session of the Economic and Social Council and in the Second Committee, as well as suggestions made by people in the scientific and technological community. His delegation believed that the arrangements proposed in the draft resolution would be highly appropriate for the implementation of the activities of the Decade, and hoped that the draft resolution would be adopted by consensus.

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

(c) CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES (continued) (A/C.2/44/L.9)

Draft resolution on the Charter of Economic Rights and Duties of States (A/44/C.2/L.9)

3. Miss ONYONI (Kenya) said that, had her delegation been present at the 30th meeting, it would have voted in favour of the draft resolution.

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(f) ENVIRONMENT (continued)

Draft resolution on driftnet fishing and its impact on the living marine resources of the world's oceans and seas (A/C.2/44/L.28*)

4. Mr. SEZAKI (Japan) said that there was currently no evidence that driftnet fishing, if properly regulated, was destructive from the standpoint of the environment or conservation of resources. Since adequate data for determining the impact of that fishing method was lacking, it was important to review regularly existing data on the subject in order to enable the Member States concerned to co-operate with each other in mitigating the adverse effects, if any, of such practices.

5. His delegation had noted with concern the inclination of some delegations to address only the issue of large-scale driftnet fishing on the high seas. That approach, which had served as the basis for draft resolution A/C.2/44/L.30, was unbalanced. To understand the possible impact of driftnet fishing on marine resources and the environment, it was necessary to examine the use of driftnets within, as well as beyond, 200-mile zones. Those who emphasized the adverse impact of large-scale driftnet fishing on the high seas offered no clear evidence to support their assertion that that method was destructive and indiscriminate only on the high seas and not in coastal waters. The sole basis for making such a distinction was that the driftnet used on the high seas was larger than that used in coastal waters. However, there were an exceedingly large number of driftnet fishing vessels operating in the coastal waters of the world. Given the fact that marine resources, including sea-birds and marine mammals, were far more abundant in coastal waters than on the high seas. Japan could not accept the contention that smaller driftnets were less destructive to marine resources.

6. In paragraph 32 of its decision 34/401, the General Assembly stated that "whenever possible, resolutions requesting the decision of a question at a subsequent session should not call for the inclusion of a separate new item and such discussion should be held under the item under which the resolution was adopted". In conformity with that decision and with paragraph 20 of the first report of the General Committee (A/44/250), and in response to the Chairman's appeal at the 2nd meeting of the Second Committee, his delegation's draft resolution did not request the addition of that item to the provisional agenda of the forty-fifth session of the General Assembly.

7. His delegation wished to continue its consultations with the countries concerned in order to reach a consensus on a single draft resolution. If such efforts did not bear fruit, Japan sincerely hoped that Member States would understand the objectives of draft resolution A/C.2/44/L.28* and give it their full support.

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Draft resolution on international co-operation in the monitoring, assessment and anticipation of environmental threats and in assistance in cases of environmental emergencies (A/C.2/44/L.29)

Draft resolution on international co-operation in the monitoring, assessment and anticipation of environmental threats (A/C.2/44/L.6)

8. Mr. ZÁPOTOCKÝ (Czechoslovakia), introducing draft resolution A/C.2/44/L.29 on behalf of the sponsors, said that the sponsors had held a number of informal consultations on the draft resolution, and many delegations had made important and useful proposals. The result was a balanced text which, in the opinion of the sponsors, should be adopted by consensus. Draft resolution A/C.2/44/L.6 was consequently withdrawn.

9. He announced that Tunisia should be added to the list of sponsors and read out a number of corrections and drafting changes which would be incorporated in a revised text.

Draft resolution on large-scale pelagic driftnet fishing and its impact on the living marine resources of the world's oceans and seas (A/C.2/44/L.30)

10. Mr. MOORE (United State of America), introducing the draft resolution on behalf of the sponsors, joined by Colombia and Sweden, said that large-scale pelagic driftnets were inherently indiscriminate and potentially devastating. By contrast other types of driftnet fishing, particularly driftnet fishing with relatively small nets, did not ravage the living marine resources. The concern of the United States and the other sponsors of the draft resolution related to the impact of large-scale pelagic driftnet fishing wherever it occurred, in the oceans or in other waters beyond the exclusive economic zone of any nation.

11. The policies of nations with large-scale pelagic driftnets differed from region to region. Some countries or groups of countries were already addressing the issue, particularly with respect to their own economic zones, and some members of the international community had made credible efforts to control the driftnet operations of their own nationals. However, such controls were limited geographically and to only a few members of the international community.

12. Draft resolution A/C.2/44/L.28* underscored the grave importance of the issue but fell short of addressing the problem effectively. Too much time had passed for the United Nations to restrict its action to the study of scientific data, which already demonstrated the devastating effect on the environment of that indiscriminate and wasteful fishing technique. The United Nations must take constructive action at the current session, and the sponsors of draft resolution A/C.2/44/L.30 would adopt a flexible approach wherever that was compatible with the intentions of the draft resolution.

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

(a) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolution on the Special Plan of Economic Co-operation for Central America (A/C.2/44/L.32)

13. Mr. MARTÍNEZ ORDÓÑEZ (Honduras), introducing the draft resolution. said that it partook of the spirit of brotherhood that was growing daily among the peoples of the world and opening up new vistas for co-operation among its leaders.

14. The preambular paragraphs referred to the General Assembly resolutions that had prompted the initiative, to the support provided by the Governing Council of the United Nations Development Programme, and to the new and encouraging political undertakings given by the Central American Presidents, which had stimulated greater participation by the international community in the peace-making process.

15. Paragraph 1 expressed appreciation to the Secretary-General for his efforts to promote the Special Plan. Paragraphs 2 to 4 referred to a series of international meetings of great importance to Central America with regard to co-operation and assistance, and to their objectives. Paragraph 5 recommended the convening during 1990 of sectoral meetings, which would deal with such topics as refugees, displaced and repatriated persons, reactivation of the Central American common market, electricity and agricultural development. After outlining the provisions of paragraphs 6 to 9, he expressed the hope that the draft resolution would be adopted by consensus.

