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SM/87/223

August 24, 1987

To: Members of the Executive Board

From: The Secretary

Subject: Report on the Seventh Session of the United Nations
Conference on Trade and Development

Attached for the information of the Executive Directors is a report by the Fund observers on the seventh session of the United Nations conference on trade and development, held in Geneva from July 9 through August 3, 1987.

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INTERNATIONAL MONETARY FUND

Seventh Session of the United Nations
Conference on Trade and Development

Report by the Fund Observers 1/

August 19, 1987

1. Introduction and summary

The Seventh Session of the United Nations Conference on Trade and Development (UNCTAD VII) was held in Geneva from July 9 to August 3, 1987, under the presidency of Mr. Bernard T.G. Chidzero, Minister of Finance, Economic Planning and Development of Zimbabwe. The Plenary heard statements by 165 heads of delegations and representatives of specialized agencies, intergovernmental organizations, and nongovernmental organizations. The Presidents of Congo, Egypt, France, the Swiss Confederation, and Yugoslavia, the Prime Ministers of Norway and Zimbabwe, and the Crown Prince of Jordan addressed the Plenary. The Managing Director addressed the Conference on July 27, 1987. 2/

The discussions on the substantive agenda items 3/ took place among the three regional groups--the developing countries (the Group of 77), the developed market economy countries (Group B), and the socialist countries of Eastern Europe (Group D)--and China in four sessional committees dealing respectively with resources for development, including related monetary and financial matters, commodities, international trade, and problems of the least developed countries. As the work in these bodies proceeded at a relatively slow pace, many contentious issues had to be referred subsequently to several task forces established under the aegis of the Contact Group of the President. These task forces--which were headed by Ministers attending the last phase of the Conference--were five in number: external debt (Mr. Bernardo Grinspun, Secretary of State for Planning for Argentina); mobilization of domestic and external resources for development and monetary questions (Mr. Samuel Alberto Yohai, Director of the Institute of Foreign Trade of Colombia); commodities (Mr. Franz Blankart, Secretary of State and Director of the Federal Office of Foreign Economic Affairs of Switzerland); international trade (Mr. Martin Bangemann Minister of Economy of the Federal Republic of Germany); and, least developed countries (Ms. Anita Gradin, Minister for Foreign Trade of Sweden,

1/ Messrs. Carlos Sanson, Eduardo Wiesner and Jack Barnouin, Ms. Margaret Kelly and Mr. C.F.J. Boonekamp attended the Conference as the Fund observers. Documents cited in this report will be on file in the Secretary's Department.

2/ The text of the Managing Director's speech was reproduced in IMF Survey, July 27, 1987, pp. 223-237.

3/ TD/327.

Mr. Piet Bukman, Minister for Development Coordination of the Netherlands, and Mr. Ibrahim Tabakovic, Minister for Cooperation with Developing Countries of Yugoslavia). While most of the contentious issues were settled by these task forces, some of them remained pending and had to be resolved in a high-level group of officials headed by the President. The various texts agreed in this latter body were merged in a Final Act of the Conference, 1/ which was approved by the Contact Group of the President. The Final Act also included an assessment of economic trends and global structural changes in the world economy prepared by the President on the basis of the work undertaken on these issues in the informal consultations which had taken place in Geneva prior to the Conference.

At the final plenary, the Final Act was approved by consensus with the spokesmen for the Group of 77, Group B and Group D, and the representatives of Jamaica, the United Kingdom and the United States making reservations and/or interpretative statements on a few of its paragraphs. The final plenary also approved by consensus a resolution noting the signing and/or ratification of the Common Fund Agreement (CF) during the Conference by the USSR and several other countries, as well as actions taken during the Conference by Japan and Switzerland in the fields of commodities. 2/ Finally, it adopted a resolution on the economic situation in the Occupied Palestinian Territories by a roll-call vote of 80 in favor, 2 against (Israel and the United States), with 32 abstentions.

The discussions in the negotiating bodies took place in a businesslike and non-confrontational climate. They were facilitated by the early release of a compact background documentation prepared by the Secretariat 3/ and the preparation of a comprehensive position paper by the Group of 77 in Havana. 4/ Group D and China had also elaborated a common position on most of the issues prior to the Conference 5/ while Group B presented its own proposals in the course of the negotiations.

It was not a small achievement for the Conference to reach agreement by consensus for the first time in its history on a single Final Act dealing with all the substantive items on its agenda. On the whole the Act is more moderate in tone and more balanced in substance than the resolutions adopted at previous sessions of the Conference.

1/ TD/L.316/Add.1-6, attached.

2/ TD/L.317, attached.

3/ TD/328/Rev.1 and TD/329.

4/ This position paper (TD/330, Corr. 1 and 2) together with a general declaration (TD/335) was adopted by the Ministerial Group of 77 in Havana, April 25, 1987. Both documents are analyzed in SM/87/115.

5/ TD/331 and TD/333, Corr.1

It reflects a growing awareness among UNCTAD members of the need for the organization to approach trade and development problems in a pragmatic and businesslike manner. The Act also reaffirms, and to some extent broadens, the mandate of the UNCTAD Secretary-General to deal with a number of North/South topics, and contains explicit and implicit orientations for the future work of the UNCTAD secretariat on these topics. Among such topics, the most important ones include, inter alia, the question of the interdependence of issues in the world economy, outstanding problems in the field of commodities such as the negotiation of new International Commodity Agreements or Arrangements (ICAs) and the promotion of vertical and horizontal diversification programs, the strengthening and improvement of the Generalized System of Preferences (GSP), the elaboration of guidelines on business restrictive practices, the periodic review of development in the international trading system, the examination of questions pertaining to East/South trade relations, and Economic Cooperation among Developing Countries (ECDC).

This report summarizes the discussion on the major items of the agenda with special emphasis on the issues of particular interest to the Fund.

2. Assessment of economic trends and global structural change in the world economy (agenda item 8)

This topic had been discussed in-depth in informal consultation among the regional groups prior to the Conference, and a report on the results of these consultations had been prepared by the Chairman of the Trade and Development Board (TDB) under his own responsibility. ^{1/} On the basis of this report, the President of the Conference prepared a statement which was incorporated with minor changes in the Final Act of the Conference. This text states that since the beginning of the 1980s, the world economic situation has been characterized by slow growth of demand and output, lower rates of inflation, high real interest rates, exchange rate instability, a mounting stock of debt, inadequate net flows of financial resources to developing countries, high and increasing levels of protectionism and a sharp deterioration in commodity prices to their lowest level in 50 years resulting in heavy terms-of-trade losses for commodity exporting countries. Against this background, the text notes that a broader understanding had emerged in the Conference on the need for all countries to implement national and international policy measures "in pursuit of the objectives of revitalizing development, growth and international trade." In that context, the text stresses the need for the major market developed economy countries "to adopt coordinated policies to promote stable, sustainable, and non-inflationary growth, consistent with their

^{1/} TD(VII)/BUR.1.

declared aims; to enhance the positive impact on development of measures to deal with their mutual imbalances; and to strengthen mechanisms for the ongoing process of multilateral surveillance of economy policies." It further states that developed market economy countries and the socialist countries of Eastern Europe should "contribute to the strengthening of the production potential of developing countries; improve access for imports from those countries and undertake the consequential structural adjustments in agriculture and industry, where appropriate; and enhance the flow of public and private resources and intensify economic assistance to developing countries." Finally it calls on the latter countries to "strengthen policies and measures to mobilize domestic financial and human resources, including indigenous private capital and entrepreneurship; to improve further the effectiveness of domestic and external resource use; and to strengthen their mutual economic cooperation in pursuance of the objectives of national and collective self-reliance."

At the final plenary, the United States representative stated that the international economic environment had been substantially more positive than stated in the Final Act. Industrialized country growth had been sustained for five years, market access had improved, and interest rates had fallen. This had influenced positively economic prospects of developing countries. The spokesman for Group D stated that while his constituents adhered to the assessment of the world economic situation included in the Final Act, they believed that "the issues of international security and confidence-building measures should remain on the agenda of UNCTAD."

3. Resources for Development, including financial and related monetary questions (agenda item 8a)

a. Debt problems

The position paper tabled by the Group of 77 ^{1/} under agenda item 8a stated that the debt strategy adopted by the international community in recent years had not worked and called "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." The paper suggested that this new strategy should include, inter alia, the following elements: adapting debt service payments of developing countries to their debt servicing capacity "through measures such as limiting payments to a percentage of export earnings and establishing, as appropriate, relationships between the amount of debt service and GDP, the evolution of commodity prices or other relevant indicators of the economic situation

^{1/} TD(VII)/C.I/L.1.

of each indebted developing country"; a significant lengthening of consolidation, maturity and grace periods in the context of the re-scheduling of both official and commercial bank loans and the reduction of bank margins to a minimum in the case of the latter loans; the introduction of "distinctly concessional interest rates to be applied on the rescheduling of official and officially guaranteed loans extended before 1987 to developing countries" with special arrangements in favor of the least developed countries, countries in Sub-Saharan Africa, and small hard-hit developing countries in Africa, Asia, Latin America and the Caribbean; further cancellation of ODA debt of poorer developing countries in pursuance of TDB resolution 165 (S-IX); 1/ adoption by governments of developed creditor countries "of appropriate regulatory and other measures which should give international 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"; and "extension of the procedures of negotiating debt rescheduling without prior agreement with the IMF."

The spokesman for Group B argued that the position paper of the Group of 77 did not do justice to the cooperative growth-oriented debt strategy put in place since the meetings of the Fund and the World Bank in Seoul. Although the implementation of the strategy had presented certain difficulties, especially with respect to the restoration of confidence and the mobilization of new private bank credit, considerable results had been obtained. While his constituents agreed that the strategy was evolutionary in nature and had to be reappraised over time, they considered that it was neither desirable nor feasible to modify its basic elements. Among these elements he mentioned the continuing implementation of adequate structural adjustment policies by the indebted countries, the rescheduling of existing debt under adequate terms, an increase in external financial flows and the search for more vigorous growth of both the world economy and international trade. In this context, he welcomed the fact that country after country in the Third World was moving away from a closed and inefficient economic system towards a more open market system with fewer price distorting internal subsidies.

1/ Under this resolution adopted March 11, 1978, developed donor countries had agreed "to seek to adopt measures for an adjustment of terms of past bilateral ODA" to "poorer developing countries, particularly the least developed among them" in order to bring such terms "into line with the currently prevailing softer terms."

Another major weakness of the Group of 77's position paper, the spokesman for Group B went on to say, was that it failed to draw a distinction between the heavily indebted middle-income countries whose debt was mainly owed to commercial banks and the poorest countries with large liabilities to official creditors. While the countries in the first group had a diversified economic and export structure and should be able to meet their debt servicing obligations over the medium-term under certain conditions, particularly a favorable external environment, countries in the second group were confronted by deep-rooted development problems and had limited capacity to meet their debt servicing obligations in the foreseeable future. Moreover, situations varied considerably from one country to another within each group. This showed that a solution to the debt problems of developing countries should be sought on a case-per-case basis rather than through the application of simplistic across-the-board measures, such as limitation of debt service payments to a percentage of export earnings.

Turning to the other specific suggestions made by the Group of 77, the spokesman for Group B stated that his constituents had neither the intention nor the legal power to dictate to the commercial banks the attitude that they should adopt in the context of rescheduling operations with indebted developing countries. As regards official and officially guaranteed loans, he noted that such loans were currently being renegotiated under more liberal terms in the Paris Club, in particular by extending longer grace and repayment periods to the most heavily indebted among the poorest countries. He also stated that for these latter countries, Paris Club creditors were considering the possibility of applying lower interest rates to existing debt. Finally, with respect to TDB resolution 165 (S-IX) he said that most members of his group had implemented this resolution and that he did not oppose calling upon the countries which had not done so to follow suit.

A consensus finally emerged on a compromise text which was included in the Final Act of the Conference. This text states that "an equitable, durable and mutually agreed solution to the debt crisis will only be reached by an approach based on development, within the framework of an integrated cooperative growth-oriented strategy that takes into account the particular circumstances of each country." To that end, the Act calls for the continuation and intensification of the debtor developing countries efforts "to raise savings and investments, reduce inflation and improve efficiency"; the achievement of a more stable and predictable international economic environment in support of growth through "efforts by the major market economy countries including strengthened multilateral surveillance"; and the tailoring of maturity, grace and, as appropriate, consolidation periods in official and private debt rescheduling arrangements to the individual circumstances of indebted countries. The Act further states that "the commercial

banks of developed countries should be encouraged, in accordance with the policies and procedures of those countries, to apply flexibility in debt restructuring operations, and in providing new loans to indebted countries as well as in taking innovative measures according to individual circumstances"; that the "the debt service burden of the poorer countries, primarily in Sub-Saharan Africa, that are undertaking adjustment efforts should be eased by longer repayment and grace periods, especially in the Paris Club," and by the possible application "of lower interest rates to their existing debt"; and that TDB resolution 165 (S-IX) regarding the ODA debt of poorer developing countries should be implemented in full by the developed donor countries which have not yet done so. The Act finally takes note of the Group of 24's proposal regarding the establishment of a Committee of Ministers on debt problems within the Interim and Development Committees, as well as of the view of other participants that "consideration of these important issues should remain under constructive discussions at the Ministerial level within the Interim and Development Committees."

