

VIEW, JUDGEMENTS IN THIS AREA SHOULD BE SUSPENDED UNTIL THE STRATEGY HAS BEEN APPLIED SEVERAL TIMES AND A CERTAIN EXPERIENCE OF ITS PRACTICABILITY GAINED.

DEBT REDUCTION WILL NOT BE A PANACEA FOR THE FINANCIAL PROBLEMS OF ALL HEAVILY INDEBTED DEVELOPING COUNTRIES, BUT IT CAN IN SOME CASES HASTEN A RETURN TO ECONOMIC GROWTH AND, EVENTUALLY, CREDITWORTHINESS. DEBT REDUCTION IS LIKELY TO CONTRIBUTE POSITIVELY WHERE IT FORMS PART OF A BROAD PACKAGE OF FINANCIAL SUPPORT TO COMPREHENSIVE MACROECONOMIC AND STRUCTURAL ECONOMIC REFORMS IN THE DEBTOR COUNTRY. IT IS ONLY THROUGH STRONG ADJUSTMENT MEASURES TO CORRECT SHORT-TERM IMBALANCES AND LONG-TERM INFRASTRUCTURAL AND COMPETITIVE WEAKNESSES, THAT A DEBTOR COUNTRY WILL BE ABLE PUT THE DEBT PROBLEM BEHIND IT AND GRADUALLY REFURBISH ITS CREDITWORTHINESS. AND LET US BE REALISTIC ABOUT IT: ANY COUNTRY HAVING RESORT TO SIGNIFICANT DEBT REDUCTION WILL SEE ITS CREDITWORTHINESS IN WORLD FINANCIAL MARKETS DROP EVEN FURTHER, AT LEAST IN THE SHORT TO MEDIUM TERM. THIS MEANS THAT DOMESTIC SAVINGS WILL HAVE TO FINANCE A GREATER SHARE OF DEVELOPMENT EFFORT, AND THIS IS AN EVEN STRONGER ARGUMENT FOR VIGOROUS ADJUSTMENT EFFORT IN THE SHORT TERM.

FOR THESE REASONS, MR. PRESIDENT, MY GOVERNMENT CANNOT ACCEPT, THE RECOMMENDATION IN THE TRADE AND DEVELOPMENT REPORT WHICH CALLS FOR THE IMPLEMENTATION OF DEBT REDUCTION PRIOR TO THE IMPLEMENTATION BY INDEBTED COUNTRIES OF STRONG ADJUSTMENT PROGRAMS. THIS RECOMMENDATION INVITES BOTH DEVELOPED AND DEVELOPING COUNTRIES TO ACT CONTRARY TO THEIR PRINCIPAL RESPONSIBILITIES: ENSURING EFFECTIVE USE OF FINANCIAL SUPPORT PROVIDED BY DEVELOPED COUNTRIES, AND DESIGN AND IMPLEMENTATION OF VIGOROUS ADJUSTMENT PROGRAMS BY DEVELOPING COUNTRIES.

NOR CAN WE ACCEPT THE THEORETICAL UNDERPINNING FOR THE SECRETARIAT'S RECOMMENDATION, NAMELY THAT MACROECONOMIC DISORDER IN SOME COUNTRIES HAS REACHED SUCH A STATE THAT STABILISATION IS IMPOSSIBLE WITHOUT PRIOR DEBT RELIEF. ON THE CONTRARY, IN MANY OF THESE COUNTRIES EXTERNAL DEBT SERVICE IS FAR FROM BEING FULLY CURRENT AND THUS CANNOT BE A MAJOR FACTOR IN THE ACCELERATING INFLATION, DECLINING EXTERNAL COMPETITIVENESS AND DETERIORATING PUBLIC FINANCES WHICH CHARACTERIZE THEIR CONDITION.

MR. PRESIDENT, MY GOVERNMENT RECOGNISES THAT STRONG ADJUSTMENT POLICIES ARE MUCH EASIER TO PRESCRIBE THAN THEY ARE TO IMPLEMENT. WE ARE ALSO COGNISANT OF THE NEED TO PROTECT THE POORER SECTORS OF THE POPULATION AGAINST THE HARSH ASPECTS OF MACROECONOMIC STABILISATION, PARTICULARLY THE NECESSARY BUT OFTEN PAINFUL REALIGNMENTS OF RELATIVE PRICES. WE HAVE SUPPORTED AND ENCOURAGED THE IMF AND THE WORLD BANK TO TAKE SUCH CONSIDERATIONS