



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MR. SULTAN AL-MAHMOUD,
PERMANENT MISSION OF THE STATE OF QATAR TO THE UNITED NATIONS, ON AGENDA
ITEM 83 (C): MACROECONOMIC POLICY QUESTIONS: EXTERNAL DEBT CRISIS AND
DEVELOPMENT, SECOND COMMITTEE,
FIFTY-NINTH SESSION OF THE GENERAL ASSEMBLY (New York, 12 October 2004)**

Mr. Chairman,

When we look at the evolution of debt indicators of developing countries in the context of recent developments in international trade and payments and in international capital markets, we see that the total external debt for developing countries and economies in transition increased by \$95 billion or 4% in 2003.

The fact that some improvements in net export balances of a small number of countries were seen in 2003 - due to their net export balances - did not prevent the continuing worsening of debt burden in many low- and middle income developing countries in Latin America and the Caribbean, as well as in North Africa and the Middle East.

Debt sustainability, both in terms of its definition and calculation, is critical to the whole debate around debt relief. The Secretary-General's report correctly highlights the complexities attached to this issue. In this regard, the report mentions how debt sustainability, which is affected, inter alia, by vulnerability to external shock, is key to achieving economic growth and sustainable development. Countries have to strike a balance between the objectives of achieving and maintaining debt sustainability, promoting long-term growth and reducing poverty.

In that regard, the Secretary-General's report in document A/59/219 entitled "External Debt Crisis and Development" states that "a more conservative approach than in the past may be warranted. Considering debt to be sustainable as long as new finance is available for debt service payments runs the risk of contributing to the build-up of larger debt burdens in the future, while exposing the economies to sudden changes in market sentiment or in conditions in international capital markets, as has been the case in many of the recent financial crises. Increased attention should thus be given to the volatility of capital flows in national debt sustainability assessments."

As has been recognized in a joint proposal by the staff of the IMF and the World Bank, there is a "need to link more closely debt policy with growth and development, to recognize the country-specific character of sustainability, to apply greater case-by-case flexibility in the setting and implementation of thresholds and to consider debt scenarios in the face of possible external shocks". This is one necessary step among other options, in addressing the external debt crisis.

The Group of 77 and China wishes to reiterate its long-held position that debt sustainability should be linked to a country's capacity to achieve its national development goals including the MDGs. As a matter of fact, a number of HIPC countries have suffered from shocks due to the collapse of the prices of their principal export, drought and other natural disasters. Special measures are therefore, required to address the countries affected by external shocks and those devastated by natural disasters. Countries in situations of conflict or emerging from conflict also need some specific mechanisms to provide them a reprieve from the debt burden, as part of the measures to build and sustain peace.

We emphasize that creditors and debtors must share the responsibility to prevent and resolve unsustainable debt situations. We are convinced, in this regard, that debt relief can only play a key role in liberating resources if it is directed towards activities consistent with attaining poverty eradication, economic growth and sustainable development.

In some cases, debt repayment becomes almost impossible without concrete international assistance aimed at enabling indebted countries to rebuild their economic solvency and, consequently, their payment capacity. The efforts of developing countries to maintain debt sustainability would also be greatly facilitated by improved market access for their exports and other measures to enhance their productive capacity without which, growth and sustainable development cannot be attained.

We note the new Evian approach of the Paris Club to introduce greater flexibility in addressing the debt problems. Further discussions on this and other aspects of debt management in developing countries and on developments with regard to internationally agreed mechanisms for solving problems related to sovereign debt to private creditors would contribute towards finding a lasting solution to this phenomenon. It is our view that the United Nations should provide a forum for dialogue on the external debt crisis in the continuing search for a lasting solution to this

protracted and debilitating problem.

Thank you.

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