At the final plenary, the representative of Jamaica stated that the conclusions reached by the Conference on the debt issue did not reflect the concern of his country and of other small, middle-income developing countries.

b. Mobilization of external and domestic resources for development

With respect to this topic, the position paper of the Group of 77 highlighted the need for a substantial increase in external resources flows to developing countries. To that end, it urged developed countries to redouble efforts to achieve as quickly as possible internationally agreed ODA targets; it called for the doubling of the capital of the World Bank and the improvement of its lending ratio, for a significant increase of IDA resources in real terms and for an increase in the capital and lending programs of the Asian, African and Latin American development banks and funds; it also called upon industrialized countries to participate in IFAD's third replenishment and to increase the financial support of their export credit agencies to developing countries under suitable terms and conditions. It further recommended that governments of developed countries should encourage foreign investment in developing countries "in accordance with national legislation and development objectives of host countries" and consider the possibility of establishing "appropriate mechanisms for the recycling of the large current account surpluses of some developed countries." Finally it recommended "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."

The spokesman for Group B agreed about the need to increase the flow of external resources to the developing countries, but he felt that this objective could be achieved only if the governments and the public opinion in the industrialized countries received reasonable assurances about the mobilization of additional domestic resources by the developing countries themselves and the implementation of adequate adjustment and reform policies by these countries. This implied that conditionality had to remain the cornerstone of financial assistance by multilateral and bilateral donors to developing countries. In this context, he expressed strong misgivings about the accusations often levied in the Third World that the Bretton Woods institutions favored economic recession and social regression. He stressed that in fact these institutions, together with other donors, were increasingly taking into account the need for growth and social progress in countries applying adjustment policies with their assistance.

The compromise text incorporated in the Final Act of the Conference states that "the future financing of development requires both higher flows of external finance and enhanced domestic resource mobilization"; that in many countries increased attention needs to be given to improving the mobilization of domestic savings and the quality of investment in public as well as private sectors, and that in a number of countries "fiscal disciplines require close attention with a view to raising savings and investment in the public sector from their currently depressed levels."

As regards the transfer of external resources, the approved text recommends that developed countries should renew and make more effective their efforts to achieve internationally agreed ODA targets, that they should support a substantial and early general increase in the World Bank capital and meet expeditiously their commitments to the eighth replenishment of IDA; that negotiations on a capital increase of the Inter-American Development Bank and the replenishment of the African Development Fund should be concluded as soon as possible; and that all countries should participate actively in the future negotiations on IFAD's third replenishment. The text further states that both developed and developing countries should explore ways and means to encourage private capital flow to developing countries; it welcomes the initiative of the Japanese Government to increase the flows of financial resources to developing countries, and it notes with interest the proposal of the same government for establishing an independent high-level wise-men group to examine ways and means to encourage such flows of resources. Finally, as regards the conditionality criteria of international financial institutions, the text stipulates that this criteria should "take into account, among other things, adverse changes in the external environment which affect the prospects for achieving the necessary adjustment with adequate rates of growth"; and that increased cooperation between the IMF and the World Bank "is welcomed but should not lead to cross-conditionality."

c. Monetary questions

The most controversial issue in this area was the long-lasting issue of the possible convening of a universal conference on the reform of the international monetary and financial system that the Group of 77 and Group D had advocated since UNCTAD III and which Group B had adamantly opposed. It was finally agreed that no consensus could emerge on this proposal and the matter was not mentioned in the compromise text incorporated in the Final Act. This text states that cooperation to stabilize exchange rates and promote growth should continue to be worked out in the context of strengthened multilateral surveillance with the assistance of the IMF; that a decline in interest rates "keeping in mind sustainable non-inflationary growth objectives would help stimulate economic activity further in both developed and developing countries" and that a continued examination within the IMF of the question of allocation and functioning of SDRs is welcomed. In connection with this latter point, the approved text indicates that while most UNCTAD members continue to be of the view that "there is a long-term global need to supplement existing reserve assets on a continuous basis" and that the IMF should agree to a new substantial SDR allocation, other UNCTAD members continue to believe that "the condition for a SDR allocation, that is the existence of a long-term global need, has not been demonstrated."

4. Commodities (agenda item 8b)

a. International commodity agreements/arrangements (ICAs)

The position paper 1/ presented by the Group of 77 on agenda item 8b stated that the collapse of commodity prices to their lowest level since the Great Depression of the 1930s made it important to implement promptly and fully the Integrated Programme for Commodities (IPCs). To that end, it proposed that existing ICAs should be renegotiated with the view to include economic provisions in all of them and that new ICAs encompassing such provisions should be negotiated on all commodities included in the IPCs' indicative list and not yet covered by ICAs. It requested the Secretary-General of UNCTAD to convene preparatory meetings on the latter commodities and subsequently, when appropriate, negotiating conferences with the view to establishing a comprehensive network of ICAs designed to solve existing problems in international commodity markets. This program of negotiations was to be carried out and completed by 1990 as far as possible.

1/ TD(VII)/C.II/L.1.

The spokesman for Group B felt that the emphasis put by the Group of 77 on price stabilization was misguided, given the conditions currently prevailing in commodity markets. ^{1/} In recent years, the most significant development in these markets had been the relative lack of response of commodity prices to cyclical fluctuations in world economic activity. Commodity price changes were now increasingly influenced by long-term and structural factors among which were the lagged effects of the high average prices of the 1970s that had led to excessive investment in the commodity sectors, the consistent shift of industries to lines of production which were less commodity-intensive, technological changes which led to increased substitution of commodities by synthetics, and the increased concentration of growth within sectors not using commodities to a significant extent, such as electronics, telecommunications and services. The negative impact of these factors on commodity prices could not be corrected by the operations of ICAs with price stabilization provisions because, as shown by the recent collapse of the International Tin Agreement, such agreements were bound to aggravate the imbalance between supply and demand in commodity markets if they attempted to influence market trends. The only useful role that they could play was to offset short-term price fluctuations around market trends, but this was of little relevance under current circumstances. In fact, the achievement of a better balance between supply and demand in commodity markets depended crucially on an increased transparency of those markets through such means as "the enhancement, strengthening or establishment, where necessary, of producer-consumer consultations, exchange of information, and improvement and dissemination of statistics."

Following an extensive debate, an agreement was finally reached on a text which was incorporated in the Final Act of the Conference. This text recognizes that the operation and functioning of existing ICAs should be improved and that the new ICAs, which might have to be negotiated, should contain, as appropriate, "economic provisions or developmental measures or measures to improve market transparency, or a combination of such provisions and measures." It further requests the Secretary-General of UNCTAD to convene or to resume, in accordance with the result of comprehensive consultations with producers and consumers, ad hoc review meetings and/or preparatory meetings on individual commodities which are not covered by ICAs and which are included in the IPC's indicative list. Following these consultations, an appropriate schedule of further meetings should be prepared by the Secretary-General of UNCTAD for implementation by 1990 as far as possible. Such further meetings should, "in the light of the particular characteristics and situations of each individual commodity, decide on the appropriate international action needed to solve the problems faced by these commodities in international markets."

^{1/} TD(VII)/C.II/CRP.3.

b. Common Fund Agreement for Commodities (CF) 1/

There was little discussion on this matter as the participants agreed that, with the signing of the Common Fund Agreement by the USSR and a few other countries, the prompt entry-into-force of the Agreement was within reach. 2/ The Final Act takes note of the improved prospects for entry-into-force of the Agreement. It also notes that during the debate on this subject "it was urged that countries that have not taken action to sign the Agreement establishing the Common Fund for Commodities and/or to deposit the necessary instruments of ratification should do so in the near future, and that once the entry-into-force conditions are met, efforts should be made as soon as possible by parties to the Agreement to ensure that the Common Fund is made operational."

In an interpretative statement at the final plenary, the United Kingdom representative stated that ten years had elapsed since the beginning of the negotiations on the Common Fund and that major changes had occurred in world commodity markets during this period. In the light of these changes, he felt that the question should be raised as to whether "the Common Fund can still fulfill the tasks originally envisaged for it" and that ways should be found in which this question could "be examined thoroughly before steps are taken to bring the Common Fund into operation."

c. Diversification, processing, marketing and distribution

With respect to this topic, the position paper of the Group of 77 stressed the need for the developing countries to increase their participation in the processing, marketing and distribution of commodities and to carry out programs of horizontal and vertical diversification in the commodity sectors. It recommended that the UNCTAD Secretariat should continue its work on the elaboration of frameworks on processing, marketing and distribution, and that developed countries and multilateral financial institutions should provide increased technical and financial assistance to developing countries in that area as well as in support of other diversification programs.

1/ A description of the CF's purpose and institutional arrangements is contained in SM/80/198, 8/13/80.

2/ During the Conference the CF Agreement was ratified by Peru and signed by the USSR, Cote d'Ivoire, and Bulgaria, which also announced their intention to deposit their instruments of ratification in the very near future. A similar announcement was made by Costa Rica, Madagascar, Portugal, and Thailand. Should the countries which have announced their intention to promptly ratify the Agreement do so, the share of Directly Contributed capital accounted for by the countries having ratified the Agreement would amount to 69.95 percent as against a 66.66 percent target for the entry-into-force of the Agreement (the other target for the entry-into-force of the Agreement, namely the ratification by 90 members, had been reached for several months; there are currently 95 contracting parties to the Agreement).

The spokesman for Group B agreed that one of the long-term development objectives of the developing countries should be to increase their participation in processing, marketing and distribution of commodities (vertical diversification) and, as appropriate, to shift production factors towards new commodities or even outside of the commodity sectors (horizontal diversification). While the programs undertaken in pursuit of this objective were worth the financial and technical support of the international community, they should remain primarily the responsibility of the developing countries themselves and could bear all their fruits only if they were carried out within the frameworks of comprehensive structural adjustment policies.

The section of the Final Act dealing with that matter recognizes that for most developing countries horizontal and vertical diversification of their economy is a long-term development objective toward which international cooperation between producers and consumers should be intensified. It calls for an adequate increase of official bilateral and multilateral resources as well as of private resources, including private investment, to finance appropriate diversification projects and programs. It agrees that the UNCTAD Secretariat should assist in diversification and that the Working Party on Processing, Marketing and Distribution of the Committee on Commodities should continue its work.

d. Compensatory financing

The position paper of the Group of 77 recommended that the IMF CFF and the EC STABEX should be strengthened and improved. It further recommended that the ongoing program of work within UNCTAD aimed at establishing a complementary commodity-specific compensatory financing facility should be continued with the view to reaching an early conclusion.

The members of Group B were unanimous in considering that the improvement of the IMF CFF should be left to the IMF, but they held divergent views among themselves about the question of the possible establishment of a complementary commodity-specific facility. Several of them considered that export earnings shortfalls were a short-term balance-of-payments issue which should be dealt with on a global, rather than on a commodity-specific, basis within the IMF. Other countries felt that compensatory financing could be commodity-related provided that such financing be reconciled with the long-term requirements of the commodity sectors of the recipient countries and contribute to diversification in those sectors.

The relevant section of the Final Act limited itself to recording the various views expressed by the participants on the issues at stake. It also requested UNCTAD Intergovernmental Group of Experts on the Compensatory Financing of Export Earnings Shortfalls "to take into

account the implications of export earnings shortfalls and, when making its recommendations, to consider the various institutional opportunities, bearing in mind the balance of payments and/or commodity-related approaches."

At the final plenary the United States representative expressed a reservation on the latter recommendation. He recalled that his government had voted against UNCTAD resolution 125 (V), which commissioned a study of a new compensatory financing facility and against UNCTAD resolution 157 (VI), which called for the establishment of an expert group. The United States, he went on to say, "does not recognize that UNCTAD has a mandate to study and make recommendations on compensatory financing, and, as a result, has not and will not participate in the discussion of the expert group."

e. Other issues

The Final Act deals with a number of other issues in the commodity sectors. It notes that the Uruguay Round offers an opportunity for improving market access for commodities; it agrees with the need for the international community to extend technical and financial support to developing countries who adopt programs designed to improve the competitiveness of natural products with respect to synthetics and substitutes; and it underlines that disposal of non-commercial stocks should not disrupt commodity markets and should be done in consultation with producers and, where appropriate, commodity organizations.

5. International trade (agenda item 8c)

The Group of 77 took the view that protectionism in developed countries was a root cause of the economic difficulties of developing countries and that therefore developed countries should reduce their trade barriers without expecting reciprocal action by the developing countries. In its initial position paper the Group of 77 held that UNCTAD should initiate work on a blueprint for a universal, non-discriminatory, comprehensive, stable and predictable trading system which would facilitate the increase of developing country participation in world exports, and which would incorporate differential and more favorable treatment for developing countries as an integral part, not as an exception to its rules and principles, as in GATT. ^{1/} In this context developed countries should: (i) strictly comply with the Uruguay Round's standstill and rollback commitment; (ii) not impose economic and trade sanctions for political reasons; (iii) improve access to their markets for products of export interest to the developing countries; (iv) liberalize trade in agriculture, tropical products and textiles and clothing; (v) improve their GSP schemes; and

^{1/} TD(VII)/C.III/L.1.

