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May 21, 1987

To: Members of the Executive Board
From: The Secretary
Subject: UNCTAD - Sixth Ministerial Meeting of the Group of 77

Attached for the information of the Executive Directors is a report by the Fund observer on the sixth ministerial meeting of the Group of 77, held in Havana from April 20 to 25, 1987.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

UNCTAD--Sixth Ministerial Meeting
of the Group of 77

Prepared by the Fund Observer 1/

May 19, 1987

1. Introduction and summary

The Group of 77 (G-77) held its Sixth Ministerial Meeting in Havana during April 20-25, 1987, under the chairmanship of Mr. Ricardo Cabrisas, Minister of Foreign Trade of Cuba. The purpose of the meeting was to define a common negotiation position for the G-77 at the forthcoming Seventh Session of UNCTAD (to be held in Geneva from July 9-31, 1987) on the basis of the position papers previously adopted by the three sub-groups (Africa, Asia, and Latin America) which constitute the G-77. This was largely accomplished in the Technical Committee where senior officials prepared a number of documents which were approved with minor modifications by the Ministers at the final plenary.

These documents include a ministerial declaration, the so-called Havana Declaration, on the current world economic crisis and the means to deal with it, and five position papers on the main items on UNCTAD VII's agenda, namely, resources for development including financial and related monetary questions, commodities, international trade, problems of the least developed countries, and economic cooperation among developing countries. The meeting also adopted several resolutions on matters of a more political nature on South Africa, measures in support of Cuba, the Libyan Arab Jamahiriya, and Nicaragua, and the economic situation in the occupied Palestinian Territories.

The present report briefly reviews the documents adopted by the meeting on the issues of major interest to the Fund.

2. The Havana Declaration 2/

In this document the Ministers state that the 1980s have been a lost decade for development because "the inadequacies and inequalities of the international economic system" have stifled "trade, development and employment instead of promoting them." While no country has been immune from the world economic crisis, the developing countries have been especially affected as a result of the sharp deterioration of

1/ The Fund observer was Mr. Jack Barnouin from the Geneva Office.

2/ 77/MM(VI)/TC/DG/CRP.1 and Corr.1, attached.

their terms of trade, "an intolerable increase in their debt burden which has compelled them to adopt adjustment programs constraining their development potential," the stagnation of official development assistance, the contraction in financial flows from commercial banks, and the proliferation of protectionist and disruptive trade measures.

The declaration acknowledges that the members of the Group are responsible for their own development, but it also stresses that developed countries should assume "their responsibilities and redesign their policies in order to contribute to an external environment more compatible and more supportive of growth and development." In this context it expresses the deep concern of the Group about the growing tendency of certain developed countries "to down-play the influence of the external economic environment on the development process and to insist on the primacy of domestic policy reform based on the efficacy of spontaneous market forces alone." Such an approach, it argues, "is inadequate to address development problems, creates the seeds of social and political instability, and ignores the complexity of the world economy." The declaration therefore calls on the international community to work out "a comprehensive international economic system, based on the principles of equality, justice, harmony, and universality, and on the sovereign rights of States." Such a system, it concludes, "should facilitate the channeling of resources released by disarmament into productive use and consumption to better the human condition."

3. Financial and monetary issues 1/

In this area, the Ministers adopted a position paper dealing with the debt problems of developing countries, the transfer of financial resources to developing countries, and the reform of the international monetary system.

As regards the first topic, the document calls on the international community to adopt a new debt strategy based on growth and development which should include, inter alia, the following elements: adapting debt service payments of developing countries to their debt servicing capacity through such measures as limiting debt service payments to a percentage of export earnings and establishing a relationship between those payments and relevant economic indicators such as GDP and commodity prices; a significant lengthening of consolidation, maturity, and grace periods, as well as a reduction of margins to a minimum in the context of bank debt reschedulings; the introduction of concessional interest rates on the rescheduling of official and

1/ 77/MM(VI)/TC/CRP.3 and Corr.1, attached.

officially guaranteed loans extended before 1987; the adoption by governments of creditor countries of appropriate regulatory measures which should give commercial banks flexibility to reschedule interest payments on debts contracted before 1987, to provide new loans to indebted nations, and to take other debt relief measures such as partial writing-off of the principal and application of concessional rates of interest; increased reliance on the practice of negotiating debt rescheduling arrangements without prior agreement with the IMF; and further cancellation of Official Development Assistance (ODA) debt to poorer developing countries in pursuance of Trade and Development Board (TDB) resolution 165 (S/IX). The document also supports the Group of 24 initiative to establish within the Interim and Development Committees, a committee of Ministers from developing and developed countries to take up the examination of the debt problem and recommend appropriate measures.

With respect to the transfer of financial resources, the document urges the developed countries to achieve as quickly as possible the internationally agreed targets on ODA; it calls for an increase in the size of the IMF Structural Adjustment Facility (SAF) and for an improvement of its essential features, particularly "its growth orientation and low conditionality"; and it further calls on the IMF and the World Bank to establish a "facility for relieving the debt service burden caused by high real interest rates." The document also recommends a doubling of the capital of the World Bank, a significant increase of the resources of IDA and of the Asian, African, and Latin American development banks, and an increased participation of industrialized countries in IFAD third replenishment. It finally suggests that the "conditionality criteria" of the international financing institutions "be adapted to the need of achieving adequate rates of growth and of adjusting under conditions where external imbalances are caused by exogenous factors."

Regarding the reform of the international monetary system, the document calls for the early convening of an international conference on money and finance with universal participation and, pending the convening of such a conference, for the implementation of a number of measures including, inter alia, strengthening IMF surveillance "particularly with respect to the principal industrialized countries"; resuming SDR allocations; undertaking the necessary actions related to the Ninth Review of Quotas, and increasing the participation of developing countries in the IMF decision-making process. The document also supports the Group of 24 proposal for the establishment of a Ministerial Committee--which could take the form of a Joint Sub-Committee of the Interim and Development Committees--to examine the proposals for reforms and improvements of the international monetary system.

