**Sixth Ministerial Meeting of the Group of 77, Havana, 20 – 25 April 1987, in preparation for UNCTAD VII, Geneva, 9 July – 3 August 1987**

**The Havana Declaration and Assessment and Proposal by the Group of 77 relating to UNCTAD VII**

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**HAVANA DECLARATION**

*We, the Ministers of the Group of 77,*

*Having assembled* in Havana, Cuba, from 20 to 25 April 1987, for our Sixth Ministerial Meeting,

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

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

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

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

2. While no country has been immune from these phenomena, the developing countries have been hardest hit. In particular, the least developed countries and sub-Saharan African countries have suffered most. The economic situation in these countries still remains critical and their peoples are under the threat of hunger and starvation. It has become increasingly difficult for any developing country to pursue policies of self-reliant and equitable development, aimed at elimination of poverty, enhancement of human capacities, progressive modernization of the productive apparatus and enlargement of opportunities for participation in economic activity and in the benefits derived from it. Particular difficulties are experienced by the Palestinian people, whose living conditions have been deteriorating as a result of the Israeli occupation and who urgently need to be liberated from their occupation to enable them to develop their national economy; and by the people of Southern Africa, and Namibia, particularly those of the frontline States whose painstakingly developed infrastructure and legitimate development programmes are undermined by the South African regime’s destabilization policy.

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

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

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

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

**I**

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

(a) The collapse of commodity prices and deteriorating terms of trade, which have deprived them to export earnings needed to sustain their development and to service their debt;

(b) The intolerable debt burden which has compelled many of them to adopt, with high social and political costs, adjustment programmes constraining their development potential. The debt cannot be serviced and repaid under present conditions and without sustained economic development;

(c) The stagnation of official development assistance and the sharp contraction in financial flows, particularly from commercial banks;

(d) All the previous factors have led to a net transfer of resources from developing to developed countries;

(e) The proliferation of protectionist and distortive measures and policies in developed market-economy countries, which are impeding developing country exports and obstructing structural adjustments which would permit the expansion of those exports;

(f) The erosion of respect for the disciplines of the multilateral trading system, which exposes the developing countries to arbitrary obstacles to their trade and leaves them without redress;

(g) The aggravation of the structural problems of the least developed countries, especially the land-locked and island developing countries whose unique problems and inherent disadvantages have a particularly negative impact on their development.

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

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

**II**

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

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

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

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

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

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

**III**

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

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

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

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

20. Such a framework for promoting development, growth and trade must have a sound and equitable counterpart in the monetary and financial spheres. This should facilitate a durable, global and equitable solution to the debt crisis. It should secure a substantial increase in flows of financial resources for development on an assured, continuous and predictable basis. Above all, it should lead to a substantially transformed international economic environment, responsive to and supportive of the process of development.

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

**IV**

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

**V**

23. Developing countries cannot afford to reply only on external impulses to overcome the serious economic and social crises confronting them. The implementation of the Arusha Programme for Collective Self-Reliance and the Caracas Plan of Action has, therefore, acquired greater urgency. It is imperative to further expand and deepen economic cooperation among developing countries (ECDC) as an integral part of the efforts to promote a restructuring of international economic relations. The Global System of Trade Preferences among developing countries (GSTP) is the most important ECDC activity on which concrete and substantial progress is under way. Effective steps should be taken to complete the first round of negotiations under the GSTP at the Ministerial Meeting in Belgrade, as visualized in the Brasilia Declaration.

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

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

**ASSESSMENT AND PROPOSAL BY THE**

**GROUP OF 77 RELATING TO UNCTAD VII**

**Part I**

**Assessment**

This assessment presents the views, expressions and analysis of the Group of 77 Ministers on the international economic environment, which form the basis and rationale for the proposals, policies and measures adopted by the Ministers.

As the common position of the Group of 77 on the international economic situation, this assessment has been made to facilitate the understanding of the other Groups and for a constructive dialogue and consultations prior to the commencement of negotiations at the seventh session of the United Nations Conference on Trade and Development.

**1. Introduction**

1. On the eve of UNCTAD VI the Group of 77, in placing before the international community the Buenos Aires Platform, summarized the then prevailing economic situation and outlook in the following words:

“The world economy…is engulfed in the most pervasive and dangerous crisis since the 1930s. This crisis has already imposed incalculable costs on all groups of countries. It has taken a heavy toll of the international trade, monetary and financial systems. Recent indications point to some alleviation of economic stagnation in certain developed countries, but a sustained long-term recovery is nowhere in sight. The essential elements of the crisis remain unabated and the situation is displaying all the symptoms of a global depression. Unless resolved, the crisis will inflict even greater damage on the world economy, with far-reaching implications for peace and stability.”1

2. On the eve of UNCTAD VII, none of the essential elements which have characterized the deepening malaise in the global economy has been resolved.

3. The developing world is facing a crisis of unprecedented gravity. In many developing countries the development process has been severely retarded. There is a widespread debt crisis. Primary commodity prices have fallen to unprecedented levels. Real interest rates are extraordinarily high, exchange rates volatile. The flow of financial resources, including ODA, has been much reduced and in fact several countries suffer substantial net outflows. Investment in infrastructure, machinery, and human resources has been drastically cut. Societies and political systems are under acute strain. The least developed countries, because of their structural vulnerability, are the most seriously affected.

4. The policies of the major market-economy countries continue to compound this grip situation, itself a product of the interaction of those policies with the historical legacy of uneven world development manifested in asymmetrical capabilities as between developed and developing countries. Instead of providing remedies, industrialized countries with the capacity to do so are abdicating their responsibilities behind dogmatic assertions of faith in market forces and unrealistic assessments of the developing countries’ ability to cope with the adverse external economic environment.

5. While the oil price decline of the last two years led to sizeable savings on the part of the industrialized countries, there has not been even an attempt to recycle the funds so saved for the purpose of development, and to offset illiquidity in many developing economies. Nor has there been a corresponding reduction in prices of the industrialized countries’ manufactures. Taken together with the fall in prices of other commodities in real terms, this combination of factors has enabled the industrialized economies to keep inflation rates low without stimulating growth in developing countries, a situation made inevitable due to the enormously deflationary effect of unrequited reverse flows of real resources.

6. The development of their societies is the primary responsibility of developing countries and it is their objective to restructure themselves to reduce their vulnerability and derive advantage from producing for the world market. The deterioration of their external environment which underlines the present crisis is beyond the control of the developing countries. Neither their own efforts nor market forces can provide a solution in the absence of a fundamental change in the attitudes and policies of the industrialized countries.