(vi) establish transparent and independent mechanisms at a national level to examine the need for and costs of protectionist action. The Group of 77 also stipulated that there should be no linkage between the Uruguay Round negotiations on trade in goods and negotiations in areas such as trade in services, intellectual property and investment. With respect to services, UNCTAD should analyze, from the point of view of developing countries, the implications of issues raised by developed countries; the objective of this analysis would be to ascertain the need for a multilateral framework for trade in services, and not for "liberalization" of such trade. Finally, UNCTAD should be requested to provide advice and technical assistance to developing countries participating in the Uruguay Round, for which adequate arrangements should be made to allow UNCTAD to follow the work in all the Uruguay Round bodies. Group D and China lent their support to the position of the Group of 77.

For its part, Group B stated that the main challenges confronting all countries in the trade field were the need: (i) for carrying out appropriate structural adjustment; (ii) for halting and reversing protectionism and removing distortions to trade; (iii) for further liberalizing and expanding international trade; and (iv) for reducing large external imbalances. ^{1/} There was a close interlinkage between the evolution of trade policy and the promotion of structural change; protectionism was often the result of the refusal to adapt to structural changes. For developed and developing countries alike, the Uruguay Round provided the best opportunity to confront and resolve the major trade challenges. In this regard, developing countries, particularly those already participating significantly in world trade, would obtain fuller benefits to the extent that they could contribute to the process through taking greater contractual obligations and improving their observance of multilateral trade disciplines. Group B also stressed the need for reforms in the area of agriculture; these reforms, which should seek to ensure that in all countries this sector of activity becomes more responsive to market signals, would be integral to the success of the Uruguay Round. The Group also held that services, indigenous or imported, as appropriate, could contribute to the development process. In all these respects UNCTAD VII should not pursue proposals which could detract from the Uruguay Round; rather it should serve to give the Round momentum.

In view of the wide differences in the initial positions of the Groups, a consolidated text on international trade was difficult to negotiate. Areas which were particularly troublesome were: (i) the standstill and rollback commitment; (ii) reciprocity by developing countries for concessions made by developed countries in the Uruguay Round; (iii) services; and (iv) trade sanctions for political reasons.

^{1/} TD(VII)/C.III/CRP.1.

In the Final Act it was agreed that the previous commitments taken in UNCTAD to halt and reverse protectionism and to enhance structural adjustment should be fully respected and implemented. It was also stated that the Uruguay Round was expected to make a significant contribution to the improvement of market access, particularly for the products of export interest to the developing countries. The Trade and Development Board (TDB) was asked to follow closely developments and issues in the Uruguay Round and the Secretary-General of UNCTAD was requested to provide technical assistance to developing countries to facilitate their effective participation in the Round. The document also stipulated that UNCTAD should continue its useful work in the area of services under its existing mandate.

In other matters, preference-giving countries were called upon to improve their autonomous GSP schemes; all countries, it was suggested, should consider, as appropriate, the establishment of transparent mechanisms at the national level to evaluate protectionist measures sought by firms/sectors; and it was agreed that the TDB should continue to review and study in-depth developments in the international trading system. Finally, participants agreed not to include in the Final Act a statement on economic sanctions for political reasons.

At the final plenary, the spokesman for Group B expressed reservations about the paragraph requesting UNCTAD to continue its work in the field of services lest this delay or impede progress in the Uruguay Round. The United States representative expressed a similar reservation about this proposal. He also stated that, in the view of his authorities, the agreement which had emerged on trade matters in no way compromised or reinterpreted the commitments reached in Punta del Este on the Uruguay Round. He further stated that, regarding the international trading system, the United States maintained "the position that any review or study by the TDB should be of a general character and should not be aimed at establishing a new set of rules for international trade." For his part, the spokesman for the Group of 77 made a statement, which was supported by Group D, that economic sanctions for political reasons should not be applied against developing countries and that any such sanctions already in place should be withdrawn.

6. Problems of the least developed countries (LDCs) (agenda item 8d)

The position paper of the Group of 77 on this topic ^{1/} stated that the Substantial New Programme of Action (SNPA) should be fully and effectively implemented and that donor countries which have not yet done so should reach their targets of 0.7 percent of GNP per annum

^{1/} TD(VII)/C.IV/L.1.

for total ODA and 0.15 percent of GNP per annum for ODA to the least developed countries or a doubling of their ODA to those countries before the end of the decade. In this context it made a number of specific recommendations regarding the flows and modalities of financial and technical assistance to LDCs. In particular, it called on the IMF "to undertake a fundamental review of the principles on which its conditionality rests in such a way as to reflect the peculiar social, economic and political priorities of the LDCs"; to allocate "substantial portion of SDRs and Trust Fund facilities to those countries"; and to improve its CFF "with provision for special treatment for the LDCs ensuring full coverage of their export earnings shortfalls, subsidization of their interest payments on outstanding drawings and a longer repayment and grace period than hitherto." It also stated that in the event of the establishment of "a complementary facility for fully compensating the export earnings shortfalls of the developing countries" that new facility should include "special provisions for the LDCs."

As regards the debt problems of the LDCs, the Group of 77 called for full implementation of TDB resolution 165 (S-IX); the conversion of "all outstanding bilateral loans to all the LDCs into grants, without discrimination"; and for "substantial and multi-year scheduling of private debts, including the waiving of service payments and/or outright cancellation of the debt." As regards market access, it requested that "steps should be taken by the developed countries to further improve GSP or MFN treatment for products of the LDCs." Finally, it included a number of recommendations regarding the specific needs of land-locked and island-developing countries and called for further improvements and strengthening of the arrangements for periodic review of the implementation of the SNPA through country review meetings such as the UNDP-sponsored Round Table Processes (RTPs).

The spokesman for Group B ^{1/} said that all commitments made to the SNPA by members of his group were "valid as stated in individual interventions at the time of the adoption of the SNPA and at the subsequent Mid-Term Review (MTR) Conference in 1985." Pending the further review of the SNPA, which was scheduled to take place in 1990, follow-up work on the program was monitored through existing mechanisms such as the World Bank Consultative Groups, the UNDP RTPs, and the Club du Sahel. Against this background the members of his group, he went on to say, had reached certain conclusions regarding further action in favor of the LDCs. They strongly believed that, if aid were to make a substantial contribution to the LDCs development, it had to be geared to the support of overall growth-oriented structural adjustment policies. Since the success of such policies "depended to a great extent upon

^{1/} TD(VII)/C.IV/CRP.3.

public acceptance of their necessity and effectiveness," the governments of the LDCs should "continue to take an active part in the formulation and implementation of their own structural adjustment programs, explain their purpose and content, and implement them with resolve." These national development efforts obviously had to be supported by external financial and technical assistance. While the record of his constituents in this respect was already substantial, they expected "aid from all sources to be further improved." They also believed that multilateral financial institutions had an important role to play in support of the LDCs growth-oriented adjustment efforts and, in this connection, they noted with satisfaction the agreement on the eighth replenishment of IDA and the establishment of the IMF Structural Adjustment Facility (SAF).

Following a protracted debate a compromise was reached on a text which was incorporated in the Final Act. This text states that a consensus exists "about the need for a full and expeditious implementation of the SNPA and of the recommendations of the MTR"; that LDCs "should continue to implement adjustment programs" designed, inter alia, "to accelerate agricultural development and enhance food security; to encourage external financial flows, to improve the efficiency of the public sector and to encourage indigeneous entrepreneurship"; that developed countries should attain "the internationally agreed targets of 0.7 percent of GNP for total ODA and of 0.15 percent of GNP for ODA to LDCs, or double their ODA to these countries as soon as possible"; and that the overall volume of multilateral assistance to LDCs "should be adequate to meet the substantially increased development needs of the LDCs."

In connection with the latter point, the approved text welcomes "the proposal by the Managing Director of the IMF for a significant increase in the resources of the SAF over the next three years from January 1, 1988" and it invites the IMF "to keep under review the principles on which its conditionality rests, in such a way as to reflect the peculiar social, economic and political priorities of the LDCs." It also includes a number of recommendations regarding the improvement of aid modalities and the strengthening of the arrangements for the periodic review and implementation of the SNPA on a country-by-country basis.

UNITED
NATIONS

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United Nations Conference on Trade and Development

Distr.
LIMITED

TD/L.316
2 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8

FINAL ACT OF UNCTAD VII

~~DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE~~

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**United Nations Conference
on Trade and Development**

Distr.
LIMITED

TD/L.316/Add.1
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Addendum

Introduction

I Assessment of relevant economic trends and of global structural
change: findings and policy implications

II Policies and measures (para. 33)

INTRODUCTION

1. The United Nations Conference on Trade and Development held its seventh session in Geneva from 9 to 31 July 1987, under the presidency of the Hon. Bernard T.G. Chidzero, Minister of Finance, Economic Planning and Development of Zimbabwe. The representatives of 141 member States of UNCTAD participated. The Conference was addressed by its President, by the Secretary-General of the United Nations, Mr. Javier Pérez de Cuéllar, by the Heads of State or Government of the Congo, Egypt, France, Norway, Switzerland, Yugoslavia and Zimbabwe, by H.R.H. the Crown Prince of Jordan, by Ministers of 71 member States and by the Secretary-General of UNCTAD, Mr. Kenneth K.S. Dadzie. It received messages from 11 Heads of State and Government. The final week was devoted to the conclusion of the work of the session at the ministerial level, and 44 Ministers participated during this phase.

2. The main substantive item of the Conference's agenda was the revitalization of development, growth and international trade, in a more predictable and supportive environment, through multilateral co-operation: assessment of relevant economic trends and global structural change, and appropriate formulation of policies and measures, addressing key issues in the interrelated areas of resources for development, including financial, and related monetary questions; commodities; international trade; and problems of the least developed countries. This item was considered in the light of the related understandings.^{1/}

3. The Conference established four Sessional Committees to consider the four sub-items under the main agenda item: Committee I on Resources for development was chaired by Mr. M. Taniguchi (Japan); Committee II on Commodities by Mr. C. Perez del Castillo (Uruguay); Committee III on International Trade by Mr. Chak Mun See (Singapore); and Committee IV on Problems of the least developed countries by Mr. M. Huslid (Norway). This consolidated text was prepared by the Contact Group of the President. The Rapporteur of the Conference was Mr. A. Ozadovski (Ukrainian SSR).

^{1/} See Proceedings ...

I. ASSESSMENT OF RELEVANT ECONOMIC TRENDS AND OF GLOBAL STRUCTURAL CHANGE:
FINDINGS AND POLICY IMPLICATIONS

4. The Conference undertook an assessment of relevant economic trends and of global structural change, as provided for in its agenda and in the related understandings.^{2/}

The findings of this assessment, on some aspects of which there were varying views, are as follows:

5. The world economy in the 1980s has been characterized by a slowdown in growth of demand and output, compared with the preceding two decades, generally lower rates of inflation, difficulties in many countries in adapting to structural changes, a mounting stock of debt, high real interest rates, inadequate net flows of financial resources, shifts in exchange rates, high and increasing levels of protection, commodity prices depressed to their lowest level in fifty years, terms-of-trade losses sustained by commodity exporting countries, and a generally insecure economic environment in which millions of people still lack the basic conditions for a decent life.

6. In this difficult global economic situation, there has been a diversity of socio-economic experiences. Developed market-economy countries have succeeded in curbing inflation and in maintaining steady, albeit slow, growth, but unemployment levels are still high and external payments imbalances remain excessive in some of these countries. On account of their dominant share in world trade, the impact of their slow growth has been transmitted to other countries which have had to reckon with it as a significant factor in policy formulation. Growth has slowed also in socialist countries of Eastern Europe. Most developing countries have had to retrench; they have been unable to consolidate and build upon the economic and social progress which they had achieved during the two preceding decades. In the 1980s, the average per capita income of the developing countries as a whole fell further behind that of the developed countries. Indeed, per capita incomes declined in most countries in Latin America and in sub-Saharan Africa. Nevertheless, a number of more industrialized export-led economies of East Asia, and the larger Asian low-income economies have continued to grow appreciably.

7. Many developing countries continue to face serious debt problems. The main debt indicators remain at historically high levels, even for the poorer among them. Whilst most countries with debt-servicing difficulties have neither achieved a satisfactory growth momentum nor recovered their credit-worthiness, the debt strategy has allowed some resumption of capital flows and growth in some developing countries. There continues to exist a need for more timely and effective mobilization of lending by commercial banks. In the context of expanding lending requirements for development, the multilateral financial institutions need to be provided with adequate capital resources to support growth and adjustment.

^{2/} For this purpose the Conference drew upon the documents before it, the statements made in its Plenary, and the deliberations of its Sessional Committees.

8. The roles of the external economic environment and of domestic policies and structural factors are recognized as contributory elements to the diversity of experiences of developing countries, but judgments differ with respect to the relative weights of these elements.

9. The 1980s have also been a time of complexity for economic policy-makers in both developed and developing countries. Increasing unpredictability has been manifested in the unilateral adoption of trade restrictions specific to countries and products, and in the appearance of massive and often distorting flows of funds within and across international currency and commodity markets. Associated with these phenomena have been interrelated problems arising from currency misalignments, persistent payments imbalances, an uneven distribution of international liquidity, and net outflows of financial resources from many developing countries.