AGENDA ITEM 84: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/44/235-S/20600, A/44/275-E/1989/79, A/44/355-S/20704, A/44/361, A/44/376-E/1989/125, A/44/401-E/1989/129, A/44/408, A/44/409-S/20743 and Corr.1, A/44/415-S/20749, A/44/477, A/44/551-S/20870, A/44/617-S/20889, A/44/628, A/44/683; A/C.2/44/L.8)

16. Mr. MacDOUGAL (United States of America) said that the past few years had seen a remarkable evolution in the thinking of policy makers in many countries regarding economic progress and development, with Governments abandoning statist models in favour of market-oriented, free-enterprise principles and recognizing that economic growth and well-being were best achieved in an environment conducive to individual initiative, entrepreneurship, competition and reliance on market mechanisms. It was important that developing countries should continue and intensify their efforts to advance those principles.

17. The past year had also seen a consensus on a new debt strategy, whose key elements were, firstly, adoption by debtor nations of medium-term economic reform programmes in conjunction with IMF and the World Bank, including measures to encourage foreign investment and the repatriation of flight capital; secondly, active participation by commercial banks in providing debt and debt-service reduction, and new lending to debtors implementing economic reforms; and thirdly, IMF and World Bank support for debt and debt-service transactions.

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(Mr. MacDougal, United States)

18. A case-by-case approach tailored to meet individual debtors' needs remained essential. Specific commercial-bank financing packages would be negotiated between individual debtor countries and their commercial creditors. At the same time, bilateral creditors would continue to support debtor countries' economic reform programmes through Paris Club reschedulings and ongoing export finance.

19. Mexico, the Philippines and Costa Rica had already adopted comprehensive economic reform programmes and reached agreements with their bank groups; and several other countries were actively pursuing negotiations with IMF and the World Bank, and with the banking community. The agreements reached clearly demonstrated the versatility of the case-by-case approach.

20. It was important to note that the strengthened debt strategy enjoyed broad support within the international community. It had recently been reaffirmed at the IMF-World Bank Annual Meetings and by UNCTAD, which had officially moved to lend its support. It was to be hoped that the General Assembly would also recognize the progress achieved recently under the strategy.

21. IMF and World Bank technical and financial support for debtor-country reforms was critical to the success of the debt strategy. Maintenance of the key roles of the two institutions within the strategy could help avoid politicization of the debt issue, which could undermine efforts to address individual countries' debt problems. Furthermore, any reduction or restructuring of commercial debt could be achieved only by voluntary, direct negotiations between commercial banks and debtor countries.

22. Debt reduction alone would not be a panacea for the financial and development problems faced by many developing countries; sound economic policies were critical to economic growth. At the core of the development process was a nation's ability to produce a product with a quality and cost making it competitive in world markets. Debt reduction must be combined with policies to promote a much stronger growth of productivity. Only when a country removed barriers to private entrepreneurship and created a climate conducive to a competitive private sector would it be on a solid path towards economic and financial viability.

23. The United States had supported a number of initiatives to address the needs of the poorest countries with a large commercial-bank debt, and acknowledged the efforts made by those countries to reform. It had recently indicated that it was prepared to forgive up to $US 1 billion of debt owed by sub-Saharan African countries implementing economic reform programmes approved by IMF and the World Bank. It welcomed similar efforts by other creditor Governments to help those countries restructure their economies and improve the lives of their citizens. The international community as a whole should encourage the growth-oriented reforms that were sweeping across many countries and that would unleash the awesome power of individual initiative responding to market forces. Such reforms would provide the basis for balanced and sustainable economic growth.

24. The strengthened debt strategy had brought new hope and a changed atmosphere. Debtors and creditors were back at the negotiating table, working to address

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(Mr. MacDougal, United States)

financial problems. The international community should support that process and the ongoing efforts to reconcile debtor and creditor interests and needs.

25. Mr. DENU (Ghana) said that the external indebtedness of developing countries now represented about half their combined gross national products and approximately twice their annual export earnings. Africa's outstanding debt was estimated at about 80 per cent of its combined gross domestic product, and over three times its annual export earnings. Similarly, the external debt of Latin American and the Caribbean countries represented nearly three times their annual export earnings. In addition, the number of developing countries with serious debt problems now exceeded 70. That trend indicated the failure of the various debt strategies thus far applied. Indeed, rescheduling, the most often used debt strategy, tended to add to debtor countries' debt stock in the long run, since interest rates were often capitalized at market rates.

26. The rise in external indebtedness of developing countries was further aggravated by the huge net transfer of resources from developing to developed countries. Together, those problems constituted a major constraint on the economic growth and social development of developing countries. In the case of Ghana, of its total receipts from all sources over the past six years it had spent nearly three quarters on debt servicing and debt payment. Such a huge outflow at a time when commodity prices, particularly cocoa prices, were falling made it extremely difficult to contain widespread poverty, disease and illiteracy and to restore social and economic infrastructure. In fact, despite its average annual growth of over 5 per cent since 1983, Ghana's per capita GDP remained at $US 400, indicating that, even if that growth was maintained, the eradication of poverty still lay a long way ahead. Ghana's economic growth could only become self-sustaining if that huge outflow was halted and if substantial assistance was provided in the form of grants or loans on highly concessional terms.

27. Similarly, most other developing countries could not repay or service their debts on the original terms while simultaneously achieving development. Since short-term solutions such as rescheduling had failed, the only logical solution was to reduce debt payment and debt service so as to release resources for domestic investment, thereby ensuring sustained economic growth. It was therefore encouraging to note that most creditor countries had finally come to accept the fact that debt reduction was an essential prerequisite for resolving the debt crisis. The decision taken at the 1988 Toronto Economic Summit Meeting of seven industrial nations and the Brady plan were two recent proposals that acknowledged both the vital role of debt service and debt reduction and also the role of creditor Governments in implementing proposals for resolving the debt crisis.