7. Developing countries have a major stake in the proper functioning of the global economic system, since development itself is decisively conditioned by external trading and finance. The Group of 77 believes that the arduously negotiated agenda for UNCTAD VII provides a timely and valuable opportunity to the international community to devise a coherent multilateral strategy for revitalizing development, growth and international trade in a more supportive international environment.

8. It would be most unfortunate for the future prospects of a global economy if commitment to taking specific actions in several interrelated areas is delayed any longer. It would be even more unfortunate if the very painful and politically risky national policies and programmes already under way in the developing countries fail to produce positive results for these countries, as well as for the global economy, simply because those who have the power and the influence continue to hesitate to take measures in critical areas in need of immediate corrective action.

9. The seventh session of UNCTAD will be an opportune occasion for the international community to examine the interdependence of the world economy and the consequences of the current economic situation for the trade and development of the developing countries.

10. The Group of 77, guided by its firm belief in multilateralism, expresses a fervent hope that its submissions on the various items of the agreed agenda for UNCTAD VII will persuade all participants to agree to take specific action in the areas covered by the agenda which constitute the essential elements for revitalizing development, growth and international trade. The decisions emerging from UNCTAD VII will have an important influence on the attitude of the developing countries in regard to other international economic negotiations and activities.

**2. Overall trends**

11. The past few years have witnessed widespread breakdowns of the development process and an international debt crisis of unprecedented breadth, duration and gravity. Most developing countries have suffered a sharp reduction in their pace of economic growth, and a number have undergone contraction. Per capita incomes have fallen back to levels surpassed a decade ago, both capital accumulation and living standards have been cut, and investment in human resources and standards of education, health and nutrition have also been adversely affected. Thus, both actual growth performance and future development prospects have been severely

damaged.

12. This constitutes a crisis in development that is unprecedented in breadth and depth. Its underlying cause has been the deterioration of the external trading and financial environment.

- Real interest rates have become and remained extraordinarily steep.

- Commodity prices in real terms have collapsed to their lowest levels since the

1930s Great Depression.

- At the same time, developing countries have suffered a loss of export markets

mainly due to the intensification of protectionism and the slowing of growth in

their principal markets.

- Furthermore, as growth in developing countries has dropped, so has the

dynamism of their mutual trade.

- ODA in real terms has stagnated.

- Exchange rates of the major world currencies have been volatile and misaligned

and abnormal developments have occurred in current account imbalances.

- There has been a sharp contraction of international liquidity in relation to the

volume of trade and the needs of developing countries.

13. Many developing countries, after incurring increased debt service charges as a result of higher interest rates and shrinkage of capacity to service debt due to the deterioration of their terms of trade and export earnings, have also suffered an abrupt collapse of lending by international capital markets, commercial banks in particular. Indeed, several countries have suffered net outflows amounting to a significant portion of GDP. Yet, developing countries, generally, have continued to fulfil their commitments to service their debts.

14. While ODA flows from developed countries have barely reached half of the internationally agreed targets in recent years, military expenditure has amounted to more than 5 per cent of world output and 20 times the total net flows of ODA. This is one of the principal underlying reasons for the failure of the international economic system to provide adequate resources for development. The quality of ODA flows has deteriorated, both through the increased tendency to utilize them for commercial purposes and through a more severe conditionality. Furthermore, policies and procedures of developed donor countries have become more stringent for recipient countries. The levels of direct foreign investment and of officially supported export credits have also dropped, in part due to the cutbacks in investment levels in developing countries following the tightening of the balance-of-payments constraints.

15. The combination of these adverse developments has caused the net flow of financial resources to developing countries to contract drastically and even to become strongly negative. In 1985 alone, developing countries made net outward transfers totaling $31 billion. This abnormal situation has forced a number of developing countries to resort to import compression, amounting to several percentage points of their national income, in order either to reduce their balance-of-payments deficit or to seek persistent trade surpluses – a burden which is additional to the income losses incurred through terms-of-trade deterioration and loss of export market growth.

Thus, for the first time after the colonial era, developing countries as a whole are again becoming net suppliers of resources to industrialized countries. This is a grave setback for the cause of development and threatens to further weaken the trade and payments system.

16. The massive reduction in absorption of goods and services required to make up for the worsened trading environment and financial haemorrhage has not only disrupted the economies of developing countries, but also has accentuated social tensions, and, in a number of countries, led to a deterioration of living standards and aggravated food shortages; and as different segments of society have sought to protect their real incomes from being eroded, it has greatly fuelled inflationary pressures.

17. At the international level, the extraction of trade surpluses from developing countries has intensified trade tensions and provided further impetus to the growth of protectionist pressure, by depressing output and employment in developed countries.

18. Despite the need to open markets further to accommodate the adjustments being made by developing countries, new and more sophisticated trade restricting measures have been applied in addition to the level of protectionism that hampers exports from developing countries.

19. The adjustment effort required of developing countries has been especially onerous because of the failure of developed countries to reverse the shocks that their restrictive macro-economic and trade policies have inflicted in developing countries. Consequently, real interest rates have remained extraordinarily high, and the demand for developing countries’ exports low; commodity prices and the terms of trade of developing countries have remained acutely depressed; and protectionism has continued to escalate, despite commitments regarding standstill and rollback. The only significant achievement of the policy stance of the developed countries has been the conquest of inflation - and this has for the most part been gained at the expense of developing countries, through the downswing in oil and non-oil commodity prices.

20. Despite the public promotion by industrialized countries of market mechanisms as the solution to all problems, interventionism is increasingly resorted to by them to protect the lenders’ interests, and “concerted lending” has been found expedient to avert default, to spread risks and to “discipline” the borrower. Bank rescues have often resulted in an extension of public ownership, despite their emphasis on privatization, and creditors increasingly press developing countries to nationalize the foreign debts of the private sector. At the same time, market principles continue to be flagrantly violated by industrialized countries in international trade through a wide array of increasingly restrictive barriers, particularly in the case of manufactures, quotas and through subsidies and support-price schemes in the case of commodities.

21. The interrelationship of money, finance, trade and development is still neglected in the attitudes and policies of the major developed countries. Thus, the absence of a coordinated and integrated set of policies directed at growth, together with deficiencies in the international monetary system which lacks a truly multilateral and coherent framework, have left the global economy deflated, and consequently unable to ensure the revitalization of international trade and development and mutually satisfactory resolution of the debt crisis. At the same time, the uneven approach being followed to the debt and development crisis, which parallels and reinforces other asymmetries and inequities in the international economic order, militates against a revival of the development process and renders the debt of developing countries a drag both on their development and on the growth of the world economy as a whole. It is clear that debt cannot be repaid under present conditions and without sustained economic development.

