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To: Members of the Executive Board

From: The Secretary

Subject: Twelfth Special Session of the UNCTAD Trade
and Development Board

Attached, for the information of the Executive Directors, is a report by the Fund observer on the twelfth special session of the Trade and Development Board, held in Geneva from April 26-May 6, 1983.

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INTERNATIONAL MONETARY FUND

UNCTAD--Trade and Development Board

Twelfth Special Session

Report by the Fund Observer 1/

May 17, 1983

The twelfth special session of the Trade and Development Board (TDB) was held from April 25-May 6, 1983 under the chairmanship of Mr. R. Hlavaty of Czechoslovakia. This special session of the Board was convened specifically to examine the preparations for the Sixth Session of UNCTAD (UNCTAD VI) to be held in Belgrade from June 1-30, 1983, and to review the issues scheduled for discussion at the Conference. In addition, organizational matters related to UNCTAD VI were discussed. The Fund observer at the meeting was Mr. Richard Eglin; this report summarizes the main points of the discussion.

The Final Document of the Fifth Ministerial Meeting of the Group of 77 was available for the meeting. 2/ It contains the proposals of the Group of 77 on the items that will be discussed at UNCTAD VI. At this meeting, Group B did not put forward a common position on the items to be discussed at UNCTAD VI, although several individual country representatives of this Group gave their initial reactions to the proposals of the Group of 77 and stated their countries' positions on a number of items. The representative of Group D stated his Group's intention to give priority to the issues of disarmament and East-West trade relations at UNCTAD VI.

1. Introductory statements

The Chairman opened the meeting by noting that UNCTAD VI would take place in a far more difficult economic climate than had prevailed at previous Conferences. He said that, in his view, the same issues which had been discussed at previous Conferences would need to be addressed at UNCTAD VI, but he felt that the issues of the indebtedness of developing countries, protectionism and structural adjustment, and the provision of a new momentum to the New International Economic Order would be critical areas for discussion.

1/ Documents referred to in this report will be on file in the Secretary's Department.

2/ "The Buenos Aires Platform: Final Document of the Fifth Ministerial Meeting of the Group of 77", reproduced as UNCTAD document TD/B(S-XII/Misc.1.

The Secretary-General of UNCTAD noted that he was pleased with the state of the preparations for UNCTAD VI and that he had been greatly encouraged by the substantive outcome of the meeting of the Ministers of the Group of 77 in Buenos Aires. He noted that for the first time after a meeting of the Ministers of the Group of 77 preparatory to an UNCTAD session, specific draft resolutions pertaining to almost all of the items on the Conference agenda had been agreed upon. He encouraged other Groups to reflect on these proposals and to work out their own reactions and he urged a cooperative approach to UNCTAD VI. He said that in his view, the Group B countries had experienced a change in attitude away from concentrating upon measures to combat inflation and towards recognizing the need to stimulate world economic recovery. He emphasized that recovery in the industrialized countries would not be meaningful unless it was accompanied by an acceleration of growth and development in the developing countries.

He summarized those areas which he felt should form the focus for discussion at the Conference. With respect to recovery in the industrialized countries, he said that it was important to continue with the process of bringing about a decline in real interest rates, to strengthen and stabilize the exchange markets, to dismantle trade barriers, and for those industrialized countries whose fiscal and balance of payments position is relatively strong to adopt a more expansionist macro-economic policy. He considered that these measures should be supplemented by measures to reactivate development and he emphasized the areas of trade, commodities, and money and finance as being of particular importance. He noted that it was important to adopt and strengthen the existing mechanisms in these fields rather than to produce elaborate plans for their reform.

Because of the urgency of the situation and the need for quick-yielding measures, he said, it was necessary to concentrate in the beginning on the area of money and finance. He called for an expansion of the resource bases of international financial institutions, particularly the replenishment of IDA, and increased Official Development Assistance (ODA). He added that in reactivating development, it was necessary to help developing countries to manage their balance of payments and their indebtedness, and he noted the Secretariat's proposal that there should be a special allocation of Special Drawing Rights of the order of SDR 30 billion which should be utilized to assist developing countries through the voluntary forfeiture of their share of an SDR allocation by the industrialized countries. He remarked that a new allocation of SDRs could no longer be considered inflationary since world reserves as a proportion of total trade had fallen to quite low levels. Finally, he emphasized the need to pay special attention to the plight of the least developed countries.