10. Both policy-makers and entrepreneurs are being challenged by an acceleration in the pace of structural changes which are very difficult to harness. These changes can be traced to a number of underlying factors, the most important of which are the impact of scientific advance and applied technology, and government policy stances. These factors are affecting production, consumption and trade patterns; producing far-reaching developments in the service sector, particularly financial services, and in commodity markets; significantly altering employment patterns; and leading to shifts in international competitiveness.

11. Many countries - developed and developing alike, including the least developed countries - are investing substantial efforts in adjusting their economies to these new realities in pursuit of their national objectives. They are also reappraising the respective roles of the public and private sectors in the economy. However, whilst some have made progress in recent years in reducing or eliminating growth-retarding distortions and rigidities by enhancing the structural flexibility of their economies, much remains to be done.

12. The developed market-economy countries are committed to programmes of structural transformation to foster sustained non-inflationary growth, promote competition to accelerate industrial adjustment, facilitate job-creating investment, improve the functioning of labour markets, promote the further opening of internal markets, encourage the elimination of capital market imperfections, and reduce major imbalances between agricultural demand and supply.

13. Socialist countries of Eastern Europe have launched intensive policy reforms aimed at transforming the mechanisms of the national economy, improving the management of foreign economic relations and enhancing international competitiveness.

14. Many developing countries, recognizing the importance of their national policies in promoting social and economic development, are striving to: strengthen their national capacities for mobilizing domestic resources, both financial and (through education and training) human; enhance the degree to which their economies can respond to efficient market signals; develop more flexible incentive systems for shifting productive resources in line with dynamic comparative advantage; expand the scope for entrepreneurial initiative and enterprise development; devise incentives for the adoption of appropriate technologies; enhance the contribution of the public sector and broaden.

opportunities for management and technical education. Others have acknowledged the need to adopt similar policy approaches. At the same time, the implementation of such comprehensive adjustment measures has often been accompanied by high social and political costs.

15. In view of the substantial and increasing interdependence in the world economy, both among countries and across the trade, money, finance and commodity sectors, national economic policies, through their interaction with the international economic environment, have become important factors influencing the development process. The more significant the country in terms of its economic weight, the greater is the effect of its policies on other countries. The structural characteristics of most developing economies leave them especially vulnerable to the impact of structural change and external shocks.

16. Interdependence among countries has been increasing as the growth of world trade has outpaced that of world output. Furthermore, there has been a closer integration of the various sectors of the world economy. With the rapid diffusion of new technologies, the secondary and tertiary sectors have become more tightly integrated, as in the merger of many service activities with production processes.

17. In the financial sector, a number of recent developments have accentuated the dependence of many countries upon their trade sectors. These have included the progressive dismantling of controls over international capital movements, the increasingly close connexions between domestic and international financial markets, facilitated by the revolution in information and communications technology, the rise in the importance and the procyclical movement of international lending, the decline in net financial flows, and the scale of debt servicing burdens compared with domestic savings capacities.

18. The pursuit of export expansion by commodity-dependent developing countries to achieve balance-of-payments equilibrium and longer-term structural adjustment towards a more balanced, less vulnerable economic structure, has failed to increase export earnings. In some instances, it has become a factor in generating oversupply, aggravating the effect on prices of weak demand. The sharp declines in commodity prices consequent thereon have resulted in losses of earnings, compounding the financial constraints. The least developed countries have been particularly affected in this regard.

19. Attempts to expand export earnings have also been hampered in the agricultural sector and in many industries because the erosion of multilateral discipline has permitted the rise of protectionism, particularly of the non-tariff, selective and discriminatory form, restricting market access.

20. In both these cases, the constraints on the ability of developing countries to increase their export revenues has further impaired their debt-servicing capacity. The resulting aggravation of the debt problem has, in turn, increased the calls on the resources of the multilateral financial institutions for meeting the financing needs of developing countries, in view of the slowness of the commercial banking sector to renew voluntary lending to these countries.

21. Close interlinkages have also become apparent between the economy, population and the natural environment. The degradation of this environment associated with persistent poverty is being further worsened by the financial pressures on developing countries, which have led to the overexploitation of natural resources and reductions in environmental programmes. Recognition is,

however, growing that such degradation can be halted and reversed only by ecologically sustainable growth and integrating environmental factors in development programmes.

22. Current economic performance in some developed and developing countries as well as the imbalances which characterize the world economy suggest that the responsibilities and opportunities inherent in interdependence have been inadequately addressed by national and by international policies.

23. Indications have been given by the developed market-economy countries that they have a responsibility to ensure a better environment for the growth and exports of developing countries, primarily by fostering vigorous economies in an open multilateral trading system, correcting massive current account imbalances, and achieving greater stability in exchange rates. Improved and sustained growth in the developing countries can, in turn, have a substantial positive impact on growth in the developed countries. In this regard, a number of developing countries now play an increasing role in the world economy by virtue of the strong growth in their industrial production, exports of manufactures and import capacity.

24. Recent positive developments have included the broad acceptance of the need for support of growth-oriented adjustment in the developing countries; the successive commitments to macro-economic policy co-ordination by the seven major developed market-economy countries, the latest of which was made at their most recent summit meeting; the declaration by the socialist countries of Eastern Europe on ways and means to resolve global economic problems and overcome underdevelopment through multilateral co-operation; the recent decision by the Government of Japan to channel a portion of that country's external surplus to developing countries; the movement towards more co-ordinated and longer-term debt rescheduling in the context of the "Paris Club"; the launching of the Uruguay Round of Multilateral Trade Negotiations; the new impetus to the process of entry-into-force of the Agreement on the Common Fund for Commodities; the initiation of negotiations on a Global System of Trade Preferences among Developing Countries; and the adoption of the United Nations Programme of Action for African Economic Recovery and Development envisaging measures by both the African countries and the international community. These developments were welcomed as evidence of a growing consensus that the revitalization of development, growth and international trade in an increasingly interdependent world is a common objective which requires continued co-operative efforts within a multilateral framework involving all States.

IMPLICATIONS FOR POLICY

25. Drawing upon these findings, the Conference considered their implications, and reached a number of general policy conclusions. These constitute a basis for continuing action by governments, individually and collectively, and in the competent international organizations, in pursuit of the objective of revitalizing development, growth and international trade. If this objective is to be attained, governments need to improve their capacities to manage the interrelationships among different economies and the interlinkages between various sectors and issues.

26. Thus, a reactivation of the development process in the developing countries, whose markets now absorb more than a quarter of the exports of the developed market-economy countries, would contribute to non-inflationary growth, employment and structural adjustment in the latter group of

countries. It would in addition enhance the capacity of the indebted developing countries to meet their debt-service obligations to creditors in the developed market-economy countries. Faster growth and non-discriminatory trade liberalization in these countries would boost the economies of developing countries through strengthened commodity prices, improved market access and enlarged financial flows. The same processes would also support the efforts of the socialist countries of Eastern Europe to achieve trade-oriented growth, while the closer integration of these countries in international economic interchange would, in turn, contribute to global growth and stability.

27. If both national and international policies were growth-oriented and mutually reinforcing, interdependence would, in contrast to the experiences of the recent past, be a vehicle for transmitting and cumulating positive impulses. This implies the acceptance of joint responsibility to take convergent action. Such responsibility rests on all countries, collectively and individually, with each country contributing to the common objective in accordance with its capacities and weight in the world economy. At the same time, a shared approach to internationally agreed objectives must not involve any attempt to impose a unique model of national economic management for adoption by all countries. Account would need to be taken of the diversity of national objectives, of specific problems, of experience and of capacity to respond to changes in the external environment. In this context, the fundamental principle was stressed that each country has the primary responsibility for its own socio-economic and political development, and the right to adopt the economic, social and political systems which it considers most appropriate.

28. The Conference emphasized that the Charter of the United Nations provided a basis for the conduct of relations among States in a manner that would promote the shared objectives of revitalizing development, growth and international trade in a more predictable and supportive environment through multilateral co-operation and thus also promote peace, security and stability. In a climate of greater security there would be increased opportunities for diverting resources from expenditures on armaments towards more socially-productive uses, including development finance.

29. The Conference agreed that mutual benefit, common interest, equality, non-discrimination and collective responsibility, as well as recognition of the diversity of national paths to development, could be the basis of a constructive and action-oriented dialogue which would instil new strength into multilateral co-operation for development. In a particular conjuncture, such a dialogue would have to pay due regard to cyclical and structural trends and incorporate both international dimensions and the interactions between those dimensions and national factors and policies. It would also have to take into account the interrelationships between short, medium and long-term problems and solutions.

30. In the light of the foregoing considerations, the Conference reached a broad understanding on the need for:

- (a) all countries to implement national and international policy measures to improve the environment for accelerated and sustainable development;

and in that context for:

- (b) major market-economy countries:
- (i) to adopt co-ordinated policies to promote stable, sustainable, non-inflationary growth, consistent with their declared aims;
 - (ii) to enhance the positive impact on development of measures to deal with their mutual imbalances;
 - (iii) to strengthen mechanisms for the ongoing process of multilateral surveillance of economic policies;
- (c) developed market-economy countries and socialist countries of Eastern Europe:
- (i) to contribute to the strengthening of the production potential of developing countries, to improve access for imports from those countries and to undertake the consequential structural adjustments in agriculture and industry, where appropriate;
 - (ii) to enhance the flow of public and private resources and to intensify economic assistance to developing countries, bearing in mind their particular resource needs: those of the poorer countries, notably the least developed countries and other countries in sub-Saharan Africa, those of the commodity-dependent countries and those of the heavily-indebted countries;
- (d) developing countries, in fulfilment of their primary responsibility for their own development and in accordance with their respective national objectives and priorities:
- (i) to strengthen policies and measures to mobilize domestic financial and human resources, including indigenous private capital and entrepreneurship;
 - (ii) to provide a suitable policy environment for external financial resources, public and private, as appropriate;
 - (iii) to improve further the effectiveness of domestic and external resource use;
 - (iv) to continue to improve their mutual economic co-operation in pursuance of the objectives of national and collective self-reliance;
 - (v) to promote the development of human resources, in order to utilize their capacities most effectively.

31. The Conference also agreed that this understanding would need to be complemented by co-operation among all countries to improve the systems, structures and arrangements which underpin international economic relations, particularly in the interrelated areas of money, finance and trade, making them more supportive of development and observing provisions related to differential and more favourable treatment for developing countries in trade. Although divergences remain concerning the modalities for such co-operation, it was nevertheless recognized that such matters should remain on the active agenda of the competent international fora, including UNCTAD.

32. The Conference noted that many UNCTAD members proposed an international conference on money and finance for development with universal participation, with the aim of evolving a stable, effective and equitable monetary system. Other members did not agree to the need for such a conference and indicated that these issues were being, and should continue to be, dealt with satisfactorily in the Interim Committee of the IMF and the Development Committee of the World Bank and the IMF.

II. POLICIES AND MEASURES

33. In the context of the foregoing assessment and general policy conclusions and of the unifying theme of its agenda, the Conference reviewed key issues arising in the four areas listed in its agenda. The Conference agreed upon the need for a number of policy approaches and concrete measures in those areas, bearing in mind the interrelationships among those areas and among the policies and measures envisaged. This agreement is expressed in the following text, the elements of which are addressed, as appropriate, to governments, to the intergovernmental bodies of UNCTAD and its Secretary-General, and to other international institutions.



United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/L.316/Add.2
2 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8

FINAL ACT OF UNCTAD VII

~~DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE~~

Addendum

II (a) - Resources for development, including financial,
and related monetary questions

RESOURCES FOR DEVELOPMENT, INCLUDING FINANCIAL,
AND RELATED MONETARY QUESTIONS

Introduction

1. The stringency of external resources for many developing countries in recent years has posed difficult challenges for both multilateral cooperation and domestic economic management. The main challenges are: the debt problem; the adequacy of external financial resources; the mobilization of domestic savings and human resources; and the related monetary questions.

2. Net resource inflows to developing countries have declined steeply since 1982. Commercial bank loans and net export credits have contracted sharply. Official development assistance flows have stagnated in real terms, though net disbursements of ODA by developed countries as a whole have advanced moderately. Many donors continue to remain below the target of 0.7 per cent of gross national product, as adopted. Foreign direct investment flows have fluctuated and remain presently depressed. Multilateral development finance has grown modestly. For many countries, net drawings from the International Monetary Fund have dropped sharply, to the extent that the IMF is presently a net recipient of resources from developing countries as a whole.

3. Many developing countries, particularly those having high debt service ratios, have experienced a severe reduction of resources available for development. This has contributed to the reversal of economic and social progress in a number of countries, and to a slowing down of growth in the world economy.

4. The objective of adjustment with growth can only be realized if all the parties concerned discharge their responsibilities. Such a process requires restoring economic activity in developing countries which will in turn enhance their ability to service debt. It also requires greater flows of external resources to developing countries, as investment and import volumes need to grow.