22. Developing countries thus cannot share the complacency regarding world economic trends, which prevails in certain quarters in developed countries and stems from an inflexible attachment to restrictive and uncoordinated policies, regardless of their global consequences. These consequences are extremely dangerous for all; indeed they even pose a threat to the international financial system and the functioning and credibility of the international trading system. Thus, the general economic environment induced by the policies of major industrialized countries constitutes an obstacle to the development efforts of developing countries.

23. At the same time, international control of the monetary situation is maintained by a few important industrialized countries, which attempt to influence it to favour their own national interest. International liquidity managed by the IMF is at its lowest level in years, and strains and stresses that have affected the financial system are becoming increasingly unmanageable. The case for an independent international reserve currency becomes stronger by the years, in view of the distortions and the stresses which continue to be experienced in the international monetary and trading systems, owing to the impossibility of reconciling national interests of one or a group of countries with those of the requirements of a sound, integrated international monetary, finance and trading system, serving the interests of all countries, developed as well as developing.

24. On the trade front, it is important to ensure that the Uruguay Round of negotiations contribute to the emergence of a truly international trade regime conducive to growth and development with a clear recognition of the needs of developing countries. However, as these negotiations get under way, prospects of implementation of the commitments on standstill and rollback remain clouded. And if the renegotiated MFA is a portent at all, it is one of pressing the developing countries to retreat into their own backyard, instead of providing them with a reason to hope for the establishment of a just and efficient international division of labour in accordance with each country’s potential, as well as development. The aims of the Uruguay Round, even with the maximum effort at mutual multilateral accommodation, will be achieved only very partially, in the absence of commitments to deal with the essential elements of the global economy, which demand resolute action.

25. The most serious development in the trade policy area in recent years has been the tendency on the part of some developed countries to seek linkages between trade in goods and other matters such as developing countries’ policies in regard to foreign direct investment, protection of intellectual property, services and fair labour standards. Trade which is a means of self-reliant development is in danger of becoming an instrument in the hands of certain developed countries for imposing unacceptable linkages on developing countries dependent on trade.

26. The evolution of trade relations with the socialist countries of Eastern Europe, involving a relatively small number of developing countries, offers promising prospects for widening and deepening the process. The recent policy initiatives regarding export of a complete package of capital and technology, oriented towards joint ventures with developing countries, can make a steady contribution to capital formation within the economies of the developing countries, if increased resources are made available to assist in the build-up of necessary infrastructure as well as research and development efforts in the developing countries concerned.

27. Commodity-dependent developing economies have been severely emasculated in recent years due to accumulating diminution of purchasing power resulting from prolonged decline in prices. For at least two decades, taking a long-term view of prospects for development of the countries dependent on commodity trade, concern has been expressed about how to achieve commodity-based development, price stabilization, market access and human resources development aimed at improving agricultural husbandry, processing and diversification, without which domestic measures and policies have a very limited impact.

28. It was to address these essential elements of a commodity dominated economy that UNCTAD succeeded in evolving a comprehensive Integrated Programme for Commodities, including the Common Fund. The IPC/Common Fund scheme is intended, in a fundamental manner, to achieve price stabilization that is consistent with development. Until this central issue is dealt with decisively, the industrialized countries must provide adequate compensatory finance resources. If international trade is to have a sound and durable basis on which it can be sustained with benefit for all participants, then it must have healthy trading partners with a permanent stake in it. The international community must make every possible effort to give the IPC and the Common Fund a fair chance for the package to make a distinct and significant contribution to this process.

29. A cause of continuing concern to developing countries is the lack of concerted multilateral action in adopting and carrying out decisions of great importance to the international community. Small groups like the Group of Five agree among themselves on financial and monetary questions that affect the global economy as well as the economies of individual countries. There is a clear need to make full use of various multilateral institutions and for a established to handle economic issues, and the points of view of the developing world must no longer continue to be ignored.

**3. Resources for development, including financial and related monetary questions**

30. More than four years after the emergence of the crisis the approach of developed creditor countries to the debt problem continues to be inequitable, one-sided and partial. Furthermore, neither the operational policies nor the time frame which the IMF and the World Bank adopt and recommend to the developing countries in the monetary, financial and trade spheres are coherent, thus causing adverse effects on their economies. While ostensibly “case-by-case”, such approaches have in reality been based on certain uniform principles, which fail to address the fundamental problems:

* They have been designed exclusively to protect the short-term interests of creditors,

and have been oblivious to differences in developing countries’ capacity to pay.

* They have wrongly assumed that the debt crisis stems from mismanagement by debtor countries, and have therefore ignored the need for symmetrical adjustment in developed and developing countries.
* They have been based on simplistic preconceptions regarding appropriate policies, which fail to take due account of differences in the stage of development reached and in social and political conditions.
* Instead of providing debtor countries with sufficient resources to allow them to strengthen and restructure their productive capacities, they have required the economies of debtors to be tightly squeezed to generate an outward transfer of resources. This has led furthermore to a negative social impact affecting the stability needed for sustained economic growth.

31. As a result of these flaws, responsibilities for dealing with debt problems have to be equitably distributed between the various parties involved: the adjustment costs and the economic and social costs of debt service have been borne exclusively by the developing debtor countries. Maturity, grace and consolidation periods have remained short. The supply of new finance has sufficed only to keep debtor countries current on interest payments, allowing little or no margin for income growth even in per capita terms. This has been accompanied by the imposition of rigid and inappropriate conditions.

32. As the room for contractionary adjustment has become exhausted and the limits of political and social tolerance reached or even exceeded, recognition in principle has at last been given to the fact that, without resuming development, debtors will not be able to meet their obligations in the long run regardless of their aspiration to do so; and moreover, that without external resources, development and growth cannot be revived. However, there is a sheer contradiction between this recognition in principle of the need to place growth and development at the centre of the debt strategy and the continued calls upon developing countries to make further restrictive adjustments. The Group of 77 cannot but perceive an ironic note in these calls when developing countries are forced to transfer more resources to developed countries than they receive from them.

33. The inadequacy and insufficiency of recent initiatives such as the Baker Plan are now fully evident. Their underlying approach is not consistent with the international development strategy. Such approaches merely seek to continue the shift towards laissez-faire policies in developing countries, by making available only a modest level of “involuntary lending” by banks and, now that the IMF has become a net taker of funds from the developing world, giving an enhanced role to the World Bank. They therefore fail to provide a meaningful strategy, which would be commensurate with the scale and nature of the crisis and capable of restoring creditworthiness and the momentum of growth and development. They continue to misplace the onus of adjustment action on debtor countries instead of linking action on the debt front with action to revitalize the world economy as a whole. The latter would require coordinated action involving the participation of developing countries, not just the Group of Five to redress the present asymmetry in the international monetary system, and in particular to reduce real interest rates, strengthen commodity prices, expand liquidity, improve access to markets, and assure exchange rate stability.