In the area of trade, the Secretary-General stated his hope that commitments could be obtained from governments at UNCTAD VI to the concept of a standstill on protectionist measures, and a start could be made in the dismantling of trade barriers. In the area of commodities, he called for the ratification of the Common Fund as a priority at UNCTAD VI noting that there had been some momentum in the ratification process recently and that currently 92 countries had signed the Agreement establishing the Common Fund and 46 countries had ratified the Agreement.

In concluding, he urged that there be a high level of political involvement at UNCTAD VI and he welcomed the fact that a number of heads of state and heads of government had already confirmed their intention to attend.

The Minister for Foreign Affairs and Worship of Argentina, Dr. Juan R. Aguirre Lanari, introduced the Final Document of the Fifth Ministerial Meeting of the Group of 77 in Buenos Aires. He summarized the Buenos Aires Platform and urged all delegations to approach UNCTAD VI in a cooperative spirit.

2. Consideration of proposals to be submitted to UNCTAD VI

The representative of the Group of 77 noted that his Group's position for UNCTAD VI was contained in the Buenos Aires Platform and he appealed to the other regional Groups to respond to the specific proposals of the Group of 77 in a spirit of urgency and cooperation.

The representative of Group D stated that UNCTAD VI would be taking place at a critical time when the world economic situation was being affected by policies in the western industrialized countries, and particularly the United States, aimed at accelerating the arms race and blocking negotiation and agreements on the most urgent problems. He emphasized that attention at UNCTAD VI should be focused on the economic aspects of disarmament and the transfer of resources from military to productive uses. He said that international trade, and particularly East-West trade, was being disrupted by discriminatory trade measures taken by the industrialized market-economy countries, and he added that the GATT Ministerial Meeting in November 1982 had achieved little of substance. In his Group's view, he said, the items related to trade policy and protectionism should occupy a central position at UNCTAD VI. He noted that his Group also attached importance to the agenda item concerning trade relations among countries having different social and economic systems. His Group, he said, supported a strengthening of the role of UNCTAD in the field of commodities. He stressed the importance of stabilizing commodity markets and supported their radical restructuring which, he noted, could only be done if the activities of transnational corporations were brought under control.

The representative of Group B said that his Group welcomed the positive and constructive tone of the Buenos Aires Platform and hoped that at UNCTAD VI it would be possible to arrive at a common diagnosis of the world economic situation and prospects. Noting that Ministers of the OECD countries would shortly be holding their Annual Meeting in Paris and would be considering, among other things, the major items on the UNCTAD VI agenda, he stated that some countries in his Group might make individual statements. He noted that his Group considered some of the resolutions elaborated at Buenos Aires to contain far-reaching proposals and he presumed that these reflected positions on which the Group of 77 was prepared to negotiate. Finally, he said, the members of his Group would be consulting among themselves over the forthcoming weeks, and he hoped that the Group would be in a position to react collectively to the Group of 77 proposals in Belgrade.

The representative of the Federal Republic of Germany, speaking on behalf of the European Economic Community, noted that the EEC appreciated the constructive tone of the Buenos Aires Platform. He said that the Community would carefully study the ideas embodied in the Platform and that it would be submitting proposals to UNCTAD VI on certain items after consultation with other Group B countries. He stated, however, that the Community noted with some concern that the resolutions contained in the Buenos Aires Platform asked for commitments from the developed countries only, and that some of the texts adopted at Buenos Aires did not take into account sufficiently the respective competence of the various international organizations or certain measures which had already been taken in response to the current economic recession.

On the issue of commodities, he said that the Community continued to support the Integrated Programme for Commodities (IPC) and that its member states would make every effort to ratify the Agreement on the Common Fund as soon as possible. He added that views would differ as to whether it was advisable to improve or extend existing compensatory financing arrangements or instead to establish a new compensatory financing mechanism, but he emphasized that whatever view prevailed, efforts should be made to provide assistance under these schemes to the least developed countries.

On the question of trade, he said that the Community reaffirmed the importance of maintaining an open multilateral trading system and of rejecting protectionism, and it considered that the GATT should be strengthened in its present form. The Community looked forward, he said, also to a constructive discussion in Belgrade on the issue of structural adjustment.