4. Commodities 1/

The document approved by the Ministers in this area reiterates emphatically the support of the Group for the Integrated Programme for Commodities (IPC) launched at UNCTAD IV in 1976. It appeals to developing countries and developed market economy countries which have not yet done so and to socialist countries of Eastern Europe to ratify promptly the Common Fund Agreement; it calls for a strengthening of existing International Commodity Agreements (ICAs) through the inclusion, as appropriate, of price stabilization provisions in those agreements and for the negotiation of new ICAs with such provisions for all the IPC commodities not yet covered by ICAs; and it urges continuation of UNCTAD work, including the elaboration of frameworks, on processing, marketing, and distribution of commodities. As regards the compensatory financing schemes, the document calls for further improvements in existing compensatory financing schemes including simplified access for Least Developed Countries to the IMF/CFF, and the conclusion of the ongoing work in UNCTAD on the establishment of a complementary facility to compensate developing countries for commodity export earnings shortfalls.

4. International trade 2/

In this area the document approved by the Ministers stipulates that UNCTAD should "initiate work on a blue print for a universal, nondiscriminatory, comprehensive, stable and predictable trading system which should aim at facilitating increased participation of developing countries in world exports." Such a new system should be "fully responsive to development objectives in the area of commodities"; it should include appropriate mechanisms "for redressing restrictive business practices, particularly those of transnational corporations (TNCs)"; and it should take into account the special problems of the least developed countries.

Pending the establishment of such a new multilateral trading system, the document urges developed countries "to respect multilateral trade rules and principles including their commitments to provide differential and more favorable treatment to developing countries, and to strictly comply with their standstill and rollback commitments"; to improve access to their markets for products of export interest to the developing countries, including manufactures and semi-manufactures; to liberalize agricultural trade by eliminating restrictions and distortions, particularly those regarding tariff and nontariff barriers and export subsidies; to ensure total liberalization of trade in tropical

1/ 77/MM(VI)/TC/CRP.6 and Corr.1, attached.

2/ 77/MM(VI)/TC/CRP.4 and Corr.1, attached.

products and products derived from natural resources; to liberalize the trade regime in textiles and clothing and to take steps to integrate such a regime under GATT rules and discipline; and to eliminate escalation of tariffs and nontariff barriers on products of export interest to developing countries. The document also calls on developed countries to establish transparent and independent bodies at the national level to assess the need for protectionist action and to draw up programs for facilitating structural adjustment, and to report periodically on the operation of these bodies to UNCTAD for consideration by the TDB. It further urges developed countries to continue improving their GSP schemes "without any impairment of the multilaterally agreed principles upon which the system is based, in particular those relating to its generalized, nondiscriminatory and nonreciprocal character." Finally, it stresses that observance of multilaterally agreed commitments with respect to trade in goods should not be linked to concessions in such areas as trade in services, intellectual property, and investment.

Turning to the role of UNCTAD in the Uruguay Round, the Ministers proposed that the TDB follow closely developments in the Round "with a view to formulating specific recommendations which could be transmitted to the appropriate bodies"; that the Secretary-General of UNCTAD should provide advice and technical assistance to developing countries in order to enable them to participate more effectively in the Round; and that adequate arrangements should be made for the Secretary-General of UNCTAD to follow the work in the Uruguay bodies. Finally, with respect to trade in services, the Ministers requested the Secretary-General of UNCTAD to analyze, from the point of view of the developing countries, the implication of the issues being raised in the context of such trade by developed countries.

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24 April 1987

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Sixth Ministerial Meeting of the
Group of 77
Havana, Cuba
20 April 1987

Drafting Group

DRAFT FOR CONSIDERATION

THE HAVANA DECLARATION

We, the Ministers of the Group of 77,

Having assembled in Havana, Cuba, from 20 to 24 April 1987,
for our Sixth Ministerial Meeting,

Being convinced of the importance of reviewing and stating
our collective appraisal of the world economic situation and of
the perspectives for the development of our peoples' welfare,

Bearing in mind the Declaration of our three regional groups
at their recent Ministerial Meetings in Dhaka, Addis Ababa and
San José,

Adopt the following Declaration as a basis for concerted
action in our economic relations with the developed countries and
in our mutual economic co-operation and call upon the international
community as a whole to work together for economic and social progress:

1. The 1980s have been the lost decade of development. The world economy is beset by contradictions and faces a crisis. The persistent stagnation of economic growth has severely retarded economic and social progress and, in several countries, has thrown that process into reverse. The inadequacies and inequities of the international economic system have led to adverse results, stifling trade, development and employment, instead of promoting them. Undue risk, uncertainty and unpredictability in the international economic environment have become major obstacles to national efforts to achieve long-term economic and social objectives.

2. While no country has been immune from these phenomena, the developing countries have been hardest hit. In particular the least developed countries and sub-Saharan African countries, have suffered most. The economic situation in these countries still remained critical and its people are under the threat of hunger and starvation. It has become increasingly difficult for any developing country to pursue policies of self-reliant and equitable development, aimed at elimination of poverty, enhancement

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Drafting Group

DRAFT FOR CONSIDERATION
THE HAVANA DECLARATION

Corrigendum

1. Delete the brackets in paragraph 2.
2. Delete the words in brackets in paragraph 4.
3. For the first subparagraph in paragraph 7, read:

-the collapse of commodity prices and deteriorating terms of trade, which have deprived them of export earnings needed to sustain their development and to service their debt; [also the sharp and persisting decline in the price of oil has affected the ability of some oil exporting countries to continue their assistance to other developing] countries.

4. For paragraph 13 read:

13. Developing countries have not received substantial external resources commensurate with their development needs. This situation is illustrated in the inadequate implementation of the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) and more generally in the plight of the least developed countries, whose efforts at domestic resource mobilization will not achieve their development objectives without substantial additional external resources and increased export earning.

of human capacities, progressive modernization of the productive apparatus and enlargement of opportunities for participation in economic activity and in the benefits derived from it. [Particular difficulties are experienced by the Palestinian people, whose living conditions have been deteriorating as a result of the Israeli occupation and who urgently need to be liberated from their occupation to enable them to develop their national economy; and by the people of Southern Africa, and Namibia, particularly those of the front line States whose painstakingly developed infrastructure and legitimate development programmes are undermined by the south African regime's destabilization policy.]