* By overestimating the extent and speed of the benefits that could flow from the structural policy reforms advocated and from direct foreign investment, and underestimating the difficulties and drawbacks of each, they call for further heavy sacrifices from the populations of debtor countries. The sacrifices already made have themselves been excessive.
* They fail to recognize the need to tailor debt-service costs to debt servicing capacity.
* They fail to assure an adequate supply of resources, either from the private banks, or through the World Bank, and in particular IDA, the special facility for Sub-Saharan Africa, or through the IMF’s structural adjustment facility. These facilities are very small in the light of their stated objectives. The special facility for Sub-Saharan Africa, for example, has already committed more than half of its resources in the first year of its activity and will be discontinued effective July 1987.

34. For most developing countries the debt situation remains the most severe strain on growth. Perspectives are gloomy if the framework is not changed since, for a number of developing countries, debt obligations exceed the capacities of their economies. What is even more intolerable is the increasing conditionality attached to the remaining and highly insufficient financial flows from developed to developing countries, which often tends to undermine their independence and sovereignty in the choice of their development priorities and their social and political system.

35. The world economic crisis has extracted a heavy toll from all developing countries, especially those which for historical reasons have to content with a large mass of poverty and living standards, which provide little margin above the poverty line. Their adjustment efforts have reached and sometimes exceeded the limits of social tolerance. ODA flows have been stagnant and insufficient. Substantial additional concessional finance through multilateral sources is needed both for adjustment and development.

36. Additional financing is needed. Funds must be mobilized and new instruments need to be devised to stop and reverse the negative transfer of resources now taking place, which hampers accumulation of capital, thus stifling development. Efficiency has to be part of the development process, but no change, within reach, in efficiency in the use of resources through structural adjustment can offset the siphoning of resources as a result of their transfer abroad. Without resources there can be no expansion and without expansion it will be impossible to create the dynamic climate needed to stimulate investment, the only path to growth.

37. However, the magnitude of the problem is such that an increase in external financial flows alone would not be sufficient for its solution. Parallel and coordinated action is needed to lower interest rates, ease the liquidity shortage experienced by developing countries, raise commodity prices, achieve exchange-rate stability, increase access to developed countries’ markets for products of developing countries, etc. Coordination is needed to redress the present asymmetry in the functioning of the international monetary system. The aim of the system – to equitably serve the international community – cannot be achieved with the present extremely high concentration of decision-making power among a few most developed countries. Coordination is inconceivable without the active participation of the developing countries. The world can no longer sit back and watch a spectacle in which the fate of all is decided by the few.

38. In promoting enhance and equitable international cooperation in the field of money and finance including debt, UNCTAD has a unique role to play, being the essential organ for the consideration of financial and monetary questions related to trade and development. The seventh session of UNCTAD should*, inter alia,* aim at translating the elements contained in the United Nations General Assembly resolution 41/202 on the external debt crisis and development into a broader set of more concrete operational guidelines and action-oriented measures.

39. If the necessary commitments are not undertaken in these areas, the developing countries will face an extremely serious situation, which will force them to limit resource transfers to the industrialized countries in order to avoid greater social and political instability.

**4. Commodities**

40. Two thirds of developing countries’ export earnings come from commodities. One of the alarming features of the economic recession of the first half of the 1980s has been the persistent decline in the prices of primary commodities and the terms of trade of developing countries. Despite a short-lived mild recovery in 1983-1984, the general trend for commodities has been sharply downwards. Thus, the annual average index in 1986 was about 30 per cent lower than at the beginning of the decade in current United States dollars and about 20 per cent in real terms. Commodity prices are now at their lowest level since the Great Depression of the 1930s. The prices for petroleum have substantially declined since 1982. All commodity categories – food, agricultural raw materials and minerals – have suffered these declines in prices.

41. The volume of developing countries’ commodity exports rose by only 11 per cent during 1980-1986 and thus their real earnings from these exports were 20 per cent lower in 1986 than in 1980. This decline has aggravated their budgetary, debt-servicing and balance-of-payments difficulties.

42. This situation poses an especially serious problem for Africa and other subregions in view of the generally higher dependence of the countries of this region on primary commodity exports, particularly on food and beverages and minerals and metals; their declining market share for commodity exports; and their lower level of commodity processing and manufacturing.

43. The major factors which have influenced commodity markets are both cyclical and structural. Cyclical factors include the deflationary macro-economic policies of developed countries, exchange rate fluctuations and high real interest rates. Structural factors also include macro-economic policies of developed countries such as subsidies and support price mechanisms, protectionist measures, as well as technological developments and substitution. All have contributed to the persistent downward fall of prices.

44. In the short and longer term the outlook for commodity prices is not expected to improve significantly. Slow growth in the industrial countries, continued protectionist practices and subsidized exports by these countries, supply pressures and under-utilized capacities are among the factors that constrain the recovery of most commodity prices.

45. The developed countries have sharply curtailed their import needs through increased production of various commodities. Protectionist measures and other massive support policies for domestic producers as well as strategic objectives have encouraged production and generated large surpluses of agricultural products and increased the stock of minerals and metals in the developed market economy countries, placing the commodities of developing countries at a competitive disadvantage and aversely affecting commodity prices.

46. In this connection, it is interesting to note that, while developing countries have together earned about $US 75 billion annually from their agricultural commodity exports during the past few years, the United States, the European Economic Community and Japan have spent approximately $US 42 billon annually on their agricultural support programmes.

47. Protectionist measures introduced by the developed countries have shut-off commodity markets, as for example, the EEC market for meat, the Japanese market for rice and the reduction of the sugar market in the United States through quota restrictions. Internal taxes on tropical products have also put these products at a disadvantage vis-à-vis the alternative products originating in the developed countries. Such taxes also have negative influences on the consumption of these products.

48. The economic recovery of the developed countries from the recession of the early 1980s was not strong enough or long enough to influence the commodity economy significantly. It therefore failed to carry with it a parallel increase in the level of aggregate demand for commodities and in the export earnings and import capacities of the developing countries.

49. It should also be stressed that exchange-rate fluctuations have disruptive influences on the prices of commodities and impose additional management and adjustment responsibilities on developing countries.

50. In this context, and in view of the decline of prices and the subsequent shortfall in export earnings, a number of developing countries resorted to increasing their commodity exports in the hope of maintaining their import capacity and facing their financial obligations.

51. Globally, rising stock levels, with interruptions in 1979 and 1983, and increasing production have outrun consumption ever since 1978. Although there were some variations between the various product groups, the cyclical downturn in consumption was much more marked and the subsequent recovery failed to close the gap.

52. Competition over a narrow range of products in a limited and depressed market, therefore, often led to market gluts and consequently to price slumps.