5. There has been an evolving response of the international community to the debt problem. It recognizes the shared responsibility of the main parties concerned (developing debtor countries, developed creditor countries, private and multilateral financial institutions). The developed countries have the responsibility to help create a favourable economic environment through, inter alia, the promotion of growth and the expansion of trade. In the context of a favourable international economic and trade environment, the main elements are: the pursuit of programmes of economic adjustment and structural reform by developing countries, the enhancement of lending by multilateral and international financial institutions, particularly the World Bank, and the provision of external private financial flows in volume and terms appropriate to support the adjustment and reform efforts of developing countries, while promoting the growth of their economies.

6. The debt problems of both those developing countries with lower per capita income whose debt is mainly on concessional terms and largely with official creditors and those with higher per capita income whose debt is mainly on market terms and largely with commercial creditors are being addressed.

7. There has been some resumption of growth, correction of imbalances and progress in restoring the flow of resources to some countries. Many developing countries have made far-reaching changes in their macro-economic and structural policies. In a number of cases, notable achievements have been recorded. However, the costs of adjustment have been heavy, and many countries with debt-servicing difficulties have yet to achieve a satisfactory growth momentum or recover their creditworthiness. Several debtor countries are experiencing interest payments on accumulated loans that are larger than net financial transfers through net new lending. Increased private financial flows have failed until now to materialize. Although debt-restructuring agreements have been concluded on a significant scale, with the involvement of international financial institutions, new financial inflows have been modest, and the external economic environment has improved little.

8. With regard to official development finance, certain efforts have been made by the international community to increase its volume, including the establishment of the World Bank's Special Facility for sub-Saharan Africa; the agreement on the eighth replenishment of IDA although the amounts involved represent virtually no increase in real terms as compared to the combined resources of IDA-7 and the Special Facility for sub-Saharan Africa; the commitment by developed countries to mobilize additional resources for Africa in the context of the United Nations Programme of Action for African Economic Recovery and Development; and the setting up of the IMF's Structural Adjustment Facility. Certain donor countries have taken steps to increase their contribution to development finance and improve its term and effectiveness.

9. The financing of development also requires enhanced mobilization of domestic financial and human resources. In some countries, current efforts to expand domestic savings and to improve the quality of investment in physical and human capital need to be increased and complemented by an improved external environment.

10. Finally, related monetary issues, especially with regard to multilateral surveillance, exchange rates, interest rates and liquidity needs of developing countries, have an important role to play in the concerted efforts towards revitalizing the development process.

1. Debt problems

1. The debt crisis is complex and an equitable, durable and mutually agreed solution will only be reached by an approach based on development, within the framework of an integrated, co-operative growth-oriented strategy that takes into account the particular circumstances of each country. The response to the debt crisis should continue to evolve, through continuous dialogue and shared responsibility, and the strategy should be implemented with flexibility in an environment of strengthened international co-operation, bearing in mind General Assembly Resolution 41/202. To that end:

(a) The various parties should co-ordinate their respective contributions in the context of medium-term development policies and programmes oriented towards adjustment and growth formulated by the country. Such programmes should examine the country's investment requirements and take into account important relevant factors of debt-servicing capacity, such as prospective export earnings, terms of trade, import requirements, GDP growth, and volume and terms of likely future financial flows;

(b) Policy advice should take into account the economic, political and social characteristics and needs of the country;

(c) Maturity, grace and, as appropriate, consolidation periods in official debt restructuring arrangements should be tailored to the individual circumstances of individual countries, with due regard to the need to accord governments and enterprises an adequate planning horizon. It is also desirable that consolidation, maturity and grace periods in private debt restructuring arrangements should also be tailored to that end. Due consideration should be given to unforeseen changes in the country's external payments due to factors beyond its control;

(d) It is essential for debtor developing countries to pursue and intensify their efforts to raise savings and investment, reduce inflation and improve efficiency, taking into account their own individual characteristics and the vulnerability of the poorer strata;

(e) It is essential that external financing from official and private sources be increased on appropriate terms and conditions in support of these efforts;

(f) It is essential for the international economic environment to be made more stable and predictable in support of growth through efforts by the major market economy countries including strengthened multilateral surveillance, aimed at correcting existing external and fiscal imbalances, promoting non-inflationary sustainable growth, lowering real rates of interest, and making exchange rates more stable and markets more accessible;

(g) In view of the debt burden, it will be necessary to work out, in appropriate cases, judicious combinations of measures designed to reduce it. Debt-equity swaps and other non-debt-creating flows have a role to play. A further widening of the range of options needs to be explored and developed in terms of realistic and effective instruments including those devised by banks and debtors to take advantage of discounts prevailing in secondary markets;

(h) Commercial banks of developed countries should be encouraged, in accordance with the policies and procedures of those countries, to apply flexibility in debt restructuring operations, and in providing new loans to indebted nations, as well as in taking innovative measures according to individual circumstances;

(i) Export credit agencies should be flexible regarding early resumption or increases in cover for developing countries in support of their adjustment programmes;

(j) Terms and conditions of rescheduling operations should, continue to be based on the realistic assessment of the financial situation of individual countries;

(k) The debt service burden of the poorest countries, primarily in sub-Saharan Africa, that are undertaking adjustment effort should be eased by longer repayments and grace periods, especially in the Paris Club. Consideration should also be given to the possibility of applying lower interest rates to their existing debt;

(l) In respect of the ODA debt of poorer developing countries, developed donor countries which have not yet done so should implement in full Trade and Development Board resolution 165 (S-IX);

(m) It is recognized that the problems of the poorer countries in sub-Saharan Africa are uniquely difficult and need special treatment. It is also recognized that in dealing with Africa's external indebtedness, the magnitude and the servicing of its debt constitute a severe and continuing burden which restricts its economic recovery and long-term development; the international community, particularly the donor developed countries, reaffirms its agreement to adopt concrete measures, and the importance of increasing urgently official development assistance to Africa in accordance with the provisions of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.

2. The Conference took note of the proposal of the Group of 24 endorsed by the Group of 77 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, including specific solutions for low-income countries, particularly those in sub-Saharan Africa, and recommend appropriate measures. The Conference also noted the view of a number of participants that consideration of these important issues continues to remain under constructive discussion at the Ministerial level within the Interim and Development Committees. They strongly encouraged the efforts within these committees on the existing basis. The Conference also noted the view of other participants that an effective and equitable solution of the debt problem could be found only in the framework of a universal forum.

3. Some debtor developing countries are at present making interest and service payments that exceed net new lending to them. The objective of the co-operative debt strategy is to produce a situation where in support of the process of structural adjustment, domestic resources and external resources (facilitated inter alia through export earnings, new financial flows and/or debt rearrangements) are sufficient to finance the country's import and investment requirements, in order to assist the country to reach on a sustainable basis its growth and development potential.

2. Resources for development

(a) External resources for development

1. ODA will continue to play an important role for a large number of developing countries, especially for poorer and least developed countries. In compliance with the recommendations of the IMF/World Bank Development Committee's Task Force on concessional flows, developed countries should renew and make more effective their efforts to achieve, as quickly as possible, the internationally agreed target of 0.7 per cent of gross national product for total ODA and the targets for ODA directed towards the least developed countries as adopted in the SNPA and the International Development Strategy. At the same time, donor and recipient countries should together seek to ensure that aid is fully supportive of development efforts and that aid effectiveness is strengthened, inter alia, through improved co-ordination.

2. Multilateral financial institutions should play a central and growing role in supporting the growth and adjustment process, by providing both concessional and non-concessional finance and catalyzing additional private capital flows. These institutions should be strengthened by endowing them with adequate resources and instruments to fulfill their tasks. Members of the World Bank should support a substantial and early general increase of its capital when needed to support quality lending and to enable the Bank to meet the increased needs for external resources of developing countries for adjustment and investment and for maintaining net lending at a reasonable level. Donors should meet expeditiously their commitments to the Eighth Replenishment of IDA and ensure that terms and conditions of IDA credits remain highly concessional.

3. Regional development banks and funds also need to be strengthened. They have an important role to play in support of development, investment and growth in developing countries. The resources of these regional development institutions should be maintained at adequate levels and reviewed as necessary. In particular, negotiations on a capital increase of the Inter-American Development Bank and a replenishment of the African Development Fund should be concluded as soon as possible.

4. All countries are called upon to participate actively in the future negotiations on IFAD's third replenishment and all contributors to the Fund are urged to make additional efforts to contribute to the Fund with a view to ensuring the highest possible level of resources while preserving the institution and its unique structure.

5. The conditionality criteria of international financial institutions should take into account, among other things, adverse changes in the external environment which affect the prospects for achieving necessary adjustment with adequate rates of growth and for protecting the poor segments of the population, as well as the necessary resources for development and the periods required for adjustment with growth. Increased co-operation between the IMF, the World Bank and other multilateral financial institutions is welcomed but should not lead to cross-conditionality.

6. Developed countries should effectively mobilize additional resources for Africa, in accordance with the commitments undertaken in the context of the United Nations Programme of Action for African Economic Recovery and Development.

7. Concern is expressed about the plight of low-income countries and in this connection it is recognized that implementation of major reforms in these countries needs to be accompanied by additional financing on concessional terms. The Managing Director of the IMF has proposed a tripling of the resources of the Structural Adjustment Facility. A significant increase in such resources over the three years from 1 January, 1988 would be welcomed. It is urged that a conclusion on discussions on this proposal be reached within this year.

8. Both developed and developing countries should explore ways and means to encourage private capital flows to developing countries. Flows fostered through non-debt creating instruments are particularly welcome. Foreign direct investment should be encouraged by the promotion of such flows by developed countries, and by improving as necessary the environment for investment in host countries, in accordance with their national policies and legislations, and development priorities. Developed country governments should encourage the revival of bank lending, in accordance with the practices and procedures in the developed countries concerned. Policies regarding export credits should allow such credits to make a meaningful contribution to the financing of investment programmes, under suitable terms and conditions.

9. Negotiations on the elaboration of the code of conduct on transnational corporations should be completed as soon as possible.

10. Continued efforts are needed to foster the flows of resources from developed to developing countries. The recent initiative of the Japanese Government to increase the transfer of financial resources to developing countries is welcomed. It is hoped that all developed countries will take appropriate steps to increase overall financial flows to developing countries.

11. The Conference notes with interest the proposal of the Japanese Government for establishing an independent high-level wisemen's group, with the support of interested countries and relevant international organizations, to examine ways and means to encourage the flow of financial resources to developing countries.

(b) Domestic resources for development,
including non-financial resources

1. The future financing of development requires both higher flows of external finance and enhanced domestic resource mobilization. Domestic savings remain an essential means of financing development. Many developing countries have embarked upon rigorous programmes to expand domestic savings and increase the efficiency of investment. However, their capacity to save has been depressed by external factors. Their efforts would be enhanced by an improved external environment with increased financial flows to developing countries, reduced debt service and improved terms of trade.

2. Growth of per capita incomes is necessary for increasing domestic savings. In many developing countries per capita consumption has been depressed; in some the declines have endangered social peace. Another important factor for increasing domestic savings is restoration of financial stability. However, domestic financial stability is difficult to attain when the external financial situation remains seriously disrupted.

3. In many countries, increased efforts are needed to improve the mobilization and use of domestic savings through, inter alia, ensuring an appropriate return to savers, as well as by strengthening the institutions and instruments for investment finance. In the same context, increased attention needs to be given to the quality of investment in the public as well as private sectors, so that due weight is given to projects that promise the highest pay-off, inter alia, in terms of foreign-exchange earnings or savings. Finally, fiscal disciplines require close attention in a number of developing countries, with a view to raising savings and investment in the public sector from their currently depressed levels. This may often call for a strengthening of public sector finances, increased investment in human resources and physical infrastructure, and other necessary measures.

4. While such measures help to improve the mobilization of domestic resources in developing countries, they take time to bear fruit; their effectiveness will be enhanced by an improved external environment.

5. The fulfilment of human potential and the promotion of human well-being are the ultimate goals of the development process. In this context it is essential to mobilize fully human resources, recognizing, in particular, the role of women and the need to integrate women and development issues. Human resource development will lead to improvements in labour productivity which depends on, among other, a series of factors, such as nutrition, health, housing, education, environment and quality of management. Qualified national specialists should be fully used as an important factor of social and economic development in developing countries.

6. A very large number of developing countries have made substantial progress in securing the full and effective participation of all strata of the population in the development process, in enhancing education, reducing illiteracy and improving the provision of social services. However, many developing countries have recently experienced a deterioration in several of the factors influencing the development of the human potential, as a consequence of cuts in government expenditures on health education, and other basic social services, made necessary by their worsened economic situation.

7. Development of human resources in developing countries is primarily their responsibility. Developed countries are ready to support their efforts by providing, in particular, necessary financial and technical assistance through bilateral and multilateral channels.

Monetary questions as related to resources for development,
including financial resources

1. A stable international monetary environment is essential to foster global economic growth required to address effectively debt and development problems. Policies in the areas of debt and resources are more effective when supported by appropriate fiscal and monetary policies.

2. The balance-of-payments problems of developing countries are related to resource availability and use, exchange rates and policies and the level of reserves. Difficult monetary and exchange rate reforms and policy adjustments have been taken by many developing countries aimed at achieving a sustainable balance-of-payments pattern. Adequate availability of international liquidity is important for sustainable non-inflationary economic growth of the world economy including the growth of developing countries. In this context the question of international liquidity must be kept under permanent review under the auspices of the IMF.