3. This situation is beset with economic, social and political tensions, within and among countries. It poses a serious threat to democracy, social stability and international peace and security. Its reversal should command the political commitment and co-operation of all nations, who must work together to build an international economic system based on the principles of equity and justice, that would contribute to the establishment of the New International Economic Order.

4. This effort must be founded on the strict observance of the inalienable right of every State to social and economic development, to choose its economic and social system and to promote the welfare of its people in accordance with national plans and policies. It is unacceptable that this right should be constrained by the application by other States of economic measures intended to exert political and economic coercion, [as is the case at present against Cuba, Nicaragua, Libya and others] for purposes incompatible with the Charter of the United Nations and in violation of multilateral and bilateral undertakings and international law.

5. The members of the Group of 77 assume their responsibilities to strive for their own development. They are also determined to continue to strengthen their mutual economic co-operation. They are convinced that the effective solidarity of the Group strengthens its members, in their national development efforts as in their external economic relations.

6. The members of the Group of 77 expect the developed countries to assume their responsibilities in the present world economic crisis, and to redesign their policies in order to contribute to an external environment more predictable and more supportive of growth and development. Those countries should realize that, by supporting the development process of developing countries, they can contribute effectively to revitalizing the world economy and thus to resolving their own economic problems, including persistently high unemployment.

7. The crisis in the world economy has many dramatic manifestations. For the developing countries, these include:

- the collapse of commodity prices and deteriorating terms of trade, which have deprived them of export earnings needed to sustain their development and to service their debt; also the sharp and persisting decline in the price of oil has affected the ability of oil-exporting countries to continue their assistance to other developing countries;
- the intolerable debt burden which has compelled many of them to adopt, with high social and political costs, adjustment programmes constraining their development potential. The debt cannot be serviced and repaid under present conditions and without sustained economic development;
- the stagnation of official development assistance and the sharp contraction in financial flows, particularly from commercial banks;
- all the previous factors have led to a net transfer of resources from developing to developed countries;

- the proliferation of protectionist and distortive measures and policies in developed market-economy countries, which are impeding developing country exports and obstructing structural adjustments which would permit the expansion of those exports;
- the erosion of respect for the disciplines of the multilateral trading system, which exposes the developing countries to arbitrary obstacles to their trade and leaves them without redress;
- the aggravation of the structural problems of the least developed countries, especially the land-locked and island developing countries whose unique problems and inherent disadvantages have a particularly negative impact on their development.

8. The manifestations of the crisis in the external environment for development also include volatile and misaligned exchange rates of major currencies; high interest rates in real terms; massive trade imbalances among the major economic powers and consequent tensions in the international trading system.

9. The developed countries themselves are suffering from uneven and slow growth, and high levels of unemployment, resulting in intensification of protectionist measures and contraction of export markets for developing countries.

11

10. The economic crisis is structural in nature. It has been aggravated by the long-term macroeconomic policies of developed countries.

11. Developed countries have maintained policies that negatively affect the international economic environment, weaken demand for developing countries exports, put a downward pressure on commodity prices and aggravate the debt problem. The control of inflation, which is cited as a positive result of their policy stance, has, in fact, been brought about largely through the collapse of commodity and oil prices.

12. Multilateralism has been on the wane. The stalemate in economic negotiations between developing and developed countries has hardened. The weakening of multilateral co-operation for development has led to a growing asymmetry in burden sharing and adjustment efforts between developing and developed countries. Many developed countries have shown a marked preference for bilateralism in their external economic relations, resorting increasingly to such policies for political purposes.

13. [While developing debtor countries are persuaded or compelled to undertake difficult policy reforms and adjustment programmes, they do not receive the external resources needed to make these reforms and programmes work]. This contradiction is evident in the implementation of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) and more generally in the plight of the least developed countries, whose efforts at domestic resource mobilization will not achieve their development objectives without substantial additional external resources.

14. Such a crisis coexists with important changes in the international economy. New and powerful actors are emerging, producing a multi-polar economic world. There is increasing interaction among countries with different economic systems. The economic interdependence of all countries has been intensified by the increasing share of external trade in national economic activity and by the internationalization of production and capital. Transnational conglomerates have become powerful actors enjoying unprecedented economies of scale and scope. A new wave of technologies is radically altering patterns of demand, production and trade. The concentrated control of these technologies

is creating new strains in international economic relations. As a result of these changes the world economy is becoming more complex.

15. In the present circumstances the potential for growth in the developing countries cannot be realized. If, however, external constraints are removed and the required systemic changes made, they can contribute to the sustained expansion of world trade and growth in the foreseeable future.

16. The post-war international economic system has ceased to serve adequately its stated objectives of promoting world-wide economic and social progress.

17. There has not been a meaningful and comprehensive policy initiative to enhance global economic co-operation, on the basis of interdependence, equity and shared responsibilities. Instead, a new tendency has emerged in some quarters of the developed countries to downplay the influence of the external economic environment on the development process and to insist on the primacy of domestic policy reform based on the efficacy of spontaneous market forces alone. This approach, not even applied by its major proponents, is inadequate to address development problems, carries the seeds of social and political instability and ignores the complexity of the contemporary world economy. This approach enables the transnational corporations to move freely, goods, raw materials, services, data and capital across national frontiers, at their discretion.

18. The international community should join its forces and engage in dialogue to work out the characteristics and mechanisms of a comprehensive international economic system, based on the principles of equity, justice, harmony and universality and on the sovereign rights of States. Development, growth, employment and social progress should be its central objectives. The system should give full recognition to the interdependence between money, finance, trade and development.

19. The expansion and diversification of trade, including trade among developing countries and among countries having different economic and social systems, is one of the most important instrumentalities for achieving these objectives. Trade expansion should be based on the principles of multilateralism and non-discrimination and be pursued within a framework of co-operative interaction among States. The ability of developing countries to expand trade presupposes expanded market access for their exports and increased availability of financial resources. Liberalization could only be pursued to advance their development objectives.