53. The situation is alarming. Therefore, any effort aimed at revitalizing growth and development of developing countries should lend particular focus to the critical short-term and long-term issues of commodities.

**5. International trade**

54. The developing countries’ share of world trade continues to decline. Despite the stated objectives of the international community, their exports of manufactures have ceased to grow, and their share of world production of manufactures has increased only marginally. Although developing countries have been obliged to reduce imports, their economies continue to provide markets for exports from developed countries and a buffer against the unemployment problems of these countries.

55. It is difficult to envisage any progress in this respect in the current international trading environment. Protectionist pressures are on the rise and are being manifested in new legislation and trade restrictive actions in the developed countries. Such actions have been largely aimed at products where developing countries have achieved a comparative advantage, and there has been a proliferation of measures applied against developing countries on a discriminatory basis, in conflict with the rules and principles of the international trading system. A clear tendency exists toward an extension of market-sharing arrangements to cover more products and more developing countries; in fact, the international trading system threatens to become a web of market-sharing arrangements rendering irrelevant the rule of non-discrimination and comparative advantage. There has been little progress in particular in working out specific programmes of action to facilitate structural adjustment in industrial countries in those economic sectors in which they have applied protectionist measures during long periods or on repeated occasions on account of loss of comparative advantage.

56. Trade policy actions of developed countries are being characterized by a growing disregard for multilaterally agreed principles and concepts, arbitrariness and patent infringements of international commitments. An atmosphere of indiscipline prevails in the trading system. Bilateral solutions are increasingly being sought outside the framework of multilateral rules and principles and multilateral reciprocity is giving way to the bilateral balancing of trade. Major trading countries are unilaterally imposing their criteria as to what constitutes “unfair” trade practices, and assuming the right to take retaliatory measures against the trade of developing countries, often in response to their domestic policies outside the trade field, such as in the areas of foreign direct investment, protection of intellectual property and services. Trade sanctions have been and continue to be applied against developing countries for political reasons, despite the condemnation of such actions by the United Nations General Assembly.

57. Developing countries have also become the innocent victims of trade disputes among the major economic powers, as witnessed by the current competition in the agricultural subsidies.

58. In such an environment, the multilaterally agreed principles of differential and more favourable treatment and non-reciprocity in favour of developing countries have been seriously eroded and even called in question by the developed countries. The most striking examples have been the unilateral application of “graduation” by the developed countries in their growing tendency to condition the continuation of GSP benefits upon reciprocal actions by developing countries, including with respect to services, investment and other issues outside the trade field.

59. International trade is increasingly characterized by oligopolistic structures, and inter-firm trade of transnational corporations (TNCs) has become a major proportion of such trade. The concentration of market power in these corporations has been enhanced by conglomerate mergers. Restrictive business practices instituted by such entities have constituted impenetrable barriers to the expansion of trade of developing countries. The lack of biding multilateral rules on restrictive business practices has facilitated the circumvention of international trade commitments.

60. There has been striking lack of progress in the implementation of the commitments accepted at UNCTAD VI. The application of the repeated commitments with respect to standstill and roll-back have not been reflected in actual performance, even in the light of the most recent Ministerial Declaration of the Uruguay Round. Little progress has been made towards comprehensive understanding on safeguards, based on the MFN principle, essential to the proper functioning of the trading system. At the same time, the harassment of developing countries’ trade by anti-dumping and countervailing actions has intensified.

61. Furthermore, the recognized need for international cooperation to strengthen agricultural and agro-industrial production in developing countries – of particular importance to African countries – has not materialized. In fact, barriers to market access for such products have continued and even increased.

62. Conference resolution 159 (VI) instructed the Trade and Development Board to review and study developments in the international trading system with a view to making recommendations on principles and policies related to international trade and proposals on strengthening and improving the system with the aim of giving it a more universal, dynamic and development-oriented character. This resolution derived from the fundamental mandate of UNCTAD as spelled out in General Assembly resolution 1995 (XIX), which also assigned to UNCTAD the function of initiating action where appropriate, in cooperation with the competent organs of the United Nations for the negotiation and adoption of multilateral legal instruments in the field of trade.

63. The inaction in the areas described above can be attributed to the prevalence in certain quarters of preconceived ideologies questioning the very basis of multilateralism and of the basic approach underlying UNCTAD philosophy. Attempts are being made to focus debate in UNCTAD on the autonomous development policies pursued by developing countries. At the same time, trade is becoming an instrument in the hands of certain developed countries for imposing unacceptable linkages on developing countries with respect to such development policies, and for expanding the economic space of the TNCs. The lack of progress in the trade area in UNCTAD and the systematic attempts to transpose the dialogue on trade and development to less universal and narrowly conceived forums merely go to confirm this.

64. UNCTAD has – and must continue to play – a central role in the formulation, negotiation and implementation of measures in the sphere of international trade and its interrelation with debts, money and finance issues in a development context. UNCTAD VII offers the much-needed opportunity to reaffirm the validity of and the need for continuing with the basic approach informing UNCTAD. In this context, the major role of UNCTAD in the years to come should be that of continuing to provide a universal forum for bringing about the establishment of a truly international trading system with the major aim of facilitating self-reliant development of developing countries.

65. The successful conclusion of the Uruguay Round of multilateral trade negotiations is a necessary condition for the evolution of a truly international trading system. However, such a system cannot be expected to emerge as a natural, much less inevitable, consequence of the multilateral trade negotiations. UNCTAD, with its mandate, character and history, is the only forum in which to forge a trading system, which is truly non-discriminatory, universal and comprehensive. Moreover, its unique, cross-sectoral and inter-disciplinary approach is ideally suited to developing such a trading system as part of the harmonious and equitable reconstruction of international economic relations.

**Trade relations among countries having different economic and social systems**

66. UNCTAD, as a universal organization, has succeeded in elaborating multilateral guidelines and criteria with a view to assisting the member countries in developing trade and economic relations among countries having different economic and social systems. This is within the framework of the mandate given to UNCTAD by General Assembly resolution 1995 (XIX) and subsequent resolutions and decisions adopted by UNCTAD. These resolutions aimed at, and in fact contributed considerably to, the achievement of greater harmony of policies and performance relating to issues of trade an economic cooperation between different groups of countries. East-South trade and economic relations have thus been accentuated and reinforced through the implementation of resolutions and decisions of UNCTAD regarding inter-system trade. In view of the interdependence of all trade flows, it is considered that the expansion of trade and economic relations between East and West would positively affect the expansion of international trade as a whole, including East-South trade.

67. It has been observed that since the sixth session of the Conference in 1983, UNCTAD has enlarged the scope of its activities and intensified its efforts in the area of trade relations among countries having different economic and social systems. Considering the growing interdependence among countries, confidence-building and economic security in international economic relations have assumed importance in inter-system trade.