28. The Toronto decision was commendable, particularly inasmuch as it had improved the terms of rescheduling official debt owed by low-income countries in sub-Saharan Africa. The action taken by the Federal Republic of Germany, Canada, France, Sweden and the United Kingdom to cancel low-income African debt was very laudable. However, the Toronto decision did not satisfy the needs of all developing countries, since it was very restrictive, and also because the scope of relief was limited and in no way related to a country's capacity to pay. The timing and degree of concessionality also needed to be improved in order to cut costs.

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(Mr. Denu, Ghana)

29. The Brady plan was equally commendable, but was unlikely to have any substantial impact on the total debt of developing countries, since the $US 30 billion made available was not only insufficient but also unlikely to be used, in view of the stringent conditions attached. According to the report of the Trade and Development Board (A/44/15), the available money would reduce the interest payments of the 15 most heavily indebted countries by only 15 per cent, and the principal owed to banks by only 20 per cent. The fact that the proposal was precariously dependent on the extent to which commercial banks were willing to compete against each other made it doubtful whether it would benefit even the 15 intended beneficiary countries. For the proposal to work, Governments of developed countries would have to provide financial resources to complement those provided by the World Bank, IMF and Japan. In any case, his delegation opposed debt strategies that singled out one group of countries for political or ideological reasons.

30. Thus, the eligibility criteria for both the Toronto initiative and the Brady proposal must be broadened and the conditions attached to access to the funds removed, to enable more countries to benefit. As the Trade and Development Board pointed out, it was essential to ensure that countries were not denied debt relief because of poor performance, when good performance was unattainable in the absence of such relief.

31. Since commercial banks were unlikely to participate voluntarily in any debt strategy involving allocation of substantial new resources, it would be necessary for their Governments to induce them to do so. The right of commercial banks to offset overseas losses against tax might be one incentive enabling them once again to extend credit to developing countries, particularly in Africa, where commercial-bank lending had fallen from $US 3 billion in 1985 to $US 0.4 billion in 1987, even though the region had been fulfilling its payment obligations.

32. Finally, he stressed that reduction of the stock and service of debt was necessary, but not sufficient for solving the crisis facing developing countries. Reduction of debt must be accompanied by an adequate flow of resources to developing countries to enable them to create the necessary capacity to pay for new loans without suffering any adverse effect on their balance of payments. There would also be a need to ensure that developing countries received adequate remuneration for their exports.

33. Mr. AHMED (Pakistan) said that the social costs of the debt crisis in the developing countries had been heavy: standards of living had declined, affecting social peace and political stability. A better appreciation of the toll in human terms might be instrumental in accelerating international efforts to find an equitable solution.

34. Some positive developments had taken place during the previous year; there were growing indications that the key to a solution lay in debt reduction. However, the measures taken had been too tentative to have a tangible impact. If left to the commercial banks, debt reduction would remain incomplete and haphazard. The creditor Governments must play a more active role as leaders in that process.

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(Mr. Ahmed, Pakistan)

35. Deliberations on the debt question should not overlook the increasing difficulties of the low-income countries, whose debt was largely official in nature. Most of them had managed their debts efficiently. However, their people had paid heavily: the literacy rates, health coverage, shelter and other social indicators were far below average developing-country indicators. It would be irresponsible to penalize those countries for managing their debts efficiently.

36. In the first place, therefore, the principle of debt reduction should be applied to all categories of debt and all categories of debtor developing countries. In that context, his delegation fully supported the proposal contained in the Secretary-General's report (A/44/628), that debt-service write-offs and reductions in interest rates for low-income countries should be much larger than those contemplated under the current options. Secondly, the size of the debt reduction must be such as to enable the debtor developing countries to resume growth. It should take into account their capacity to pay and their developmental needs. Thirdly, if their benefits were not to be neutralized, debt-reduction measures must be accompanied by the release of adequate additional funds, to enable developing countries to accelerate their growth while fulfilling their residual debt obligations.

37. The external environment continued adversely to affect the developing countries. Concerted global action was necessary to create the conditions enabling the developing countries to produce and manufacture to their full potential. The roll-back of protectionist measures, enhanced co-operation in technology transfer and stabilization of commodity prices were some key elements for creating a global growth-oriented environment.

38. The developing countries were mindful of their own responsibilities in helping to solve the debt problem. Most of them had introduced stringent reforms by deregulating their economies, devaluing their currencies, controlling expenditure and encouraging investment through domestic savings. However, there was a point beyond which adjustment would lead to serious social and political disruption. In many developing countries, adjustment had already become synonymous with punishment. It would be unwise to push them too far. Meanwhile, no further time should be lost in evolving a comprehensive strategy to solve the crisis, which now threatened to overwhelm the existing international economic system.

39. Mr. MUTOMBO TSHITAMBWE (Zaire) noted that the Secretary-General's report (A/44/628) reflected the deep concerns of the political leaders of countries burdened by external debt. Debt threatened the political and social stability of developing countries.

40. Zaire had been presented by its creditors with various options for dealing with its debt. They included recourse to concessional credits; debt-equity swaps, which placed inflationary pressures on debtor countries and were often difficult to carry out because of a lack of viable enterprises in debtor countries; refinancing under any of a number of schemes; and cancellation, which his delegation did not favour because it undermined the credibility and confidence of debtors, except in the case of the least developed countries.

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(Mr. Mutombo Tshitambwe, Zaire)

41. As the debt crisis was felt most severely in Africa, that region should be accorded high priority by the international community. He welcomed the relief measures applied in respect of his country by the seven major industrialized countries, following their 1988 Toronto Summit Meeting. In addition, Belgium had assumed one third of Zaire's debt to commercial banks and had rescheduled the other two thirds over a 25-year period, with a 14-year grace period. The interest on that amount had been converted into a local currency fund to finance development projects. China too, had allowed debt payments to be converted into local currency to finance bilateral co-operation projects in Zaire.