20. Such a framework for promoting development, growth and trade must have a sound and equitable counterpart in the monetary and financial spheres. This should facilitate a durable, global and equitable solution to the debt crisis. It should secure a substantial increase in flows of financial resources for development.

on an assured, continued and predictable basis. Above all, it should lead to a substantially transformed international economic environment, responsive to and supportive of the process of development.

21. Development would be a fragile goal without peace. Peace without development would be unattainable. An international economic system, having as its central objectives development, growth, employment and social progress will promote peace and security. Such a system should facilitate the channelling of resources released by disarmament into productive use and consumption to better the human condition.

IV

22. UNCTAD is an institution born out of the collective will of the international community. Its universal character, its historic development orientation and its unique, cross-sectoral and inter-disciplinary approach make UNCTAD an important link in the chain of international economic relationships. The crucial need for development calls for the enhancement of UNCTAD's effectiveness and its responsiveness to current and future problems, as well as maintaining the integrity of its mandate and its functions and of the means to fulfil them. The seventh session of UNCTAD provides the member States with a signal opportunity to strengthen multilateral co-operation for development and to strengthen the institution itself. The results of UNCTAD VII will have an important influence on the attitude of the developing countries towards other international negotiations and activities.

V

23. Developing countries cannot afford to rely only on external impulses to overcome the serious economic and social crises confronting them. The implementation of the Arusha Programme for Collective Self-Reliance and the Caracas Plan of Action has, therefore, acquired greater urgency. It is imperative to further expand and deepen Economic Co-operation among Developing Countries

(ECDC) as an integral part of the efforts to promote a restructuring of international economic relations. The Global System of Trade Preferences among developing countries (GSTP) is the most important ECDC activity on which concrete and substantial progress is under way. Effective steps should be undertaken to complete the first round of negotiations under the GSTP at the Ministerial Meeting in Belgrade, as visualized in the Brasilia Declaration.

XXXXXX

24. We, the Ministers of the Group of 77, have presented our appraisal of the current international economic situation and outlined our approach towards the harmonious and equitable reconstruction of international economic relations aimed at ensuring development and employment for all. We have done this in the hope that our partners in UNCTAD would share with us their perceptions and approach. We believe that it is possible to further our co-operative search for the stable system of international economic relations, without necessarily compromising on our respective world views.

25. We believe that all the member States of UNCTAD share common interests and objectives. We also believe that we have a common stake in solving the present crisis. We expect our partners, particularly those who have relatively greater economic strength, to muster sufficient political will and seize the opportunity provided by UNCTAD VII. This occasion should be harnessed not only to launch a dialogue in a wider context for longer-range objectives but also to agree upon concrete measures in specific areas of the agenda of the Conference which need urgent solutions.

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Technical Committee
(Agenda item 8(a))

RESOURCES FOR DEVELOPMENT, INCLUDING
FINANCIAL AND RELATED MONETARY QUESTIONS

Document submitted by the Chairman of
Working Group I

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Technical Committee
(Agenda item 8(a))

RESOURCES FOR DEVELOPMENT, INCLUDING
FINANCIAL AND RELATED MONETARY QUESTIONS

Document submitted by the Chairman of

Working Group I

Corrigendum

Page 2, para. (b), third line:

Delete the words authorized, subscribed or paid-in

Page 2, para. (f), the second sentence should read as follows:

In this regard, special concessional arrangements should be made in regard to the debt of the least developed countries, countries in sub-Saharan Africa, and small hard-hit developing countries in Africa, Asia and Latin America and the Caribbean, to developed creditor countries.

Page 3, para. (h), end of the second line:

Insert the word international between the words give and commercial banks

Page 8, para. (c), substitute this paragraph by the following:

Repayment periods for drawings from the IMF should be extended significantly and conditionality criteria brought in line with the development objectives of developing countries. Fund agreements should routinely make provisions for additional support if GDP growth were to fall below a pre-agreed level.

Page 9

Delete the whole section D of the draft document:

A. POLICIES AND MEASURES AIMED AT THE ELABORATION AND IMPLEMENTATION OF A GROWTH ORIENTED STRATEGY FOR TACKLING THE PROBLEMS OF DEBT AND DEVELOPMENT, BASED ON THE PRINCIPLES OF SHARED RESPONSIBILITY, POLITICAL DIALOGUE AND CO-ORDINATION AMONG ALL THE PARTIES CONCERNED: GOVERNMENTS OF DEVELOPED CREDITOR AND DEVELOPING DEBTOR COUNTRIES, BANKS OF DEVELOPED COUNTRIES AND INTERNATIONAL FINANCIAL INSTITUTIONS

The Conference recognizes that the lack of a durable solution to the debt problem of the developing countries is a major impediment to the recovery of a reasonable rate of growth on a sustained basis in those countries, and a source of instability in world financial markets and distorts trade flows, affecting negatively the ability of debtor countries to import and achieve their development objectives, as well as the capacity of creditor nations to export and secure sustained growth and employment.

Agrees on the urgent need to halt and reverse the net flow of financial resources from developing debtor countries to developed creditor countries.