68. As regards prospects for East-West-South trade in the remaining 1980s, the position remains uncertain in the context of the current international economic environment. There are constraints and problems to be overcome to restructure the composition of exports and imports and to reinforce the elements of stability and predictability in trade exchanges, in order to achieve sustained expansion and diversification of trade and economic relations among different groups of countries. In respect of East-South trade, major problems that remain to be solved are the low level of diversification of the developing countries’ exports to socialist countries and the fact that the bulk of this trade still involves only a limited number of developing countries. Experience, however, suggests that there are, in principle, good prospects for further growth of trade and economic relations between the two groups of countries.

69. The socialist countries of Eastern Europe, which are responsible for one third of the total world industrial output, are already playing a significant role in the world economy. The recent process of modernization of the foreign trade system and management, structural adjustments and reforms in their economies, as well as various changes in their economic and foreign trade policies in accordance with the requirements of their national economies and the evolution of the international environment – all these trends offer potential for expanding and diversifying their trade and economic relations with all groups of countries. These developments could bring forth innovations in their economic relations and enable them to play a more effective role, contributing to the better functioning of the world economy and in particular the development processes of developing countries. There is, however, an urgent need for a new approach and concerted efforts on the part of all groups of countries to adopt constructive policy measures and initiatives to eliminate and overcome all impediments and obstacles in order to ensure the smooth expansion of inter-system trade flows.

70. There is a growing need for new approaches and a meeting of minds on confidence-building, since the evidence available indicates that the progress made in implementing various Conference resolutions and Board decisions is far from satisfactory. An analysis of the developments and trends in inter-system trade also shows that these developments still correspond neither to the economic potential of the trading partners nor to the existing possibilities or challenges of the 1980s and 1990s.

**6. Problems of the least developed countries, bearing in mind the Substantial New Programmes of Action for the 1980s for the Least Developed Countries**

71. The continuing economic crisis in the least developed countries, which are the poorest and economically weakest among the developing countries and are faced with the most formidable structural problems, has been a cause of grave concern to the international community. The structural deficiencies of these countries are manifested in extremely low levels of per capita income, a high proportion of population in the subsistence sectors, a high rate of population growth, low agricultural productivity, a low level of exploitation of natural resources, weak institutional and physical infrastructure, an acute scarcity of skilled personnel, an insignificant share of manufacturing value added in GDP, and the recurrence of natural disasters. These factors constitute the main causes of their extreme economic and social difficulties. The land-locked and island least developed countries, which constitute over half of the group of LDCs, continue to face additional problems in their development because of their serious geographical handicaps. The number of LDCs, instead of decreasing, increased to 40 countries in 1986 from a level of 31 in 1981 when SNPA was adopted. This situation indicates the worsening economic conditions of developing countries in general and of the least developed countries in Africa where the number has increased from 21 to 27 countries. It was in recognition of the difficult economic situation of the LDCs that the international community undertook a commitment in the SNPA to provide substantially enlarged assistance to these countries to bring about structural transformation of their economies and to enable them to break away from their past and present situation and their bleak prospects, towards self-sustained development.

72. In spite of the increased attention given by the international community, and the international organizations, to finding a lasting solution to the problems of the least developed countries, mainly through the adoption of the SNPA in 1981, there has been significant deterioration in the overall socio-economic situation of these countries since 1981. Despite the existence of the SNPA, African LDCs experienced a persistent deterioration in their economic growth between 1981 and 1984, as a result of the deepening domestic crisis occasioned by a hostile international economic environment as well as natural calamities and disasters, notably the drought since 1982.

73. Other LDCs have also suffered considerably owing to cyclones and recurrent floods. These natural disasters have considerably reduced the potential for agricultural production, the main source of value added, and led to the reorientation of efforts for relief and rehabilitation activities rather than the pursuit of development programmes.

74. The already very low per capita GDP of the LDCs as a group declined during the first half of the 1980s and the majority of them registered negative per capita growth rates. The average annual rate of GDP growth during this period was 2 per cent, which amounted to an average annual decline of 0.5 per cent in per capita terms. This was against a positive average annual GDP growth rate of 4 per cent in the 1970s. Although there was a marginal improvement, to 2.7 per cent in the GDP growth rate during 1985, that rate remained far short not only of the SNPS target of 7.2 per cent, but also of the growth rate of 4 per cent actually achieved in the 1970s.

75. The performance in the agricultural sector continues to be the main factor determining overall growth in the LDCs. The agricultural production per capita continued to decline during the first half of the 1980s at an average annual rate of 0.6 per cent. Per capita food production also registered an average annual decline of 0.9 per cent during the same period. The main bottlenecks include drought, which is widespread especially in Africa and is still being experienced in many parts of the continent. This seriously jeopardized food and livestock production and resulted in low productivity generally.

76. The record of progress in manufacturing activities, energy consumption, development of transport and communication, etc., was also disappointing during the first half of the 1980s. The average growth rate of real GDP arising from manufacturing in most of the LDCs in 1984 was only 1.3 per cent. The consumption of energy remained at an extremely low level of 313 kg per capita in1984, as compared to 669 kg in developing countries as a group. In the area of transport and communications, particularly in the 15 land-locked and 9 island LDCs the situation remains critical.

77. The external trade and payments position of most of the LDCs continued to suffer from depressed conditions in world commodity markets, worsening terms of trade, increased protectionism, and reduced ODA and other types of financial flows and workers’ remittances. The exports of the LDCs were 10 per cent lower during the first three years of the present decade than the level attained in 1980. Although there was a slight recovery in 1984, the exports started declining again in 1985 and reached a level of 7.2 per cent below the 1980 figure. The prices of almost all primary commodities of export interests to the LDCs dropped by a large margin, and the average annual shortfall in export earnings from such commodities was about $US 770 million during the period 1978-1983. The decline in export earnings had an average impact on capacity to import, which also declined by 6 per cent between 1980 and 1985.