42. The United States Secretary of the Treasury had recommended that reduction of debt and debt servicing should be an integral part of any debt strategy. The States members of the European Economic Community had stated that they wished to see developing countries benefit from increased financial flows, including greater official assistance for the poorest among them. At a summit conference of the Organization of African Unity, African leaders had suggested that an international conference on African debt should be held, a proposal which his delegation hoped would be considered at the forthcoming special session of the General Assembly.

43. Yet, no matter how promising such initiatives might be, they would amount to nothing if the international community failed to implement them. A clear expression of political will by all the parties involved was required. The developed countries in particular should come up with a genuine plan of international solidarity to benefit the developing countries, especially those in Africa. He drew attention in that connection to the proposal made by the President of Zaire in his address before the 19th plenary meeting of the General Assembly, that the international community should urge Africa's creditors to accept the principle of a grace period of at least 10 years and to agree to the repayment of all debt in local currency.

44. He concluded by associating himself with the statement made by the representative of Malaysia on behalf of the Group of 77 and expressing full support for all the proposals contained therein.

45. Mr. OUALI (Burkina Faso) said that his delegation shared the views expressed by the representative of Malaysia on behalf of the Group of 77. It was generally recognized that the debt problem constituted an intolerable burden for the third world, especially the least developed countries. The servicing of their external debt continued to be the principal obstacle to a revitalization of growth. In the case of Burkina Faso, the bulk of the country's debt was owed to multilateral and bilateral creditors, which was why the partial relief measures applied to date had had little effect. That situation would change radically if creditor Governments worked together to elaborate comprehensive measures.

46. The developing countries had been forced to accept structural-adjustment programmes which provided only a temporary solution. Such programmes should take social conditions into consideration, as had been done in the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation.

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(Mr. Ouali, Burkina Faso)

47. While Burkina Faso had not yet adopted a structural-adjustment programme the Government had taken difficult political decisions to cope with the country's economic situation, acknowledging past errors. However, financial flows to the country must be resumed, commodity prices must be profitable and aid should be increased significantly. In view of the current political international climate, the United Nations ought to be able to fulfil its key role in the economic field more effectively and develop imaginative, urgent and appropriate responses.

48. Mr. OULD CHEIKH EL GAOUTH (Mauritania) expressed support for the statement made by the representative of Malaysia on behalf of the Group of 77.

49. The external-debt problem had taken on political dimensions. Given the new climate in international political relations, the General Assembly could play a greater role in facilitating a solution to that problem. The convening of the Second United Nations Conference on the Least Developed Countries, the preparation of the international development strategy for the fourth United Nations development decade and the convening of a special session of the General Assembly devoted to international economic co-operation all offered hope. At the same time, the measures and initiatives currently being put forward to solve the debt problem offered an unexpected opportunity for reversing the catastrophic flow of resources from poor to rich countries.

50. There was a great temptation to view that state of affairs as a step towards the establishment of a more just economic order, yet the gap separating developing from developed countries was growing wider each year. Africa was a source of particular concern. Neither the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 nor the painful structural-adjustment programmes undertaken by many African countries had prevented the African debt burden from growing more onerous. The many requests by African States for the convening of an international conference on African debt should be heeded.

51. The United Nations system must not lose sight of the fact that Africa must be considered as a whole: the exclusion of Nigeria and other African countries from the data submitted in connection with the debt crisis did a disservice to the region. The United Nations Programme of Action for African Economic Recovery and Development also concerned all African countries, although unfortunately, it seemed to be drawing to an end on a note of deep disillusionment, given the record decline in the region's gross domestic product to pre-1980 levels.

52. An unprecedented expression of solidarity was therefore imperative, and he urged the industrialized countries to devote 0.7 per cent of their GDP to development co-operation. Innovative measures to alleviate developing countries' debt burden were also needed, with cancellation of debt the solution of choice in many cases, particularly those of the least developed countries. France, the Federal Republic of Germany and Canada were to be commended for having cancelled the official debt of several African countries including his own, and his delegation hoped that that trend would gain widespread acceptance. His delegation also supported the reasonable proposal by Tunisia to apply debt reduction and other measures agreed at the 1988 Toronto Summit in respect of middle-income countries.

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(Mr. Ould Cheikh El Gaouth, Mauritania)

53. Like many African countries, Mauritania faced severe economic and financial problems which forestalled any economic growth. The causes of that situation were to be found in both the international economic situation and internal conditions - drought, desertification, grasshopper infestation, etc. - over which the country had no control. Yet some internal factors could be dealt with. The country had just launched its fourth national programme to promote lasting growth and restore order to public finance and the balance of payments. Implementation of the structural and financial policies which had been mapped out ought to stimulate investment. In fact, those measures had yielded encouraging results. Nevertheless, the programme could not be implemented without the continued support of the international community.

54. The Mauritanian Government had formulated a policy for resolving or alleviating the country's external-debt problem. Relief would take the form of cancellation or rescheduling on more favourable terms than those obtained to date in the Paris Club, which were inappropriate in view of the country's vulnerability to shocks. It was also to be hoped that the forms of debt relief agreed by the international community would include refinancing, debt conversion into grants and the application of more favourable terms for the reimbursement of the outstanding principal, given Mauritania's status as a least developed country. Mauritania was making enormous efforts, as its partners could testify, and scrupulously honoured its commitments.

55. Miss HERRMANN (Costa Rica) said the fact that the Committee discussed the external debt crisis year after year implied that the world did not consider the solution of that problem urgent. The fact that not a single country had found a lasting solution showed that greater co-operation and solidarity were required of the international community. The Brady Plan was the most important development to have occurred in that regard, since it acknowledged that countries could not continue to assume new debt to service existing debt and recognized debt reduction as one of the main components of a solution.