3. Volatile exchange rates in the major market economies have contributed to economic imbalances in these countries and to uncertainty in international trade, investment and economic growth, and to the intensification of protectionism. A stable exchange rate environment is conducive to balanced trade, investment and an open multilateral trade system. Co-operative efforts are being undertaken by Governments of countries with major currencies and aimed at promoting orderly behaviour and stability of exchange rates. Co-operation to stabilize exchange rates and promote growth should continue to be worked out in the context of strengthened multilateral surveillance with the assistance of the IMF, in conformity with the growth objectives provided for in article 1 of its articles of Agreement and taking into account trade and capital flows as well as fiscal balance.

4. International interest rates remain high in real terms, affecting investment and growth both in developed and developing countries. Governments' efforts in economic and fiscal policies and in the correction of external and domestic imbalances, particularly of major-market economies, are helping to create an environment for a further decline in interest rates. A decline in interest rates, keeping in mind sustainable non-inflationary growth objectives, would help stimulate economic activity further in both developed and developing countries.

5. The continued examination within the IMF of the question of allocation of SDRs and functioning of SDRs with a view to enhance its attractiveness as a reserve asset is welcomed. Most UNCTAD members reiterated the view that there is a long-term global need to supplement existing reserve assets on a continuous basis and that many countries have a need for reserve supplementation. They asked that the IMF should agree on a new substantial SDR allocation. They stressed the costs and risks to the efficient functioning of the international monetary system of building reserve holdings through borrowing on international credit markets or through current account surplus. Other UNCTAD members, however, continue to believe that the condition for an SDR allocation, that is, the existence of a long term global need, had not been demonstrated.



United Nations Conference on Trade and Development

DISTRICT OFFICE OF THE UNITED NATIONS

TRADING CENTER LIMITED

TD/T.316/Add.3

2 August 1987

Original: ENGLISH

Seventh session Geneva, 9 July 1987 Agenda Item 8

FINAL ACT OF UNCTAD VII

DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE

Addendum

II (b) - Commodities

Text of the draft resolution on the commodity protocol...

Introduction

1. Commodity prices in real terms are on the whole at their lowest level for half a century and over the short and medium term a major sustained improvement is not expected. The present situation has adversely affected, in varying degrees, all producing countries. Developing countries heavily dependent on exports of commodities have been particularly severely affected. In these countries the sharp declines in prices of commodities have resulted in losses in earnings, decline in capital investment and, in many of them, the accumulation of debt.

2. A complex interplay of factors have affected demand and supply and have contributed to the downward pressure on prices. Such factors, which vary in their impact from one commodity to another, and from one country to another, are short, medium and long term in their origin and induced by cyclical and structural factors, as well as by government policies. Among these various factors are moderate economic growth; fluctuating exchange and interest rates; the less intensive use of some commodities as a result of technological change, including recycling and the use of synthetics and substitutes; concentration of growth in recent years in sectors such as services and electronics in developed countries; increased productivity; support measures encouraging increased production and exports; protectionism; and the declining role of comparative advantage in primary agricultural products, minerals and metals.

3. As a result, changes have occurred in the patterns of production, consumption and trade. The share of non-fuel commodities in world trade in relation to world trade in manufactures has been following a declining trend. Developing countries' share in total imports of non-fuel commodities has been increasing; nevertheless, this increase has been concentrated in only a small number of developing countries. In addition, there has been an increase in the local processing of some commodities in some developing countries, but for a large number of them little or no progress has been made.

4. In view of this situation, there is a need to seek lasting solutions to deal effectively with the short, medium and long-term problems in the commodities area, and the Conference recognized that international co-operation between producers and consumers is necessary for the achievement of these objectives and should be strengthened. To this end, the Conference reaffirms the validity of resolution 93 (IV) and calls for the implementation of, inter alia, policies and measures as agreed below.

A. International commodity agreements/arrangements in the light of the world commodity situation and the situation of individual commodities

5. The Conference recognized the need for a better functioning of commodity markets and the desirability of achieving stable and more predictable conditions in commodity trade including the avoidance of excessive price fluctuations and the search for long-term solutions to commodity problems.

6. In this respect, there was agreement that, where appropriate and feasible, producer-consumer consultations and co-operation should be enhanced, strengthened or established. The Conference highlighted that there had been a long experience with international commodity agreements as a mechanism for greater stability and predictability in commodity markets. The adoption of resolution 93 (IV) in Nairobi with its integrated approach to commodity problems had added a new dimension and scope to the work on international commodity agreements. Decision 23 (XI) of the Committee on Commodities provides additional elements geared towards achieving a more effective functioning of international commodity agreements.

7. The Conference agreed that the operation and functioning of existing commodity agreements should be improved. The negotiation of new international commodity agreements or arrangements should cover the conclusion of agreements or arrangements containing, as appropriate, economic provisions, or developmental measures, or measures to improve market transparency, or a combination of such provisions and measures. Such agreements or arrangements should also receive the participation of as many important producing and consuming countries as possible.

8. The Conference also agreed to request the Secretary-General of UNCTAD to convene or to resume, in accordance with the results of comprehensive consultations with producers and consumers, ad hoc review meetings and/or preparatory meetings on individual commodities which are not covered by international commodity agreements/arrangements and which are included in the indicative list of resolution 93 (IV). Following these consultations, an appropriate schedule of meetings shall be prepared by the Secretary-General of UNCTAD for these purposes; for implementation by 1990 as far as possible.

9. Such meetings would, in the light of Conference resolution 93 (IV) and decision 23 (XI) of the Committee on Commodities and taking into account the particular characteristics and situation of each individual commodity, decide on the appropriate international action needed to solve the problems faced by these commodities in international markets.

B. The Common Fund for Commodities

10. The Conference noted that the prospects for the entry into force of the Common Fund Agreement in the near future had improved with additional signatures and ratifications. The entry into force of the Common Fund Agreement might further the conclusion of international commodity agreements with economic provisions. A number of developmental programmes on individual commodities have already been approved or considered by producers and consumers for possible financing under the Second Account of the Common Fund.

11. It was urged that countries which had not taken action to sign the Agreement establishing the Common Fund for Commodities and/or to deposit the necessary instruments of ratification, acceptance or approval should do so in the near future and that, once the entry-into-force conditions are met, efforts should be made as soon as possible by parties to the Agreement to ensure that the Common Fund is made operational.

C. Diversification, processing, marketing and distribution

12. The Conference recognized that for most developing countries horizontal and vertical diversification of their economies, as well as increased participation in the processing, marketing and distribution, including transportation, of their commodities, is a long-term development objective towards which international co-operation between producers and consumers should be intensified.

13. The Conference noted that decisions on diversification are primarily the responsibility of developing countries. International assistance should be directed to viable diversification programmes within a broad economic policy framework and in a context of growth-oriented structural adjustment. Full account should be given to the developmental objectives of each country and to dynamic comparative advantage considerations. In this context, an adequate expansion of official bilateral and multilateral resources, as well as private resources, including private investment, was called for to finance appropriate diversification projects and programmes, possibly through special facilities for this purpose. Diversification can help reduce vulnerability to changing market conditions and instability in commodity export earnings. The Conference also recognized the linkage between diversification efforts and market access conditions.

14. The Conference agreed on the need for adequate financial resources to implement diversification programmes, including processing, marketing and distribution activities.

15. Such medium-term and long-term financing should be complemented with technical assistance for the implementation of these programmes as well as for feasibility studies and infrastructural developments.

16. The Conference agreed that UNCTAD should assist in diversification as well as processing, marketing and distribution programmes, including the improvement of information flows to aid investment decisions, and technical co-operation projects and programmes, particularly for human resources development. It also agreed that the Working Party on Processing, Marketing and Distribution, including Transportation of the Committee on Commodities should continue to meet to pursue its work in the light of the orientations described above. Full support should be given to the International Trade Centre UNCTAD/GATT in the areas of market research, market development and promotion, including training in the commodities field.

D. Access to markets

17. The Conference noted that the Uruguay Round is an important opportunity to strengthen the multilateral trading system, to halt and reverse protectionism, to remove distortions to trade and thus to make, inter alia, a significant contribution to improve access to markets.

18. Achievement of these objectives will be important for improving the conditions for trade in commodities. In this respect, the Uruguay Round has defined objectives for negotiations in the areas of tropical products, natural resource-based products and agriculture. These objectives, and the general principles governing the negotiations as contained in part I, section B, paragraphs (i) - (vii), of the Ministerial Declaration on the Uruguay Round, were underscored by the Conference.

19. The Conference also emphasized that greater market transparency is a factor in improving access to markets.

20. It was noted that technical assistance referred to in section II(c), paragraph 9, below, would also extend to the sectors referred to above. It was agreed that the UNCTAD secretariat should continue, under its existing mandates, to undertake analyses of issues relating to access to markets as they affect commodities.

E. Compensatory financing

21. The Conference recognized that commodity-related shortfalls in export earnings of developing countries were an important obstacle to their development efforts.

22. The need for strengthening and improving the existing Compensatory Financing Facility of the IMF so as to facilitate increased drawings and broaden its coverage on concessional terms and more favourable conditions and to overcome its operational difficulties and rigidities, including access limitations, was stressed by developing countries. They also stressed the need for an additional facility because of the limited scope of the existing facilities. Therefore, in their view, the ongoing programme of work in UNCTAD aimed at establishing an additional facility to compensate developing countries for their shortfalls in commodity export earnings should be positively concluded. They recognized the value of existing arrangements in this field, such as the EEC/ACP STABEX, and highlighted the desirability of other industrialized countries introducing other schemes.

23. The developed market economy countries referred to the current review of the IMF-CFF, whose outcome was awaited. The view was expressed concerning the necessity of reconciling the short-term impact of compensatory financing with the long-term requirements of commodity sectors in the context of overall development. Among them, the view was also expressed that export earnings shortfalls are essentially a short-term balance-of-payments issue, outside of UNCTAD's operational mandate. Where balance-of-payments problems occur, they should be dealt with in total, rather than on a commodity-specific basis through the existing competent international organizations. This approach minimizes distortive effects caused by addressing the symptoms of export earnings instability rather than their causes. On the other hand, others among them expressed the view that compensatory financing could be commodity-related and contribute to diversification in the area of commodities.

24. The Intergovernmental Group of Experts on the Compensatory Financing of Export Earnings Shortfalls is requested to take into account the implications of export earnings shortfalls and, when making its recommendations, to consider the various institutional options, bearing in mind the balance-of-payments and/or commodity-related approaches.

F. Synthetics and substitutes

25. The Conference recognized that this subject could be dealt with in a broader developmental context. It agreed that the programmes or actions should be focussed towards improving the competitiveness of natural products with respect to synthetics and substitutes.

26. Technical and financial support should be extended towards this end. In this respect research and development activities, the identification of new end uses, improving the quality of natural products, market promotion and transfer of technologies, were mentioned.

27. The need for greater transparency in the markets of synthetics and substitutes, as well as the beneficial effects of trade liberalization of natural products, both in raw and processed forms, was also highlighted.

G. Disposal of non-commercial stocks

28. The Conference underlined that disposals of non-commercial stocks should not disrupt commodity markets and should be done in consultation with producers and, where appropriate, commodity organizations, bearing in mind Conference resolution 155 (VI), paragraph 14, decision 4 (V) and decision 23 (XI), paragraph 8, of the Committee on Commodities.

29. The Conference took note of the proposal of developing countries for an international code of conduct to halt the prevailing adverse effects on commodity markets. It also noted that guidelines on disposal also exist in GATT and FAO.

30. The Conference agreed that the situation of disposal of non-commercial stocks should be reviewed in the light of UNCTAD's mandates.



**United Nations Conference
on Trade and Development**

Distr.
LIMITED

TD/L.316/Add.4
2 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8

FINAL ACT OF UNCTAD VII

~~DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE~~

Addendum

II (c) - International Trade

Introduction

The Conference has carried out extensive discussions on a wide range of international trade issues, as follows: (i) protectionism and structural adjustment, market access and policies affecting trade; (ii) systemic issues of international trade; (iii) enhancement of trade prospects for developing countries: technical assistance; and the Uruguay Round of Multilateral Trade Negotiations and; (iv) trade relations among countries having different economic and social systems.

Structural rigidities and resistance to structural change have exacerbated protectionism, including sectors of particular export interest to developing countries. Subsidization of production and exports have resulted in major distortions in the world economy and misallocations of resources. It is generally recognized that expansion of trade has an important role in the process of economic development and there is a strong interrelationship between trade expansion and structural adjustment.

The international trading system is under a severe strain. Protectionist pressures and measures have proliferated and tendencies towards managed trade have intensified. International trade has been affected by restrictive trade policies and restrictive business practices. This is undermining the functioning of the international trading system and retarding the process of structural adjustment. These are having a serious impact on the trade and particularly on the trade and development of developing countries.

Although the generalized system of preferences has played an important role in expanding the exports by developing countries, its objectives are not fully achieved.