Further agrees on the imperative need for a political dialogue aimed at implementing a new, comprehensive debt strategy based on growth, development and shared responsibility in order to reach a lasting solution to the continuing debt crisis, taking into account the close interrelationship of the monetary, financial and trade issues and bearing in mind General Assembly resolution 41/202. Such a strategy should be implemented through, inter alia, the following measures:

(a) Adapting debt-service payments of developing countries to their real debt-servicing capacity through measures such as limiting payments to a percentage of export earnings and establishing, as

appropriate, a relationship between the amount of debt service and GDP, the evolution of commodity prices or other relevant indicators of the economic situation of each indebted developing country;

(b) Significantly increasing the availability of resources of the multilateral financial institutions through: (i) the expansion of authorized, subscribed or paid-in capital; (ii) raising of the borrowing authority or of the lending ratio; (iii) setting up of trust funds;

(c) Consideration by developed donor countries of further cancellation of the ODA debt of poorer developing countries, in particular as regards the least developed countries and the countries of sub-Saharan Africa, bearing in mind Trade and Development Board resolution 165 (S-IX) and the commitments taken at the Special session of the UN General Assembly on the critical economic situation in Africa;

(d) Immediate implementation of the recommendations of the Mid-Term Global Review of the SNPA for the 1980s;

(e) Consideration by Governments of developed creditor countries and international commercial banks of a significant lengthening of consolidation, maturity and grace periods as well as of the reduction of bank margins to a minimum in the context of debt reschedulings;

(f) Consideration should also be given to introducing distinctly concessional interest rates to be applied on the rescheduling of official and officially guaranteed loans extended before 1987. In this regard, special concessional arrangements should be made with regard to the debt of the least developed countries, countries in sub-Saharan Africa, and small hard-hit developing countries in Latin America and the Caribbeans, to developed creditor countries;

(g) Extension of the procedure of negotiating debt rescheduling of developing countries' debt to developed creditor countries without prior agreement with the IMF.

(h) Adoption by Governments of developed creditor countries of appropriate regulatory and other measures which would give commercial banks flexibility to reschedule interest payments on debts contracted before 1987, to provide new loans to indebted nations, as well as to take measures of a debt-relief nature, such as partial writing-off of the principal and application of concessional rates of interest.

The Conference, in view of the critical nature of the present situation, welcomes and fully supports the initiative of creating, within the Interim and Development Committees, a Committee of Ministers from developing and developed countries to take up the examination of the debt problem, including specific solutions for low-income countries, particularly those in sub-Saharan Africa, and recommend appropriate measures.

- B. POLICIES AND MEASURES AIMED AT SUBSTANTIALLY INCREASING THE FLOWS OF FINANCIAL RESOURCES FROM DEVELOPED TO DEVELOPING COUNTRIES, PROVIDED THROUGH MULTILATERAL INSTITUTIONS, EXPORT CREDIT AGENCIES, BILATERAL ODA, THE BANKING SYSTEM AND FOREIGN INVESTORS

The Conference

1. Urges developed countries to redouble efforts to achieve as quickly as possible the internationally agreed targets on Official Development Assistance (ODA) to developing countries, in compliance with the recommendations of the Task Force on Concessional Flows, so as to place ODA on an increasingly assured, continuous and predictable basis in accordance with the development needs of developing countries.
2. Recognizes the need for adapting the conditionality criteria and the characteristics of the operations of the international financial institutions to the need of achieving adequate rates of growth and of adjusting under conditions where external imbalances are caused by exogenous factors; co-ordination between the IMF, the World Bank and other multilateral financial institutions should not lead to cross-conditionality.
3. Agrees that urgent actions should be undertaken to strengthen the role of the World Bank as a development institution, through the doubling of its capital, the improvement of its lending ratios, the increase of its financial leverage, as well as other measures aimed at enhancing its catalytic role in order to ensure a sufficient volume of net transfer of resources to developing countries.
4. Recommends a significant increase of IDA resources in real terms, assuring their adequate replenishment, while improving the quality of its resources.

5. Urges the World Bank to mobilize additional resource commitments from developed donor countries for sub-Saharan Africa.
6. Recommends an increase in the size of the Structural Adjustment Facility of the IMF while improving its essential features, particularly its growth orientation, low conditionality and the provision of supplementary resources.
7. Stresses the need to strengthen the Asian, African and Latin American development banks and funds through, inter alia, the increase of their capital and lending programmes, while maintaining their essential developmental and regional nature and their equitable decision making process.
8. Calls upon industrialized countries to make a greater effort for increased participation in IFAD's third replenishment and urges other contributors to the Fund in a position to do so, to make additional efforts to contribute to the resources of the Fund with the view to ensuring the highest possible level of replenishment while preserving the institution and its unique structure.
9. Urges that the possibility be considered to establish appropriate mechanisms for the recycling of the large current-account surpluses of some developed countries for utilization by developing countries for their mutual benefit.
10. Urges developed countries to increase the financial support of their export credit agencies to developing countries under suitable terms and conditions. Measures should be taken to avoid coverage suspension, including such as may be politically motivated.

11. Calls upon Governments of developed countries to encourage resumption and increase of bank lending to developing countries.

12. Recommends that Governments of developed countries encourage foreign investments to developing countries in accordance with national legislations and development objectives of host countries.

13. Urges that ways and means be considered to enhance the participation of developing countries members of multilateral institutions engaged in development financing in the formulation and approval of the credit policies of these institutions so as to adapt them to the development objectives of the borrowing countries.

14. Urges developed countries and international financial institutions to increase the flow of resources in real terms to African countries in accordance with the decisions contained in the United Nations Programme of Action for African Economic Recovery and Development adopted by the Special session of the United Nations General Assembly on the critical economic situation in Africa.

15. The IMF and World Bank should, at their next meetings, acquire specific commitments with the view to improving the IMF Compensatory Financing Facility so as to respond to the deterioration in international commodity prices and establish an additional facility for relieving the debt service burden caused by high real interest rates.

C. POLICIES AND MEASURES AIMED AT PROMOTING THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM SO AS TO MAKE IT TRULY STABLE, MULTILATERAL, EQUITABLE AND RESPONSIVE TO THE DEVELOPMENT NEEDS OF DEVELOPING COUNTRIES

The Conference

Calls upon all Member States of UNCTAD to support the early convening of an international conference on money and finance with universal participation with the objective of reforming the international monetary and financial system so as to make it truly stable, multilateral, equitable and responsive to the development needs of the developing countries. As a matter of urgency, and without prejudice to the comprehensive reform of the system through the convening of the Conference, the following measures should be implemented for the improvement of the functioning of the existing system:

- (a) The IMF should exercise effective multilateral surveillance, particularly with respect to the principal industrialized countries, giving special attention to the evolution of exchange rates, trade and capital flows and fiscal equilibrium in conformity with the growth objectives provided for in Article 1 of the Articles of Agreement;
- (b) A supply of adequate international liquidity on an increasingly assured, continued and predictable basis, consistent with the growth requirements of the world economy and meeting in particular the needs of the developing countries should be ensured. In this context, the IMF should agree on a new substantial SDR allocation totalling 25/30 billion SDRs for the first year and on regular annual allocations throughout the Fifth basic period to satisfy the established long-term global need for reserves,

while ensuring the unconditional nature of SDRs and their link to the development needs of developing countries. Developed countries should consider foregoing their shares for the benefit of developing countries in need of reserves;

- (c) The IMF should bring conditionality criteria and repayment terms in line with the development objectives of developing countries, extend the practice of providing contingent support and improve its amount and quality;
- (d) Expansion and improvement of the Compensatory Financing Facility;
- (e) Continuation and further improvement of the enlarged access policy, necessitated, inter alia, by the inadequacy of quotas and by the reduction in access limits;
- (f) Undertaking necessary actions related to the ninth review of quotas, which should lead to a substantial increase of developing countries' quotas, keeping in view that the eight review not only fell short of requirements, but led to retrogressive results for developing countries;
- (g) Increasing the voting share and level of participation of developing countries in policy formulation and in the decision-making process of the IMF.

The Conference, in view of the need for immediate action, welcomes and fully supports the call for the creation of a representative Committee of Ministers from developing and industrialized countries to examine the proposals for reform and improvement of the international

monetary system. This Committee could perhaps take the form of a joint subcommittee of both Interim and Development Committees to examine the proposals for reform and improvement of the international monetary system.

D. INTERDEPENDENCE OF ISSUES OF MONEY, FINANCE, TRADE AND DEVELOPMENT - THE ROLE OF UNCTAD

The Conference reiterates the central role of UNCTAD in the interrelated areas of money, finance, debt, trade and development, and in that connection, invites the Trade and Development Board to continue to review and monitor on a regular basis the implementation of decisions and measures concerning the debt of developing countries, development finance and the functioning of the monetary system, and further invites it to consider new measures and actions in these areas.

The agreements reached in UNCTAD in these areas should be reflected in other important current and forthcoming multilateral economic activities, in particular the Uruguay Round and meetings within the IMF/World Bank.

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Agenda item 8 (b)

COMMODITIES

Document submitted by the Chairman of
Working Group II

I

1. Since the beginning of the 1980s, world commodity markets have been suffering a crisis of unprecedented dimensions. Prices have collapsed to their lowest level since the Great Depression of the 1930s. The macroeconomic policies pursued by developed market-economy countries in scant regard of their ultimate impact on the fragile economies of developing countries have constituted a major factor in the prevailing sharp deterioration in commodity prices. In particular, protectionist policies blocking market access, subsidies and price support schemes, inflation first and then deflation, high real interest rates and volatile exchange rates, as well as manipulation of markets by commodity speculators, have been responsible for the dramatic loss of export earnings experienced by developing countries during this period. This situation has in turn greatly constrained the economic and social development of developing countries. It has also led to a deterioration in the terms of trade of these countries, seriously affecting further their capacity to meet their external financial obligations, creating a climate of instability and uncertainty in international economic relations and hindering a reactivation of the world economy.

2. The present critical situation fully confirms the continued validity of the objectives and international measures agreed to in resolution 93 (IV) on the Integrated Programme for Commodities (IPC). It calls for prompt and full implementation of the IPC, particularly in view of the close link between the fall in commodity export earnings and the accumulation of debt. There is also greater need than ever for improved market access coupled with stable and remunerative prices for products of export interest to developing countries in order to stimulate growth and development. We therefore reaffirm our strong commitment to the IPC and call for the following measures to be effectively implemented as set out below.

II

A. International Commodity Agreements/Arrangements

3. Commodity agreements/arrangements should be strengthened and include economic clauses, and new ones negotiated taking into account the provisions of Conference resolution 93 (IV), including

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COMMODITIES

Document submitted by the Chairman of
Working Group II

Corrigendum

Page 6, subtitle I should read:

- I. The role of UNCTAD

the objective of ensuring remunerative and just prices for products. The international community should provide the necessary financial and political backing for such arrangements to be viable and effective. All producers and consumers of the commodities concerned should support such arrangements.

4. The Secretary-General of UNCTAD is requested to make the necessary arrangements for the convening of preparatory meetings on individual commodities not covered by ICAs and which are included in the indicative list of resolution 93 (IV). This should be followed, when appropriate, by negotiating conferences, with a view to reaching comprehensive international agreements with economic provisions, or, arrangements containing appropriate measures, including those of a developmental character, needed to solve the problems faced by these commodities in the international market. A programme of negotiations should be carried out and completed by 1990 as far as possible.

5. The UNCTAD secretariat should continue to provide the necessary assistance to establish the means for mutual consultations enabling the strengthening of co-operation and co-ordination among producing countries required for negotiations on commodities.

6. Complementary to specific price stabilization efforts, co-operation between producers and consumers within ICAs should also be encouraged to facilitate greater transparency, research and development, and market promotion, including new end-uses, as well as remedial measures for special problems in the commodity field.

B. The Common Fund

7. The Conference should appeal to developing countries and developed market-economy countries which have not yet done so, and to socialist countries of Eastern Europe to ratify the Agreement establishing the Common Fund. It should appeal also to the United States to reconsider its decision not to ratify the Agreement. A meeting of interested countries should be called in 1988 to review the status of the Agreement and to recommend measures to accelerate its full implementation.

C. Processing, Marketing and Distribution

8. The UNCTAD secretariat's work including the elaboration of frameworks should continue on processing, marketing and distribution, including transportation of commodities. In particular, attention should be given to North-South as well as South-South actions that would ensure a greater participation of developing countries in these areas. Technical and financial support should be provided by developed countries, multilateral and financial institutions to developing countries for training and research on these subjects. International co-operation in these fields should be strengthened by identifying the needs of developing countries and the forms of international assistance by which they can be addressed.