56. The Costa Rican Government had made enormous efforts to find an equitable solution that was consistent with the country's objectives of peace and economic and social progress. A series of structural reforms had been carried out to promote exports, the efficient use of resources and increased productivity. Tariffs had been reduced, the financial system had been modernized and a consolidated scheme for devaluation had been developed. In the macro-economic sphere, restrictive monetary and fiscal policies had generated some stability in the form of steady growth and low unemployment and inflation.

57. Intense efforts had been made at the multilateral level. Costa Rica's debt had been restructured in the Paris Club, a stabilization agreement had been reached with IMF and a structural programme had been elaborated with the World Bank. Costa Rica had applied for membership in GATT and had become a member of the World Bank Multilateral Investment Guarantee Agency. Debt-for-nature swaps had been made and nearly 5 per cent of the country's commercial debt had been converted into local currency in order to finance projects for the protection of natural resources.

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(Miss Herrmann, Costa Rica)

Despite all those efforts, however, the burden of external debt continued to prevent accelerated economic growth.

58. In 1986, Costa Rica had unilaterally decided to pursue a payment policy vis-à-vis creditor banks based on the country's economic capacity. The country had taken the position that it could make interest payments on schedule only if the amount of those payments was reduced to a level consistent with reasonable growth and unlikely to jeopardize economic or social stability. That policy had led to growth rates of 3 to 4 per cent a year, with Costa Rica one of the few Latin American countries that was not an exporter of capital. Moreover, under the Brady plan, Costa Rica had negotiated a significant reduction in its commercial debt by means of various mechanisms only the week before; no new funds had been sought. The resale of Costa Rica's debt obligations on the secondary market would, if totally successful allow the country to reduce its external debt by approximately $1 billion and reduce debt-servicing obligations by two thirds, thereby enabling it to retain an additional 10 per cent of its export earnings. International solidarity was indispensable to the success of that programme, and the World Bank and IMF, as well as friendly creditor countries, had promised to provide assistance. Nevertheless certain details of the package remain to be worked out and private banks must play an active role in the operation, which was purely voluntary.

59. The steps Costa Rica had taken and the degree of success it had achieved made her delegation fully aware of the difficulty of the problem and the need for debtor countries to work together to find general and equitable solutions. The international community must realize that debt was associated not solely with development but also with democracy, for economic stagnation was not conducive to freedom.

60. Mr. ESSY (Côte d'Ivoire), referring to the positive developments in the world political situation, said that while mankind had never been so close to a state of peace, the people of the southern hemisphere, and in particular Africa, had never been so far from achieving progress. While the world economic situation had improved since 1983, growth had been distributed differently among the various groups of countries.

61. The output of the major industrial countries had grown since 1987. In the developing countries, on the other hand, growth had been less uniform. With regard to Africa, despite the efforts made to achieve structural adjustment in the majority of countries, statistics indicated that they had become even poorer than at the time of attaining independence. Available projections suggested that the standard of living of African populations would continue to drop in 1990.

62. While the international financial situation had become more stable, debt remained a major problem for a number of developing countries. The excessive burden of the external debt and debt service continued seriously to hamper African countries' growth and limit the effectiveness of their economic reforms. Despite its relatively modest amount in absolute terms, Africa's debt burden was a source of serious concern. In fact, the total indebtedness of the developing countries had risen from $800 billion in 1982 to $1,320 billion at the end of 1988.

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(Mr. Essy, Côte d'Ivoire)

63. His delegation was pleased to note that Africa's indebtedness continued to be the subject of sustained consideration by the entire international community, as could be seen by the various proposals made and initiatives taken during the past year, such as the Brady plan and the measures adopted by Canada, Japan, France, the United States and other developed countries.

64. IMF and the World Bank had also adopted new guidelines and operational procedures in order to participate in the new debt strategy. Mention should also be made of the previous phase of the strategy, characterized by the Baker plan, which had encountered two obstacles: first, the reluctance of commercial banks to grant new credits to heavily-indebted countries and, secondly, the insufficient progress made by those countries in their adjustment efforts.

65. Other initiatives aimed at reducing the debt of the poorest sub-Saharan countries were being implemented. The first was the special assistance programme for sub-Saharan Africa prepared in December 1987 with a view to increasing and accelerating the supply of concessional funds in support of adjustment programmes. Nineteen countries had already benefited from it and three others were in the process of meeting the eligibility requirements.

66. The second initiative concerned the recommendations made by the Toronto Summit and the annual assemblies of the World Bank and IMF at Berlin in 1988. However, it must be recognized that their impact seemed rather limited.

67. To date, nine African countries had benefited from the debt-reduction machinery drawn up at Toronto, but the initiative itself seemed to be modest. Even if all the eligible countries benefited from it, the amount of reduction was estimated at $500 million a year compared with the $15 billion which their debt service would require. Although the Toronto initiative reduced the debt burden of the low-income countries somewhat, it could not be regarded as providing a durable solution. Consequently, bolder measures were necessary to restore their solvency and growth prospects.

68. In those circumstances, cancellation of the bilateral concessional loans ($6 billion) and conversion of the loans granted at market terms into concessional credits would help to reduce Africa's debt burden. France's decision to cancel all public debts for the 35 poorest sub-Saharan countries came within that context. Applicable on 1 January 1990, it involved nearly 16 billion French francs, i.e. about 43 per cent of the total debt owed by those countries to France. It was to be hoped that other creditors would follow suit.

69. However, commercial debt was not covered by those initiatives. The Brady plan constituted a third phase characterized by a determination to reduce the outstanding commercial debt. The commercial banks were invited to work together with debtor countries in order to identify mutually acceptable machinery designed to reduce the stock and service of debt and to stimulate private financial flows. The Brady plan also called on the World Bank and IMF to support that strategy.