78. The worsening of the economic situation in the LDCs during the first half of the 1980s was due*, inter alia,* to the following factors:

(a) Net ODA receipts by the LDCs stagnated at around $US 7 billion per annum during the period 1980-1984, as compared with an average increase of about 70 per cent per annum in ODA flows during the 1970s. The total level of ODA in 1984 was only 44 per cent above the average level attained in 1976-1980 in nominal terms, as against the commitment undertaken by the donor countries in the SNPA to double such flows by 1985. Total ODA flows in 1984 were 0.08 per cent of the donors’ GNP, as against the target of 0.15 per cent fixed in the SNPA;

(b) Aid from multilateral agencies registered a decline in 1985, whereas in the SNPA there was a specific commitment for a significant increase in multilateral assistance to the least developed countries;

(c) Non-concessional financial flows, which had increased by an average of more than 100 per cent every year during the 1970s, underwent a steady decline in the 1980s, falling to only $US 457 million in 1984. This was against total non-concessional flows of $US 1.1 billion in 1980. Total external assistance provided to LDCs declined from $US 8.2 billion in 1980 to only $US 7.5 billion in nominal terms in 1984;

(d) The commitments undertaken in the SNPA to improve aid modalities in favour of the LDCs did not materialize. The average grant element of concessional assistance, which had increased from 86 per cent in 1981 to 89 percent in 1983, declined to about 85 per cent in 1984. About 80 per cent of total aid from DAC countries to LDCs in1984 was tied. Some initiatives have recently been taken by a number of donors to give more emphasis to programme aid including sectoral assistance, general import financing and balance-of-payment support, as well as commodity aid, food aid, local-cost financing, and recurrent cost financing, but these measures are totally inadequate to meet the needs of the least developed countries;

(e) The external debt of the LDCs, which grew rapidly in the 1970s, worsened considerably during the first half of the 1980s as a result of the adverse impact of the world economic crisis on the debt-servicing capacity of these countries. Their total external debt, including short-term debts, is estimated to have been over $39 billion at the end of 1985, a 13 per cent increase as compared to the previous year. In addition, their use of IMF credit was estimated at $2.2 billion. Debt service payments in 1985 amounted to $ 2 billion, representing well over 20 per cent of the value of the combined exports of the LDCs. Debt service payments arising from non-concessional debts have continued to form the main part of LDCs’ total debt service payments. Although some debt relief has been provided by 15 DAC member countries for their ODA debt to 33 LDCs under Trade and Development Board resolution 165 (S-IX), the debt service problem remains critical for many LDCs. The problem has been exacerbated by a sizeable proportion of non-commercial debt and by the significant increase in the multilateral debt, which is not within the purview of resolution 165 (S-IX) and is subject to multilateral reschedulings. Since the adoption of the SNPA in 1981, 13 LDCs have had recourse to the Paris Club to reschedule their official debt and 5 LDCs to the London Club to reschedule commercial debt. Moreover, a number of LDCs had to ask for another rescheduling in order to cope with their increased debt liabilities. However, these reschedulings have also proved to be inadequate as they only provide temporary relief and do not entail a diminution of debt stocks. Eventually they add to the debt burden.

(f) Since the adoption of the SNPA in 1981, 19 least developed countries have formulated an adjustment programme supported by a stand-by arrangement with IMF. These programmes, in the absence of the increased inflow of external financial resources, have resulted in sharp cuts in imports, investments, budgets and social outlays, thus further slowing down economic growth;

(g) The continuance of tariff and non-tariff barriers in important markets still inhibits expansion of LDCs’ exports. In spite of commitments undertaken in the SNPA, the 1982 GATT Ministerial Declaration and, most recently, the Punta Del Este Declaration of 1986, many developed countries continue to impose various types of restrictions on exports from LDCs. Moreover, the land-locked and island LDCs suffer from high transportation costs which make their products uncompetitive in the world market;

(h) In view of the fact that almost 85 per cent of the LDCs’ exports consist of primary commodities and are concentrated in only a few products, these exports have been hard hit by the collapse of international commodity prices and the deteriorating terms of trade. The prices of almost all primary commodities of export interest to the LDCs have dropped precipitously. This has adversely affected the foreign-exchange earnings of the LDCs. The compensatory financing available to them under the existing financing schemes is inadequate and this has resulted in depletion of their monetary reserves and overall capacity to mobilize finance for development. The commitments undertaken in the SNPA for special provisions in favour of the LDCs in terms of compensating their commodity-related export earnings shortfall have not been fully realized;

(i) Assistance so far provided to land-locked and island countries among the least developed countries and measures taken in implementing the relevant resolutions are still very inadequate in terms of alleviating the problems confronting them.

79. The least developed countries, for their part, have implemented several measures to improve their economic conditions. These include, among others, adoption of effective policies to mobilize domestic resources, expand food and agricultural production and develop their external trade. Since the adoption of the SNPA, almost all the LDCs have designated focal points for the implementation, follow-up and monitoring of the SNPA. Twenty-eight LDCs have had a country review meeting as envisaged by the SNPA. Five more LDCs are preparing for the convening of such meetings.

80. Low and often declining per capita income notwithstanding, several LDCs were able to achieve domestic savings rates exceeding 10 per cent and, in a few areas, exceeding 15 per cent during the period 1980-1984. In an effort to further improve mobilization of domestic resources, several LDCs have implemented measures to make their tax system simpler and more broadly based and to improve tax administration. Measures have also been initiated in several LDCs to improve the performance of public sector enterprises. The development and mobilization of human resources, through eradication of adult illiteracy, expansion of public education, including vocational training, and development of entrepreneurial capacities, is an important element in the development plans and programmes of several LDCs. Adult illiteracy rates decreased by more than 20 percentage points between 1970 and 1985 in seven LDCs. Almost all LDCs decreased their illiteracy rate between 1980 and 1985. The number of students undertaken vocational training in the LDCs increased in 24 per cent between 1980 and 1984. In the field of food and agricultural production, many LDCs have taken steps to increase production and productivity, *inter alia,* by increasing the use of the market mechanism, mobilizing the rural population and diversifying production. In order to better respond to the adverse and changing economic environment, many LDCs have adopted appropriate policy measures to enhance the effective implementation of their adjustment programmes. Many LDCs have taken measures for improvement of the institutional and physical infrastructure, in spite of limited resources. The assistance provided by other developing countries in the context of ECDC has reinforced the efforts of the LDCs themselves to alleviate some of their problems. In spite of all these positive measures the development prospects of the LDCs remain bleak owing to the extremely adverse external environment.

**Part II**

**Policies and measures, including those related to the**

**interdependence of issues**

**1. Resources for development, including financial and related monetary questions**

***A. Policies and measures aimed at the elaboration and implementation of a growth oriented strategy for tackling the problems of debt and development, based on the principles of shared responsibility, political dialogue and coordination among all the parties concerned: Governments of developed creditor and developing debtor countries, Banks of developed countries and international financial institutions***

*The Conference*

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

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

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

(a) Adapting debt-service payments of developing countries to their real debt-servicing capacity through measures such as limiting payments to a percentage of export earnings and establishing, as appropriate, a relationship between the amount of debt service and GDP, the evolution of commodity prices or other relevant indicators of the economic situation of each indebted developing country;

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

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

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

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

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

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

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

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

**B. Policies and measures aimed at substantially increasing the flows of financial resources from developed to developing countries, provided through multilateral institutions, export credit agencies, bilateral ODA, the Banking system and foreign investors**

*The Conference*

5. Urges developed countries to redouble efforts to achieve as quickly as possible the internationally agreed targets on official development assistance (ODA) to developing countries, in compliance with the recommendations of the Task Force on Concessional Flows, so as to place ODA on increasingly assured, continuous and predictable basis in accordance with the development needs of developing countries.