D. Diversification

9. Developed countries and multilateral funding organizations are called upon to make resources available, including through special facilities for financing horizontal and vertical diversification of commodity production and exports on favourable and concessional terms and conditions for developing countries. Such medium - and long - term financing should be complemented with technical assistance for feasibility studies and infrastructural developments as an indispensable component. The UNCTAD secretariat is requested to follow the activities in this field more closely in co-operation with relevant international organisations.

E. Compensatory Financing

10. The on-going programme of work aimed at establishing an additional facility to compensate developing countries for their shortfalls in commodity export earnings should be concluded. Strengthening and improving the existing compensatory financing facilities should also be undertaken. Special arrangements should be made to ensure simplified access for the LDCs to the IMF-CFF.

F. Market Access

11. The developed countries should demonstrate their political will to totally eliminate the obstacles to trade in agricultural, tropical, and natural resources based products of developing countries. The UNCTAD secretariat should provide technical assistance to developing countries in the negotiations in the Uruguay Round. This assistance should be oriented towards improving access conditions in developed countries' markets for developing countries' exports and in particular identifying ways and means of applying differential and more favourable treatment for such exports.

12. Developed countries are called on to cease providing subsidies and other unfair forms of assistance to their domestic commodity producers and to their commodity exports and to eliminate tariff escalation on commodities in their processed and semi-processed forms and quantitative restrictions on commodities of export interest to developing countries.

G. Synthetics and Substitutes

13. Developed countries should support the efforts of the developing countries to improve the competitiveness of natural products. To this end, support should be extended to research and development activities in developing countries and to facilitating transfer of technologies. Measures for promoting demand for natural products of developing countries, new end-uses and exchange of market information should also be implemented. Assistance should also be given to improving transportation and other infrastructural facilities for such exports.

14. In cases where increased substitution of natural products derives from protectionist policies and from support prices in developed countries at levels not consistent with prevailing international market prices, such administered domestic prices should be brought in line with international levels. To this end protectionist barriers should be dismantled in order to allow exports of natural products from developing countries to compete more freely with substitutes.

H. Disposal of Non-Commercial Stocks

15. In regard to the sale of non-commercial stocks, an international code of conduct should be concluded expeditiously so as to halt the prevailing adverse effects on commodity markets, bearing in mind the principles agreed to in decision 4(V) of the Committee on Commodities and other international instruments relating to this matter. To this end the Secretary-General of UNCTAD should be requested to undertake necessary measures to give effect to this objective.

I. The Co-ordinating Role of UNCTAD

16. The negotiating and leading co-ordinating role of UNCTAD as well as the provision of technical assistance in the area of commodities should be strengthened. UNCTAD should actively carry out its responsibilities of promoting a general and integrated approach to commodities in co-operation with other relevant institutions and of taking specific actions in the commodity field. Such actions should include review of commodity policies worldwide and in particular their impact on developing countries as well as monitoring of progress in the area.

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INTERNATIONAL TRADE

Document submitted by the Chairman of
Working Group III

PROPOSALS OF THE MEMBER STATES OF THE GROUP OF 77
IN THE AREA OF INTERNATIONAL TRADE

In order to translate the approach outlined in the Assessment into a programme of action, the following specific policy measures and decisions should be adopted:

I. INTERNATIONAL TRADING SYSTEM

1. UNCTAD should initiate work on a blueprint for a universal, non-discriminatory, comprehensive, stable and predictable trading system which will respect fundamental principles underlying the international legal order. The system should aim at facilitating the increase of developing country participation in world exports, and achieving an equitable distribution of the gains from trade. The improved and strengthened trading system shall thus be oriented towards development and growth and incorporate differential and more favourable treatment for developing countries as an integral part, not as an exception from its rules and principles. It should take into account the special problems of the least developed countries. It should be fully responsive to development objectives in the area of commodities and contain a mechanism for redressing restrictive business practices, particularly those of TNCs. Such a system should be seen as part of a new paradigm of harmonious and equitable international economic relationship. To this end, it should be founded on the new international consensus to be generated on the objectives of development and employment.

2. Action relating to monetary and financial matters, transfer of technology, services and other relevant areas should be made compatible and consonant with the established objectives of the system. The adoption of support measures would be required in the international monetary and financial sphere to allow for improved conditions which, as a whole, will facilitate dealing with the developing countries debt, based on an integrated strategy oriented towards development and growth.

II. PROTECTIONISM AND STRUCTURAL ADJUSTMENT

1. Developed countries shall respect multilateral trade rules and principles including their commitments to provide differential and more favourable treatment to developing countries, and strictly

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INTERNATIONAL TRADE

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Corrigendum

Section III, paragraph 6, line 5

For trade and services read trade in services

Section V, paragraph 3, line 6

For are making national borders irrelevant read
are making transactions in services across national borders
more difficult to monitor and control

comply with the standstill and roll-back commitment. All protectionist measures applied by developed countries should be notified to the Surveillance Body set up under the Uruguay Round. Information on all such measures should be communicated to the Secretary-General of UNCTAD for the periodic review of Protectionism and Structural Adjustment. UNCTAD should provide advice in identifying such measures and concerting the appropriate action to ensure their removal.

2. Developed countries shall not impose economic and trade sanctions against developing countries for political reasons, and shall remove such sanctions presently being applied.

3. Developed countries shall establish a transparent and independent mechanism at the national level to examine the need for protectionist action sought by firms/sectors, and the implications of such action for the domestic economy as a whole. This mechanism shall also monitor the observance of the standstill and roll-back commitments. Periodic reports shall be sent by this mechanism to UNCTAD for its consideration in the Trade and Development Board.

4. Developed countries shall establish a transparent and independent mechanism at the national level to (a) draw up programmes for facilitating structural adjustment in sectors of particular export interest to developing countries; (b) monitor the implementation of such programmes; and (c) report progress periodically to UNCTAD for consideration in the Trade and Development Board.