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(Mr. Essy, Côte d'Ivoire)

70. The Governments of creditor countries would participate by rescheduling and restructuring their own loans through the Paris Club and by continuing to grant export credits to countries which applied satisfactory reform programmes. Although it was too soon to predict the chances of success of the Brady plan, its great advantage was that it recognized the need to reduce the debt and debt-service burden. He welcomed the progress made by IMF and the World Bank in defining procedures for their participation in the debt-relief operations.

71. The actions taken by Zimbabwe, Cameroon, the Congo and Gabon in order to benefit from the various initiatives aimed at reducing African debt should be supported by creditor countries and international development institutions. The simplest solution would be to make African countries eligible for the recent debt-relief initiatives taken in favour of low-income countries. Convinced that only a united Africa would be able to make its voice heard, his country had recently decided to join the efforts of Cameroon, the Congo and Gabon.

72. His delegation continued to believe that the best form of assistance which the developed countries could provide to the developing countries was to ensure equitable payment for their exports and unrestricted access to their markets.

73. In its opinion, account should be taken henceforth of changes in commodity prices in the elaboration and execution of adjustment programmes with international financial institutions, in particular the World Bank and IMF. Indeed, countries like his own had seen their efforts seriously impeded by the drastic drop in their agricultural export earnings. For example, his country had thus in three years lost nearly $9 billion, representing 70 per cent of its export earnings, while it had paid during the same period $6 billion for the rescheduling of its external debt. It had been obliged to suspend payment on its external debt from June 1987, although it was continuing to service loans from the World Bank and IMF.

74. His country called on the international community to play an active role in efforts to reform the commodities market. In particular, measures should be taken to strengthen the effectiveness of the Common Fund for Commodities. In that connection, he expressed his delegation's satisfaction at the establishment by the Secretary-General of a group of experts to make a detailed study of the question of the commodities of African countries and of prospects for the diversification of their exports. It hoped that in parallel with those efforts the existing machinery within the international institutions would be adapted to the needs of developing countries. Regrettably, IMF had not taken action along those lines.

75. It was through its own efforts, but also with indispensable assistance from friendly countries and international institutions, that his country had been able to make considerable economic and social progress. At a recent meeting in Paris, his country had presented to international creditors an ambitious programme for economic stabilization and recovery and had obtained substantial financial assistance from its main external partners. That assistance would enable it, after reducing and rescheduling its external debt, to resume progress towards dynamic and stable growth.

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76. Mr. CHOUDHURY (Bangladesh) observed that, by the end of 1988, the indebtedness of the developing countries had reached $1.3 trillion, which represented about half of their combined gross national product and nearly twice their annual export earnings.

77. The ratio of investment to gross domestic product in most debtor countries had declined from 24 per cent before the crisis to about 17 per cent. The value of the developing countries' debt had continued to fall in the secondary markets and interest rates had remained high, which made it extremely difficult to sustain a net transfer of resources to the developing countries; since 1983 a significant negative transfer had taken place.

78. The heavily-indebted countries in Latin America and Africa and most of the least developed countries had been barely able to maintain minimum growth. Virtually none had been able to restore a workable balance-of-payments position despite repeated and exacting adjustment efforts. Their investment and crucial social expenditure had dwindled at a heavy cost for future growth.

79. It was clear that, to be effective, a strategy must address fundamental problems. A first step must include a significant relaxation of external resource constraints faced by the developing countries. Debt-reduction measures must be massive enough to remove the brake on the economies of the developing countries.

80. Restoration of an acceptable level of macro-economic stability was important to the developing countries, but should not be an end in itself. Artificially imposed stability was bound to be extremely fragile if productive capacities and living standards were not allowed to grow. His delegation was heartened that, with regard to the heavily-indebted middle-income countries, there was now a broad consensus that debt reduction should be an essential element of any debt strategy to help them. The Brady plan represented significant progress over past approaches.

81. The success of that strategy would depend on the level of resources committed to debt reduction and the participation of all important actors in its implementation. Recent studies rightly referred to the inadequacy of resources and debt reduction envisaged in the Brady plan. Disquieting signs indicated that major commercial banks were not living up to their expected role in the implementation of the strategy. The specific measures proposed, inter alia, by the Independent Group on Financial Flows to Developing Countries and the study group established by the World Institute for Development Economics Research should revive commercial lending to developing countries and encourage banks to co-operate fully with current efforts to overcome the crisis.

82. Official creditors, both bilateral and multilateral, which held an overwhelming proportion of the external debt of the poorest countries, must also play a key role. With an accumulated debt of over 60 per cent of their GDP and debt-service payment absorbing over 60 per cent of their exports, the debt burden had become a major strain on those countries. The proposals adopted at the 1988 Toronto Summit marked a major advance in the position of official creditors with regard to non-concessional debt owed by those countries. However, a number of

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(Mr. Choudhury, Bangladesh)

shortcomings relating to eligibility, scope, degree and timing of concessionality and additionality had emerged. Urgent corrective measures therefore needed to be taken.

83. His delegation was encouraged by the bold initiatives taken recently by France, the United States, Japan and other developed countries to cancel some of the outstanding official debts of the least-developed countries, particularly in sub-Saharan Africa. However, the impact of that approach was bound to be limited unless other heavily-indebted least-developed countries were brought within their purview. Cancellation of the official debt of the least-developed countries, either in pursuance of the relevant Trade and Development Board resolution or independently, must be an integral part of a realistic strategy to resolve their crippling debt crisis.

84. Another urgent problem was the multilateral debt of the least-developed countries, which accounted for almost 40 per cent of their total debt obligations. Several ideas had been put forward to tackle that aspect, including a scheme to convert their multilateral debts into loans on concessional terms with a longer repayment period.

85. The problem of debt and development was closely linked to trade. Increased export earnings were an essential component of any strategy to ease the debt burden and activate higher growth in developing countries. Yet various barriers to trade had become more prevalent and a renewed trend towards protectionism had been noted. In his delegation's view, a fundamental reappraisal was long overdue and should occupy an important place in the Committee's agenda.