With regard to financial and monetary problems, he stated that the Community felt that external factors and inadequate domestic adjustment policies had both contributed to the difficulties currently facing developing countries. He said that the Community believed that continuing responsiveness to changing circumstances by the IMF and the World Bank, as had been seen over the last few years, offered the best prospect of addressing the problems in this field and the Community saw no need to restructure the system. He emphasized that in discussing ODA, the Community laid equal emphasis upon reaching the quantitative targets and improving the qualitative aspects of aid. On the question of debt problems of the developing countries, he noted that the diversity of the situations facing debtor developing countries would continue to lead the Community to recommend examination and solutions on a case-by-case basis within the existing institutional framework.

The representative of Norway welcomed the Buenos Aires Platform as a constructive beginning to negotiations in Belgrade and noted that Group B would be refining its thinking at the OECD Ministerial Meeting and the Williamsburg Summit. He noted that some of the resolutions in the Buenos Aires Platform included difficult elements and that his delegation considered the drafts to reflect opening positions in the negotiations. Concerning commodities, he said that his Government laid particular emphasis on the ratification of the Common Fund, progress with new commodity agreements, and consideration by the IMF of the liberalization of its special facilities. He said that his Government supported increased transparency in the field of international trade and felt that further improvements could be made in the Generalized System of Preferences. In the financial and monetary field, he said Norway felt that the IMF in particular had the potential for further resource mobilization, and that UNCTAD VI should support such a move.

The representative of Japan welcomed the constructive approach of the Group of 77. He endorsed the emphasis placed by other representatives as well as the Group of 77 on the ratification of the Common Fund Agreement and, in the field of trade, he stated that high priority should be given to the observance of the standstill principle and to further trade liberalization. With respect to money and finance issues, he said that the Japanese Government believed in the light of the pressing nature of the problems in this area, and the responsiveness displayed so far by the existing financial institutions, that appropriate solutions should be sought within the existing framework of international institutions.

The representative of the United States welcomed the positive and constructive tone of the Buenos Aires Platform. He reviewed the current economic situation briefly and stated that full adjustment to the shocks of the 1970s could no longer be postponed. He stated that developing countries, and especially the poorest among them, which chose the path of adjustment could not be expected to do so without outside assistance

and he added that the IMF was the key institution to provide such assistance. He said, however, that his Government recognized that available, official, balance of payments financing was by no means sufficient and poorer countries required sustained levels of ODA provided under conditions which insured its effective use. In the area of trade, he agreed that the system needed more transparency. He stated that export expansion in developing countries would be a far more significant contribution to their development than aid flows. He added, however, that while trade barriers against developing countries must be eliminated, developing countries should recognize their obligations to liberalize their own import restrictions. In the field of commodities, he called for a serious reappraisal of the system of processing, marketing, and distribution.

The representative of Austria stated that his Government shared the sense of urgency which was contained in the Buenos Aires Platform. In the field of commodities, he said that his Government supported the objectives of the IPC but, because of the need for urgent action, attention at UNCTAD VI should be focused on ways of improving and expanding existing compensatory financing facilities. He stressed the need for greater transparency in the world trading system and said that his Government supported efforts to eliminate existing restrictions. In the field of money and finance, he said that solutions should be sought through the adaptation of the existing financial institutions.

The representatives of Canada, Finland, Sweden, and Switzerland noted that their Governments were still in the process of finalizing their positions on many of the proposals contained in the Buenos Aires Platform. They welcomed the constructive tone of these proposals and stressed the need for the Group B countries to be responsive to the plight of the developing countries and to insure the full participation of these countries in the forthcoming economic recovery.

3. Organizational and administrative matters related to UNCTAD VI

It was agreed by the TDB that four separate committees would be established at UNCTAD VI to consider commodity issues, problems in the area of international trade in goods and services, financial and monetary issues, and other items on the Conference agenda. It was further agreed that a representative of Group D would chair the committee considering issues in the area of international trade, a representative of the Group of 77 from an African country would chair the committee considering financial and monetary issues, a representative of Group B would chair the committee on commodity issues, and another representative of Group B would chair the committee considering UNCTAD activities in other fields.