The successful conclusion, within the agreed time-frame of the Uruguay Round of Multilateral Trade Negotiations is important for bringing about further liberalization and expansion in trade, for creating an improved multilateral framework for trade and for strengthening the effectiveness of GATT.

In this context the Conference agreed that:

1. The commitments to halt and reverse protectionism, including those in resolutions 159 (VI), 96 (IV), and 131 (V) should be fully implemented, in particular taking into account the export interests of developing countries.
2. The commitments relating to structural adjustment, in particular those contained in resolutions 96 (IV), 131 (V) and 159 (VI), should be fully implemented.
3. The annual review of protectionism and structural adjustment in the Trade and Development Board should continue under the existing mandate and should be improved to have a wider coverage taking into account the specific interests of developing countries. The review should include analysis of the principal elements and effects of structural adjustment policies, including trade policies, and of the various policy options, keeping in mind the importance of resources and technology in the process of development and national development priorities and objectives. In this context, the importance of a favourable international economic environment and relevance of domestic policies is recognized, in particular those policies which have a large influence on the world economy.
4. Governments should consider, as part of their fight against protectionism, as appropriate, the establishment of transparent mechanisms at the national level to evaluate protectionist measures sought by firms/sectors, and the implications of such measures for the domestic economy as a whole and their effects on the export interests of developing countries.

5. Preference-giving countries should continue to improve their autonomous GSP schemes, inter alia, through the expansion of product coverage and in strict compliance with multilaterally agreed principles relating to their generalized, non-discriminatory and non-reciprocal character. The special Committee on Preferences should consider a study to be prepared by the secretariat in this regard.

6. The Secretary-General of UNCTAD is requested to continue and strengthen the technical assistance programmes in the field of GSP and is also requested to publish detailed information on the technical assistance programme. UNDP is invited to consider favourably the requests for providing adequate financial resources for this purpose.

7. The Uruguay Round of Multilateral Trade Negotiations has a critical role in the international trading system.

The programme of negotiations covers a range of important subjects, whose balanced outcome should in the end develop a more open, viable and durable multilateral trading system and thereby contribute to promoting growth and development.

The success of the Multilateral Trade Negotiations will be greatly facilitated by a supportive international economic environment which should ensure mutually reinforcing linkages between trade, money, finance and development.

The commitments on "standstill" and "roll back" made in Punta del Este should be fully respected and implemented.

8. The Trade and Development Board should follow closely developments and issues in the Uruguay Round of particular concern to the developing countries.

9. The Secretary-General of UNCTAD is requested to provide technical assistance to developing countries, on request, in connection with the Uruguay Round of Multilateral Trade Negotiations so as to facilitate their effective participation in these negotiations. UNCTAD should render technical support which might be required in the negotiations. In doing so, it should consult with other relevant international organizations if necessary. UNDP is invited to consider favourably the requests for providing adequate financial resources to UNCTAD and to individual countries for this purpose.

10. There should be improvement in the access to markets, particularly for the products of export interest to the developing countries, including manufactures and semi-manufactures. Fullest liberalization of trade in tropical products and in natural resource-based products should be aimed at. Escalation of tariff and non-tariff barriers, particularly affecting the products of export interest to the developing countries should be reduced or eliminated.

11. The work undertaken in the Uruguay Round of Multilateral Trade Negotiations in this context is expected to make a significant contribution to improve the access to markets.

12. The further liberalization of trade is an important objective for the trade in textiles and clothing. Modalities should be formulated which would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines. The work undertaken in the Uruguay Round of Multilateral Trade Negotiations in this context is expected to make a significant contribution.

13. The removal of discriminatory restraints on exports particularly from developing countries is essential for liberalization.

14. There is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations in the Uruguay Round shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, as contained in Part I, Section B, paragraphs (i)-(vii) of the Ministerial Declaration on the Uruguay Round, by:

- (i) improving market access through, inter alia, the reduction of import barriers;
- (ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;

- (iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

15. Special problems of the least developed countries should be kept in view while undertaking measures to improve market access.

16. Problems specific to the land-locked and island developing countries should be kept in view while undertaking these measures.

17. Observance of multilaterally agreed commitments with respect to trade in goods should not be made conditional on receiving concessions in other areas.

18. In respect of restrictive business practices the ongoing work in UNCTAD should continue and be strengthened, particularly with a view to ensuring transparency and to defining consultations procedures. The UNCTAD secretariat should continue its technical assistance programme in the field of restrictive business practices.

19. UNCTAD should continue its useful work in the field of services under its existing mandate, as contained in resolution 159 (VI) and Board decision 309 (XXX). From the point of view of developing countries and in the context of overall development objectives, the Secretary-General of UNCTAD is requested to:

- (i) analyse the implications of the issues raised in the context of trade in services;
- (ii) explore appropriate problematics for trade in services, keeping in view the technological changes in the field of services;

20. UNCTAD is requested to continue its programmes of technical assistance to developing countries in the field of services. UNDP is invited to consider favourably the requests for providing adequate financial resources for this purpose.

21. While providing technical assistance to developing countries, special attention should be paid to the needs of the least developed countries.

22. The UNCTAD secretariat is requested to continue keeping member States informed on the progress and activities of the technical assistance projects and to prepare a detailed report on them annually in order to promote transparency.

23. UNCTAD takes note that the Trade and Development Board has been requested to review and study in-depth developments in the international trading system. In doing so, it could, respecting the principles of most-favoured-nation treatment and non-discrimination, make recommendations on principles and policies related to international trade, and make proposals as to the strengthening and improvement of the trading system with a view to giving it a more universal and dynamic character, as well as to making it more responsive to the needs of developing countries and supportive of accelerated economic growth and development, particularly that of developing countries.

24. A stable and supportive international economic environment is essential for the smooth functioning of the international trading system, as the interrelationship between trade policies and other economic policies affecting growth and development is recognized. In this regard the policies in the areas of monetary and financial matters, technology, and in other relevant areas should be compatible and consonant with the international trading system.

25. The UNCTAD secretariat should carry out further analytical work on developments in trade relations between countries having different economic and social systems, in particular East-South trade. This further work should be based on better and more transparent statistics and pay due regard to the product structure, geographical coverage and the respective roles played in this trade by various developing countries.

26. The Trade and Development Board is requested, further to Conference resolutions 15 (II), 53 (III) and 95 (IV), to examine the possibility of elaborating a programme for the further promotion of trade and economic co-operation among countries having different economic and social systems, in particular East-South trade. In so doing, the Board should bear in mind the work done on the informal text annexed to Conference decision 145 (VI), and the ideas contained in document TD/B/1104/Rev.1.

27. The Secretary-General of UNCTAD is requested to carry out the necessary consultations with Governments on further strengthening of trade relations among countries having different economic and social systems, in particular East-South trade.

28. The socialist countries of Eastern Europe are requested to: contribute further to the efforts of the developing countries to diversify and intensify their economic relations towards attaining growth in the socialist countries' imports from developing countries including in manufactures and semi-manufactures; make further improvements in their GSP schemes; ensure the best possible terms and conditions of credits to the developing countries; continue to provide and develop their economic assistance; ensure, when financing and executing developing countries' projects, that due consideration be given to such flexible and efficient modalities as would promote viable economic and technical co-operation; pay special attention to the specific needs and requirements of the least developed countries.

29. Member States and the UNCTAD secretariat are invited, in co-operation with UNDP, as appropriate, to continue and further develop the necessary support for the implementation of projects and programmes of technical assistance to the developing countries, with particular reference to the needs of the least developed ones, in their trade and economic co-operation with the socialist countries of Eastern Europe.



**United Nations Conference
on Trade and Development**

Distr.
LIMITED

TD/L.316/Add.5
2 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8

FINAL ACT OF UNCTAD VII

~~DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE~~

Addendum

II (d) - Problems of the least developed countries,
bearing in mind the Substantial New Programme of Action
for the 1980s for the Least Developed Countries

II (d) PROBLEMS OF THE LEAST DEVELOPED COUNTRIES, BEARING
IN MIND THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR
THE 1980s FOR THE LEAST DEVELOPED COUNTRIES

Introduction

Some basic features of the general economic situation and trends in relation
to least developed countries

1. The least developed countries are the poorest countries in the world. Their average GDP per capita is slightly higher than \$200, which is less than one quarter of that of the developing countries as a whole and only about 3 per cent of that of the developed countries, in spite of relatively high growth in some LDCs in the past few years. A high proportion of the LDCs' population lives in conditions of mere subsistence and often below it.
2. At the Mid-Term Review of the SNPA in 1985 it was noted with serious concern that since the adoption in 1981 of the SNPA there has been a significant deterioration in the overall socio-economic situation of the LDCs, the causes of which were external, domestic and environmental. GDP per capita declined from \$220 in 1980 to slightly more than \$200 in 1985. The share of LDCs in the world economy and trade has been declining. The trends for the coming years, according to present assumptions, are also generally unfavourable. The continuous monitoring of the implementation of the SNPA to date shows that, despite certain improvements in the situation of some LDCs since 1985, negative economic and other factors have persisted.
3. While LDCs face widely differing circumstances and needs in terms of size, population, economic and social structure, literacy rate, etc., they generally have for a long time been lagging behind in growth and development compared with other countries and many of them seem to have entered a vicious circle of constraints, poverty and population explosion with stagnation or even backsliding as a result.
4. Structural handicaps make the LDCs particularly vulnerable to the external economic environment. On the whole this environment has been unfavourable to the least developed countries over the last few years. Of particular concern have been: (i) the historically low level of commodity prices which inter alia increased the serious debt-servicing problems of LDCs, (ii) the mounting debt-to-GDP ratio, and (iii) insufficient external

financial flows. Adverse weather conditions and natural calamities have in some cases further contributed to reducing output and already very low living standards. Many of these countries initiated structural adjustment programmes, policy changes or took other measures designed to make their economies more efficient in a manner consistent with their own national conditions and priorities. All these measures have begun to have positive effects in some of these countries. Complementary international support for these efforts, in the form of both multilateral and bilateral ODA has resumed a rising trend, but there is a continuing need for additional efforts. Those developed countries which have not fully participated in efforts to assist the LDCs should do so.

5. There was a consensus on the need for full and expeditious implementation of the SNPA and of the recommendations of the MTR as adopted. Some problems facing the least developed countries call for further study. In the light of the general background documents and discussions describing the serious situation of the LDCs and its own fruitful discussion, the Conference reached the following conclusions aiming at an improvement of the economic and social conditions in the LDCs.

I. NATIONAL EFFORTS

6. It was reaffirmed that the LDCs will continue to have primary responsibility for their overall development.

7. Many LDCs have made efforts to improve the effectiveness of domestic resource mobilization and use, by strengthening economic and financial management. These efforts should be actively pursued.

8. Least developed countries should continue to implement adjustment programmes or take such other measures as are necessary in accordance with their long-term national social and economic objectives. In particular it appears imperative, taking due account of individual characteristics of each least developed country, to:

- (a) Accelerate agricultural development and enhance food security;
- (b) Design structural adjustment and diversification programmes or other more specific measures suited to each country's particular social and economic condition;
- (c) Endeavour to mobilize fully the human resources through education and training in required skills;
- (d) Strengthen the role of women in the development process;
- (e) Take appropriate measures to encourage external financial flows;
- (f) Promote appropriate economic incentive systems;
- (g) Develop institutional arrangements to improve the efficiency of the public sector and encourage indigenous entrepreneurship;
- (h) Give priority to the advancement of the poorest in the development policy and adopt measures to protect the most vulnerable parts of the population during adjustment;
- (i) Take account of environmental issues;
- (j) Develop and strengthen social and economic planning capability.

II. INTERNATIONAL EFFORTS

A. Financial and technical assistance

9. In order to complement national efforts, international programmes of financial and technical assistance as well as other supportive measures from all donors are fundamental.

10. For aid to make a sustained contribution to development, it has to be geared to the support of overall policy objectives of growth-oriented programmes. At the same time, policies in LDCs encouraging financial flows and enhancing aid effectiveness are desirable.

11. For the purpose of full and effective implementation of the SNPA, donors are urged to substantially enlarge financial assistance to the LDCs in a volume and on terms which correspond to their immediate and long-term development needs. The volume and forms of aid should be supportive of and commensurate with the growing requirements of the LDCs' adjustment programmes and broader development efforts.

12. ODA will continue to play a decisive role in LDCs. In compliance with the SNPA and the Mid-Term Review conclusions as adopted, developed countries are requested to attain the internationally agreed targets of 0.7 per cent of gross national product (GNP) for total ODA and of 0.15 per cent of GNP for ODA to LDCs or doubling their ODA to these countries as soon as possible. In this connexion, the recommendations of the IMF/IBRD Development Committee's Task Force on concessional flows were recalled.

13. Multilateral development institutions should be strengthened by endowing them with adequate resources and instruments to fulfil their tasks. Members of the World Bank are invited to support an early general increase of its capital as needed to support quality lending. Donors should meet expeditiously their commitments to the Eighth Replenishment of IDA, keeping in view the critical importance of IDA for the LDCs. Regional development banks and funds also need to be strengthened, and the adequacy of their capital and lending programmes should be kept under review.