86. Mr. OSSIO (Bolivia) said that the Brady plan represented praiseworthy progress, although it required some improvement for practical and generalized application. The plan had been adopted because of several events, including dramatic social disturbances in some countries as a result of the implementation of adjustment programmes aimed at dealing with the debt crisis. It was clear therefore that the debt problem should be analysed in close relationship with development in indebted countries, since there could be no solution without economic development that alleviated the social burden of the debt and released resources for that purpose.

87. In addressing the General Assembly at its current session, the President of his country had referred to favourable developments in Bolivia's external-debt situation achieved through imaginative solutions and, in one particular case on the basis of solidarity between Bolivia and Argentina.

88. The reduction of nearly 30 per cent of the total external debt represented a great effort for the people and Government of Bolivia despite a deterioration in the social situation, reflected in unemployment, marginalization and a general decline in social indicators. His Government was also seeking to correct that situation.

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(Mr. Ossio, Bolivia)

89. Those problems, which were common to other developing countries, were the result of strict adjustment measures and could not be resolved overnight since they required prolonged sacrifices by the entire country and the assistance of the international community.

90. Therefore, his delegation considered that the social aspect was essential to an analysis of the responsibility of creditor and debtor countries.

91. With regard to its commercial debt, the assistance provided by developed and developing countries to Bolivia had enabled it to recover over half of that debt in the secondary market. Clearly, there was a spirit of understanding in some countries for certain cases, which introduced innovative elements in a dialogue which had thus far been bitter and fruitless.

92. In conclusion, he stressed that the dialogue on the debt problem should involve political and social issues in order to take account of the responsibility of Governments for the well-being of their peoples.

93. Mr. SALAZAR SANTIZO (Guatemala) said that the poorest countries continued to be frustrated in their desire for progress by the problem of foreign debt and debt servicing. While Guatemala welcomed the progress reached in various negotiations on debt, it regretted that not all countries could share the optimism and confidence of some with regard to the debt problem, and that the same treatment had not been accorded to all debtor countries.

94. It was paradoxical that the less-indebted countries, which had made significant efforts to meet their debt obligations, had been forced to accept more severe renegotiation conditions and had been refused benefits granted to other countries. It was particularly unfair that countries which had implemented macro-economic policies consistent with efforts to repay their debt and had made structural adjustments, which prejudiced their own development and social programmes, entailing sacrifices in the areas of education, health and housing, were being subjected to such harsh treatment. It was essential that the problem of debt for the developing countries should be treated in a comprehensive and coherent manner, sensitive to the needs of true economic, political and social development. Steps to reduce debt or debt-servicing burdens were rendered futile if accompanied by a drastic decline in the export earnings of developing countries.

95. In common with many other countries, Guatemala had been severely affected by the drop of almost 75 per cent over the previous year in coffee prices, entailing losses to Guatemala of $US 250 million, roughly equivalent to the entire cost of its debt servicing. It was therefore vital that decisions concerning the developing countries' debt should be adopted in a coherent and across-the-board manner, if the benefits resulting from the renegotiation of external debt were not to be totally nullified by a severe deterioration of exchange rates and grinding poverty.

96. Guatemala was also concerned at the lack of concrete measures to assist countries whose primary creditors were multilateral organizations. It commended

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(Mr. Salazar Santizo, Guatemala)

the efforts made by certain countries to solve their debt problem while enhancing the living conditions of their people and striving for genuine economic and social development. Guatemala also supported the statement on the external debt made by the representative of the Latin American Economic System (SELA), who had outlined the plight of Latin American and Caribbean countries and had noted their efforts to overcome external indebtedness.

97. Mr. BEN MOUSSA (Morocco) said that, with regard to the question of external debt, Morocco shared the views of the Group of 77 and the position adopted by the non-aligned countries at the Belgrade Summit Conference in September 1989, and believed that the external-debt crisis reflected and depended on a more serious crisis affecting the entire world economy. The external-debt crisis highlighted the injustices in North-South relations and the inadequacy of partial approaches in tackling world-wide problems. Since external debt still represented a major obstacle to development, Morocco could not concur with those views expressed in the Committee general debate which made light of the crisis.

98. The external-debt crisis had grown throughout the 1980s to an astronomical magnitude of $US 1,320 billion. According to figures supplied by the Organisation for Economic Co-operation and Development (OECD), the total debt of the developing countries had increased by one third between 1982 and 1987, despite debt-servicing payments of $US 839 billion. Financial flows from the developed countries in the form of official bilateral or multilateral aid, loans, investments and public and private export credits had only amounted to $US 552 billion, with a consequent net transfer from South to North of $US 287 billion.

99. The developing countries were currently experiencing a negative net transfer of financial resources amounting to $US 33 billion in 1988, or 3 per cent of the GNP of the 15 most heavily indebted countries. While some Asian countries had been able to honour their debt obligations, in certain others, notably, China, the Philippines and India, the burden of debt had reached alarming proportions.

100. An absurd situation had arisen where new loans served only to repay old ones, and, because of fluctuations in interest and exchange rates and devaluations necessitated by structural adjustment, new payments failed to decrease external debt, which continued to grow like a cancer. External debt was an insuperable and demoralizing burden.

101. While it was conceded that a large proportion of loans had not always been productively invested, it was also true that budget deficits and commercial imbalances in the major industrialized countries had turned the debt crisis into a pandemic. The development organizations and international co-operation agencies had also contributed to the problem by encouraging the developing countries to direct their economic strategy at world markets and not at satisfying their domestic social and economic needs. That outward orientation, with its heavy cost in foreign currency, technology and expensive expatriate personnel, had caused all resources to be devoted to the export sector, while agriculture and industry had been severely neglected and no effort had been made to diversify national economies. The developing countries were forced, by the restricted range of their

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(Mr. Ben Moussa, Morocco)

exports, to compete with one another on limited and heavily protected markets, whose eventual saturation had caused prices for those exports to plummet to their lowest level since the 1930s.