III. MARKET ACCESS

1. Developed countries shall:

(a) improve the access to their markets for products of export interest to the developing countries, including manufactures and semi-manufactures;

(b) liberalize agricultural trade by eliminating restrictions and distortions, particularly those regarding non-tariff and tariff barriers and subsidized exports by bringing all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines;

- (c) ensure total liberalization of trade in tropical products and those derived from natural resources;
- (d) liberalize the trade regime in textiles and clothing by removing discriminatory restraints on export from developing countries and take steps to integrate the regime into GATT on the basis of strengthening GATT rules and disciplines.
- (e) eliminate escalation of tariff and non-tariff barriers affecting the products of export interest to developing countries at higher stages of processing.

The Trade and Development Board should keep under review on a regular basis the implementation of these measures.

2. Developed countries shall continue to improve the GSP, inter alia, through the expansion of product coverage; and without any impairment of the multilateral agreed principles upon which the system is based, in particular, those relating to its generalized, non-discriminatory and non-reciprocal character. The Secretary-General of UNCTAD is requested to prepare a special report on the observance of such principles by preference giving countries to be considered by the Trade and Development Board at the second part of its 34th Session, in the first half of 1988.

3. Developed countries are invited to provide financial and technical support to the UNCTAD technical assistance programme in the field of GSP; the UNDP is invited to consider favourably request for increased financial resources for this Programme.

4. Special problems of the least developed countries shall be kept in view while undertaking these tasks, particularly for the liberalization of tariff and non-tariff barriers and other export restraints on the exports of the least-developed countries, keeping in view the Agreement relating to the Framework for the Conduct of International Trade (Enabling clause).

5. The particular problems facing the land-locked and island developing countries on account of their geographical situation and other inherent disadvantages shall be kept in view while undertaking these tasks.

6. Observance of multilaterally agreed commitments, with respect to trade in goods, shall not be linked to concessions in such areas as investment, intellectual property and services. No linkages shall be established between the negotiations on trade in goods and negotiations in areas such as trade and services, intellectual property and investment.

7. Restrictive business practices, particularly of TNCs, shall be brought squarely within the operation of the trading system through:

- (a) an obligation in regard to transparency and consultation procedures;
- (b) the establishment of a Special Committee on Restrictive Business Practices within the framework of UNCTAD to monitor the application of the Multilaterally Agreed Equitable Set of Rules and Principles on Restrictive Business Practices; and
- (c) continuing work in UNCTAD toward the establishment of a legally binding framework.

IV. THE ROLE OF UNCTAD IN CONNECTION WITH THE URUGUAY ROUND OF MTNs

1. The Trade and Development Board should follow closely developments in the Uruguay Round and appraise such developments as to their implications for the trade and development interests of the developing countries. In this regard, the Board should study particular aspects of the negotiations with a view to formulating specific recommendations which could be transmitted to the appropriate bodies. In carrying out this exercise the Board should give priority to the implementation of the roll-back of protectionist measures against the trade of developing countries and to reaching a comprehensive understanding on safeguards based upon the MFN principle.

2. The Secretary-General of UNCTAD is requested to provide advice and technical assistance to developing countries as regards the MTNs and to enable them to participate more effectively in the negotiations. The UNDP is requested to consider favourably requests from UNCTAD and individual countries to make increased financial resources available for this exercise.

3. In order to effectively carry out the above tasks, adequate arrangements should be made for the Secretary-General of UNCTAD to follow the work in Uruguay Round bodies.

V. SERVICES

1. The Secretary-General of UNCTAD is requested to analyse, from the point of view of developing countries and in the context of promoting and ensuring their autonomous development and economic growth, the implications of the issues being raised in the context of trade in services by developed countries. The objective is to ascertain the need for and examine the implications of a multilateral framework for trade in services and not "liberalization" of, or removing "the barriers" to trade in services. This analysis should bear in mind that, for developing countries, the issues of transfer of technology and the restrictive business practices of transnational corporations, among others, are of paramount importance in the area of services.

2. The UNCTAD secretariat should be asked to analyse the wider implications of any international regime governing trade in services. These implications should include political, cultural and security aspects.

3. The Secretary-General of UNCTAD is requested to work out appropriate problematics for trade in services keeping in mind that the revolutionary changes in telecommunications and telematics provide a new and easy medium for transactions in services around the globe. More often than not, new technologies are making national borders irrelevant. The problematics for trade in services must take this into account, for which an approach based on the General Agreement on Tariffs and Trade may not be relevant or adequate.

4. UNCTAD should be provided with adequate resources to carry out effectively its mandate to assist developing countries in studying the contribution of services to their development process, and, when requested, to provide assistance to the developing countries in undertaking national studies, as defined in Trade and Development Board Decision 309(XXX). The Secretary-General of UNCTAD should present to the next session of the Trade and Development Board, a programme on technical assistance to developing countries to improve the statistical basis on trade in services. The UNDP is invited to respond positively to requests from UNCTAD and its member States for financial support for the above purposes. The developed countries are also invited to make available financial and technical resources for such studies.

5. The Secretary-General of UNCTAD should explore the possibility of establishing a programme of co-operation on services within UNCTAD as a mechanism for channeling financial and technical assistance to developing countries with the aim of strengthening the service sector in those countries.

VI. TRADE RELATIONS AMONG COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS

Taking note of the informal text annexed to Conference resolution 145 (VI) and the ideas contained in document TD/B/1104, the Group of 77 proposes to:

1. Request the socialist countries of Eastern Europe to take measures to: contribute fully and effectively to the efforts of the developing countries to diversify and intensify their trade, and to provide a growing share of their imports, including semi-manufactures and manufactures, from developing countries; make further improvements in their GSP schemes; improve the terms and conditions of credits to the developing countries; enlarge their economic assistance; increase the share of convertible currencies in resources made available for financing developing countries' projects; develop a flexible and efficient payments mechanism in trade operations; pay special attention to the specific needs and requirements of the least developed countries.

2. Request the Secretary-General of UNCTAD to carry out the necessary consultations with the relevant governments on the possibility of initiating a process of negotiations leading to a further strengthening of trade and economic co-operation between the developing countries and the socialist countries of Eastern Europe.

3. In the areas of technical assistance and consultative activities to intensify the existing UNCTAD operational programme for the promotion of East-South trade.

4. Request the Trade and Development Board to keep the implementation of these activities under periodic review.