14. The overall volume of multilateral assistance to the LDCs through such channels as IDA, IFAD, regional development banks and their funds, UNDP, the special measures fund for the LDCs, UNCDF, UNVP, etc., should be adequate to meet the substantially increased development needs of the LDCs; donors, including those who have not to date participated in these institutions, should channel a substantial part of their aid through these institutions and agencies. Relevant international institutions should continue their concerted efforts to increase the share of concessional assistance to LDCs.

15. The proposal by the Managing Director of IMF for a significant increase in the resources of the Structural Adjustment Facility (SAF) over the three years from 1 January 1988 is welcomed by those countries which are also members of the IMF. It is expected that the realisation of this increase would result in substantial benefits to the least developed countries. Discussions on this proposal ought to be concluded within this year. In this respect, those countries also welcome closer co-operation between the World Bank and IMF and note the increasing bilateral co-financing with the World Bank.

16. IMF is invited to continue to keep under review the principles on which its conditionality rests, in such a way as to reflect the peculiar social, economic and political priorities of the LDCs. Relevant international institutions should continue their concerted efforts for the benefit of the LDCs.

17. The international community should continue to support the efforts of LDCs to increase their food production and improve distribution, and to provide financial and technical assistance for research, exploration and development of energy resources; and should assist in maximizing capacity utilization of their productive economic units.

18. Donors should continue to provide emergency assistance and to contribute to the financing of costs involved in the management of relief operations in African and other LDCs affected by food shortages and other emergencies.

B. Aid modalities

19. Donor and recipient countries should together seek to ensure that aid is fully supportive of development efforts and that aid effectiveness is strengthened, inter alia through improved co-ordination. In this regard, central responsibility for aid co-ordination lies with each recipient Government.

20. The international financial institutions and concerned donors should provide timely assistance to support the efforts of the LDCs in implementing the required policy changes, taking into account the need to mitigate the

possible adverse effects of such adjustment programmes including the effects on the most vulnerable groups of the population, as well as the period required for adjustment with growth. The increasing co-operation between IMF, the World Bank and other multilateral financial institutions is welcomed, but should not lead to cross-conditionality.

21. Further steps should be taken by donors, in particular those who have not yet done so, to provide bilateral ODA to the LDCs essentially in the form of grants and to provide loans on highly concessional terms.

22. Donors are urged to take the necessary steps to ensure that ODA loans and grants to LDCs are untied to the maximum extent possible.

23. Donors and LDCs should make efforts to minimize the time-lag between aid commitment and disbursement. To this end, advance payments should be made whenever appropriate. In this regard, donors were urged to ensure greater predictability of disbursement.

24. It is recommended that donors should further increase, where appropriate, their participation in local and recurrent cost financing. Adequate provisions should also be made for allowing a progressive take-over of recurrent costs by LDCs.

25. Donors are recommended particularly to support domestic adjustment measures of LDCs, to provide aid in more flexible forms, in particular balance-of-payments support, and at a sectoral level for rehabilitation and improved maintenance, as well as for longer-term development objectives.

26. Technical assistance should be provided to strengthen LDCs capacities to establish and implement their own policies and programmes and to address the basic structural rigidities of their economies. There is scope for joint international action in the area of technical assistance in support of improved management capacity and infrastructures.

27. Efforts should be made to harmonize and simplify existing aid procedures.

28. The positive contribution of the NGOs to the development of LDCs, as well as in providing valuable disaster relief, was recognised. The Governments of LDCs and donors were called upon to encourage active participation of the local population, both women and men, through non-governmental entities. The NGOs were invited to comply with national policies and legislation of the host countries while preserving their character and contribute to the development priorities of the LDCs, co-operating with appropriate authorities and organizations in order to implement effective development programmes. The NGOs of the donor countries were invited to re-inforce their role in consciousness-raising in their countries of origin and in mobilizing increased private and public resources for the benefit of the LDCs.

C. Debt problems of the least developed countries

29. The debt and debt-servicing situation of the LDCs has remained serious and in many cases worsened in past years. The ratios of debt to GDP and of debt service to exports have increased in the case of some LDCs to unmanageable levels. Major causes include the depressed export earnings, which have impaired the debt-servicing capacity of the LDCs, including those which are heavily dependent on commodities. Their debt-servicing burden constitutes for many of them a hindrance to their development process. Problems of the LDCs' debt to the multilateral financial institutions were also recognized.

30. The Conference notes with satisfaction that a number of donor countries have responded favourably to section A of Trade and Development Board resolution 165 (S-IX) of 11 March 1978 by cancellation of official development assistance debt or other equivalent measures, and firmly invites other donors, which have not yet done so, to implement fully commitments undertaken in pursuance of the resolution, keeping in mind paragraph 71 of the Substantial New Programme of Action.

31. The debt-servicing burden of the poorest countries, including LDCs, the majority of which are in sub-Saharan Africa, which are undertaking adjustment efforts, should be eased by longer repayments and grace periods, especially in the Paris Club. Consideration could also be given to the possibility of applying lower interest rates to their existing debts.

32. The Conference further notes that the repayments of debt to the multilateral assistance institutions is one of the elements in the overall debt-service burden of LDCs. Those institutions should continue to take into account the financial requirements in their lending programmes to the LDCs.

33. Substantially increased concessional finance, essentially in grant form, is required to enable LDCs to resume growth so as to cope with their debt problems in the long run. This task should be pursued both bilaterally and by international financial institutions.

34. Measures should be taken, particularly by debtor countries, to facilitate non-debt-creating capital flows, especially direct investment to LDCs.

35. Measures to alleviate the debt-servicing burden for the LDCs should be supplemented and strengthened by technical assistance, as appropriate as well as by measures in other fields such as trade, commodities etc.

D. Country review mechanism

36. The Conference noted the improvements registered in the country review meetings, which are the mechanisms for the periodic review and implementation of the SNPA. Nevertheless, the need for a further strengthening and improvement in order to make them more effective was recognized. These reviews should take place at appropriate intervals at the initiative of the interested least developed countries, which may seek assistance from the lead agency for its aid group in organizing them. UNDP and the World Bank, as the lead agencies, should expand their technical assistance to the LDCs to enable them to prepare appropriately for these meetings. Donor countries should be represented at an adequately high level. The meetings should facilitate an increased and improved flow of assistance through a better dialogue and co-ordination between LDCs and their development partners. The Secretary-General of UNCTAD is requested to continue to prepare, on a regular basis, reports on the situation in LDCs as well as the implementation of the SNPA.

E. Land-locked and island developing countries among the least developed countries

37. In line with Section B-VIII of the Mid-Term Global Review of Progress towards the implementation of the SNPA for the 1980s for the LDCs:

(a) Transit countries should intensify co-operation with the land-locked countries among the LDCs to alleviate the transit problems;

(b) Concerned donors, while providing technical and financial assistance to land-locked and island countries among LDCs, should particularly focus on capital input in infrastructural development;

(c) International bodies, in particular UNDP and the United Nations regional commissions, should continue to support those least developed countries with measures required to alleviate their specific transit-transport and communications problems.

F. Commodities/International trade

38. The LDCs have greatly suffered from vulnerability to declines in the prices of their basic commodity exports. Being commodity-dependent countries, LDCs have felt the most severe impact of the commodity price situation. In this context, depending on the nature and intensity of specific country and commodity circumstances, the LDCs should endeavour to promote economically appropriate diversification of their economic structures, both vertically and horizontally.

39. The international community should support these efforts through improved co-operation in the commodities sector aiming at, inter alia, better market transparency, increased market access and reduced trade distortions, recognizing the need for a better functioning of commodity markets and the desirability of achieving more stable and more predictable conditions in commodity trade. Sustained efforts should be made to provide aid for structural measures, and technical assistance in support of improved management capacity and infrastructure.

40. Steps should be taken to further develop the trade relations with LDCs and, in this context, the importance for certain countries of intergovernmental long-term agreements was underlined.

41. The special needs of the LDCs should be taken into account when implementing relevant aspects of the Integrated Programme for Commodities.

1. Compensatory financing

42. The commodity related shortfalls in export earnings of LDCs are an important obstacle to their development efforts. Therefore, there was a recognition that the compensatory finance questions deserve full consideration, in particular as they relate to the LDCs.

2. Access to markets

43. It is recognized that beneficial action is already undertaken by developed countries to provide market access for the products of LDCs in the context of their GSP schemes. All other developed countries which have not yet done so should make similar efforts. Steps should be taken by developed countries to further improve GSP or MFN treatment for products of particular interest to LDCs and to eliminate or reduce quantitative restrictions and other non-tariff measures affecting such products. Moreover, in the framework of the multilateral trading system the promotion of South-South trade through the GSTP, particularly for the benefit of the LDCs, and through regional integration could make an important contribution to the expansion of trade among developing countries. Progress towards promotion of subregional trade should be enhanced through TCDC and ECDC activities. All other international trade flows should also be further developed.

44. As mentioned in Part I, Section B of the Ministerial Declaration on the Uruguay Round adopted in September 1986, "special attention shall be given to the particular situation and problems of the least developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Expeditious implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least developed countries shall also be given appropriate attention." (Section B, para. (vii).)

45. LDCs are invited to utilize fully the opportunities which are already available in the field of market access, in particular under GSP schemes. Increased technical assistance should be given to the LDCs inter alia through the International Trade Centre UNCTAD/GATT and UNCTAD for promotion of trade and expansion of production facilities for export and to help improve their capacity to benefit from existing preferential arrangements in favour of developing countries.

46. Developed countries and international organizations should also assist the LDCs to create economically appropriate industries for on-the-spot processing of raw materials and food products, and the development of integrated projects for the expansion of exports and to provide adequate resources to overcome supply bottlenecks.

47. The developed countries in a position to do so should assist the LDCs in entering into long-term arrangements for exports, as called for in the SNPA.

G. Global review and appraisal of the implementation of the SNPA

48. The Conference welcomes the generous offer made by France and in line with General Assembly resolution 40/205, the Conference recommends that a United Nations Conference at a high level on the Least Developed Countries should be convened in 1990 to appraise and review the implementation of the Substantial New Programme of Action for 1980s for the Least Developed Countries.



**United Nations Conference
on Trade and Development**

Distr.
LIMITED

TD/L.316/Add.6
2 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8

FINAL ACT OF UNCTAD VII

~~DRAFT CONSOLIDATED TEXT SUBMITTED BY THE PRESIDENT OF THE CONFERENCE~~

Addendum

III - Orientations for the future

III. ORIENTATIONS FOR THE FUTURE

1. The policies and measures delineated by the Conference in the different areas of its agenda, being interrelated, should be pursued in such a manner as to make their effects mutually reinforcing. The appropriate international fora should keep under review the interrelationships among these policies and measures, together with their implementation and the need to adapt and strengthen them in the light of changing circumstances. As a universal forum with a focus on trade and development, which also encompasses the interlinkages of a wide range of issues, UNCTAD can make a significant contribution to this process.

2. The constructive dialogue which took place at UNCTAD VII has been an important step in heightening awareness and sharpening perceptions of problems arising from the complex interactions among national policies adopted by governments, internationally accepted rules and disciplines, and the operation of markets. This dialogue should be continued in the intergovernmental machinery of UNCTAD so as to enhance these perceptions and thus assist in providing fresh impetus to policy formulation and to multilateral co-operation for development. With this in mind, the Trade and Development Board should consider how best to strengthen its regular review of the interdependence of economic issues.

3. The policies and measures in Part II above contain several explicit and implicit orientations for the future work of the UNCTAD secretariat, including its activities of research, policy analysis, conceptual innovation and technical co-operation. These orientations will be acted upon in the coming months by the Secretary-General of UNCTAD, in the first instance in the context of the UNCTAD submission for the 1988-89 Programme Budget of the United Nations, and by the relevant intergovernmental bodies of UNCTAD.

4. The Conference agreed that multilateral economic co-operation should be a continuing endeavour from which important benefits could be expected for the development process and for the world economy as a whole. Acknowledging this imperative, member States pledge themselves to a reinvigorated effort to strengthen multilateral co-operation to promote and give effect to policies aimed at revitalizing development, growth and international trade, and to enhance the effectiveness of UNCTAD as an important instrument of international economic co-operation.



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**United Nations Conference
on Trade and Development**

Distr.
LIMITED

TD/L.317
3 August 1987

Original: ENGLISH

Seventh session
Geneva, 9 July 1987
Agenda item 8(b)

COMMODITIES

Other action by the Conference
Draft proposal submitted by Cuba, on behalf of the States members
of the Group of 77; Poland, on behalf of the States members of Group D
and the People's Republic of China^{1/}

The United Nations Conference on Trade and Development.

Notes the signature and/or ratification, during the Conference, of the Agreement establishing the Common Fund for Commodities by Bulgaria, Côte d'Ivoire, Peru, and the USSR, and the announcements by Costa Rica, Madagascar, Portugal and Thailand of their intention to deposit their instruments of ratification in the very near future.

Notes also the announcement of the decision by Switzerland "to share in the efforts of the international community with regard to compensatory financing by committing funds for the poorest countries most dependent on commodity export earnings which have suffered from the highest deficits in their commodity exports in Switzerland."

Notes the proposal of the Government of Japan to assist in a programme for the purpose of improving the processing of commodities in developing countries.

^{1/} To be included in Part one, Section III.