102. The interrelation between the debt crisis and imbalances in the world economy meant that no international strategy for debt reduction could succeed without the shared responsibility and solidarity of all those concerned. The problem of spiralling debt, exacerbated by the exhaustion of resources in 1982, had become so acute that it could no longer be treated in isolation.

103. The developing countries could overcome their debt problems only in an international context conducive to growth. Concerted efforts must therefore be made to overcome the primary obstacles to world prosperity, specifically: the increase in interest rates, the slump in commodity prices, the re-emergence of protectionism and subsidies for agricultural exports, the instability of exchange rates in the main currencies, the unjustifiable negative transfer of resources, and the stress caused by structural adjustment.

104. While monetary, budgetary and commercial discipline was essential, structural adjustment had seriously hindered development. Cutbacks in social programmes had drastically reduced the affected countries' ability to satisfy their basic needs in food, education and health, sometimes with almost intolerable social and political consequences. Adjustment policies were further hampered by the lack of regional economic co-operation between the developing countries. Furthermore, the frantic search for foreign currency to service external debts had forced developing countries to inflict extensive damage on the environment: soils had been exhausted by the cultivation of export crops; non-renewable mineral resources had been depleted and forests decimated. A direct link could also be seen between the proliferation of drugs in the world and the debt crisis.

105. By causing the loss of jobs and rising food prices, structural adjustment led to malnutrition, rising infant mortality and even shorter life expectancy. According to conservative estimates, the human cost of adjustment in 23 countries had reached 3,000 dead, 7,000 wounded, and 15,000 arrested. In view of those sacrifices and its impact on human rights, adjustment could not be considered as the exclusive responsibility of the developing countries. A fair and symmetrical division of effort between the entire international community was required, ensuring that the developing countries would have access to the resources and debt reductions necessary for the implementation of stable development programmes, without causing intolerable economic, social and political upheavals.

106. If the debt crisis was to be overcome, the relevant agreements of the United Nations and its agencies had to be strictly implemented. A good basis for recovery could be provided by the alternative measures proposed by the non-aligned countries in their Belgrade declaration. Careful heed should also be given to the Secretary-General's appeal to Governments to write off certain inherited debts, which inhibited the building of new and more profitable relationships between the parties concerned.

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(Mr. Ben Moussa, Morocco)

107. The Brady proposal and the initiatives resulting from the Toronto Economic Summit had represented a step towards solving the debt crisis, and Morocco also supported such new debt-reduction measures as "debt-for-nature swaps" and the safety mechanisms aimed at eliminating the net transfer of resources to developed countries or multilateral financial institutions. However, such initiatives had to be implemented much more rapidly and extended to all forms of debt and all categories of indebted developing countries. The IMF had a crucial role to play in the debt strategy, by considering quota increases under the Ninth Review and negotiating the ninth replenishment of International Development Assistance (IDA) resources, which would assist the poorest countries in meeting their basic requirements.

108. Despite the availability of such mechanisms, the international debt strategy could not hope to achieve tangible results unless the resources available for debt reduction were tripled from their present level of $US 30 billion. Furthermore, the strategy would have to be applied to all categories of debt, and accompanied by guarantees and currency arrangements to encourage the participation of commercial banks and co-ordinated with joint political actions by the creditor and debtor country Governments.

109. His delegation pressed for the adoption of three basic measures in addressing the debt crisis. The first was the creation of a debt reconversion agency, charged with assisting disadvantaged debtor countries with adjustment programmes, by rescheduling their debts and by securing an alleviation of their private debt on secondary markets. Such an international facility for debt reconsolidation would make possible the acceptance of repayments in local currency, which could in turn be reinvested in the priority sectors of debtor countries. As the Secretary-General had indicated in his report (A/44/628), a facility commanding $US 50 billion would bring about debt reduction of $US 125 billion, with the largest contributor not having to pay more than $US 100 million.

110. Tho second measure was that proposed by the French President at the forty-third session of the General Assembly to generate resources for a new commercial-debt-guarantee facility, by allocating to that purpose the developed countries' share of a proposed issue of SDRs (A/44/628, para. 12). Morocco supported the proposal since no SDR allocation had been made since 1981, and an issue of 21.4 billion SDRs by the IMF could, therefore, be envisaged, entailing no additional cost to member countries or transfer of risk from the private to the public sector. Furthermore, the facility would create a direct link between SDRs and development, in line with the aspirations of the developing world.

111. The third measure was the strengthening of multilateral surveillance in harmony with the interests of the developing world. Such surveillance would ensure the co-ordination of the macro-economic policies of the developing countries and the major needs of development, and would help stabilize the world economic environment by leading to a less harsh international financial and commercial system.

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(Mr. Ben Moussa, Morocco)

112. His delegation believed that better international co-operation in tackling the debt question could be achieved if the group of seven industrial nations would invite to its annual summit meetings the leaders of developing countries in the Group of 77, the Non-Aligned Movement and the Intergovernmental Group of 24 on International Monetary Affairs. Only through such co-operative efforts and shared responsibility would it be possible to address in a satisfactory way the financial and monetary crises which had come to characterize the decade of the 1980s.

ORGANIZATION OF WORK

113. The CHAIRMAN announced that a number of delegations wished to join in sponsoring draft resolutions which the Committee would consider. The draft resolutions and respective sponsors were: A/C.2/44/L.10 (agenda item 82 (d)) - Togo and the United Kingdom; A/C.2/44/L.16 (agenda item 88 (b)) - Poland; A/C.2/44/L.22* (agenda item 12) - Iceland and Suriname; A/C.2/44/L.31 (agenda item 12) - Bulgaria, Hungary and Iceland; and A/C.2/44/L.32 (agenda item 88 (a)) - Suriname.

The meeting rose at 6.50 p.m.

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