6. Recognizes the need for adapting the conditionality criteria and the characteristics of the operations of the international financial institutions to the need of achieving adequate rates of growth and of adjusting under conditions where external imbalances are caused by exogenous factors; co-ordination between the IMF, the World Bank and other multilateral financial institutions should not lead cross-conditionality.

7. Agrees that urgent actions should be undertaken to strengthen the role of the World Bank as a development institution, through the doubling of its capital, the improvement of its lending ratios, the increase of its financial leverage as well as other measures aimed at enhancing its catalytic role in order to ensure a sufficient volume of net transfer of resources to developing countries.

8. Recommends a significant increase of IDA resource in real terms, assuring their adequate replenishment, while improving the quality of its resources.

9. Urges the World Bank to mobilize additional resources commitments from developed donor countries for Sub-Saharan Africa.

10. Recommends an increase in the size of the Structural Adjustment Facility of the IMF while improving its essential features, particularly its growth orientation, low conditionality and the provision of supplementary resources.

11. Stresses the need to strengthen the Asian, African and Latin American development banks and funds through, *inter alia*, the increase of their capital and lending programmes, while maintaining their essential developmental and regional nature and their equitable decision-making process.

12. Calls upon industrialized countries to make a greater effort for increased participation in IFAD’s third replenishment and urges other contributors to the Fund in a position to do so, to make additional efforts to contribute to the resources of the Fund with a view to ensuring the highest possible level of replenishment while preserving the institution and its unique structure.

13. Urges that the possibility be considered to establish appropriate mechanisms for the recycling of the large current-account surpluses of some developed countries for utilization by developing countries for their mutual benefit.

14. Urges developed countries to increase the financial support of their export credit agencies to developing countries under suitable terms and conditions. Measures should be taken to avoid coverage suspension, including such as may be politically motivated.

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

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

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

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

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

**C. Policies and measures aimed at promoting the reform of the international monetary system so as to make it truly stable, multilateral, equitable and responsive to the development needs of developing countries**

*The Conference*

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

(a) The IMF should exercise effective multilateral surveillance, particularly with respect to the principal industrialized countries, giving special attention to the evolution of exchange rates, trade and capital flows and fiscal equilibrium in conformity with the growth objectives provided for in Article 1 of its Articles of Agreement;

(b) A supply of adequate international liquidity on an increasingly assured, continuous and predictable basis, consistent with the growth requirements of the world economy and meeting in particular the needs of the developing countries, should be ensured. In this context, IMF should agree on a new substantial SDR allocation totaling 25/30 billion SDRs for the first year and on regular annual allocations throughout the fifth basic period to satisfy the established long-term global need for reserves, while ensuring the unconditional nature of SDRs and their link to the development needs of developing countries. Developed countries should consider foregoing their shares for the benefit of developing countries in need of reserves;

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

(d) Expansion and improvement of the IMF Compensatory Financing Facility;

(e) Continuation and further improvement of the enlarged access policy, necessitated, *inter alia*, by the inadequacy of quotas and by the reduction in access limits;

(f) Undertaking necessary actions related to the ninth review of quotas, which should lead to a substantial increase of developing countries’ quotas, keeping in view that the eighth review not only fell short of requirements, but led to retrogressive results for developing countries.

(g) Increasing the voting share and level of participation of developing countries in policy formulation and in the decision-making process of the IMF.

21. The Conference, in view of the need for immediate action, welcomes and fully supports the call for the creation of a representative Committee of Ministers from developing and industrialized countries to examine the proposals for reform and improvement of the international monetary system. This Committee could perhaps take the form of a joint sub-committee of both the Interim and Development Committee to examine the proposals for reform and improvement of the international monetary system.

**2. Commodities**

**I**

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

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

**II**

**A. International commodity agreement/arrangement**

3. International commodity agreements/arrangements should be strengthened and include economic clauses, and new ones be negotiated taking into account the provisions of Conference resolution 93 (IV), including the objective of ensuring remunerative and just prices for products. The international community should provide the necessary financial and political backing for such arrangements to be viable and effective. All producers and consumers of the commodities concerned should support such arrangements.

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

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

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

**B. The Common Fund for Commodities**

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

**C. Processing, marketing and distribution**

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

**D. Diversification**

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

**E. Compensatory financing**

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

**F. Market access**

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

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

**G. Synthetics and substitutes**

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

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

**H. Disposal of non-commercial stocks**

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

**I. The role of UNCTAD**

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

**3. International trade**

**Proposals of the States Members of the Group of 77 in the area of international trade**

In order to translate the approach outlined in the Assessment2 into a programme of action, the following specific policy measures and decisions should be adopted:

**A. International trading system**

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

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

**B. Protectionism and structural adjustment**

3. Developed countries shall respect multilateral trade rules and principles, including their commitments to provide differential and more favourable treatment to developing countries, and strictly comply with the standstill and rollback commitment. All protectionist measures applied by developed countries should be notified to the Surveillance Body set up under the Uruguay Round. Information on all such measures should be communicated to the Secretary-General of UNCTAD for the periodic review of protectionism and structural adjustment. UNCTAD should provide advice on identifying such measures and concerting the appropriate action to ensure their removal.

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

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

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

**C. Market access**

7. Developed countries shall:

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

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

(c) Ensure total liberalization of trade in tropical products and those derived from natural resources;

(d) Liberalize the trade régime in textiles and clothing by removing discriminatory restraints on export from developing countries and take steps to integrate the régime into GATT on the basis of strengthening GATT rules and discipline;

(e) Eliminate escalation of tariff and non-tariff barriers affecting the products of export interest to developing countries at higher stages of processing.

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

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

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

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

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

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

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

(a) An obligation in regard to transparency and consultation procedures;

(b) The establishment of a special committee on restrictive business practices within the framework of UNCTAD to monitor the application of the Multilaterally Agreed Equitable Set of Principles and Rules on Restrictive Business Practices; and

(c) Continuing work in UNCTAD toward the establishment of a legally binding framework.

**D. The role of UNCTAD in connection with the Uruguay Round of multilateral trade negotiations.**

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

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

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

**E. Services**

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

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

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

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

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

**F. Trade relations among countries having different economic and social systems**

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

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

(b) To request the Secretary-General of UNCTAD to carry out the necessary consultations with the relevant Governments on the possibility of initiating a process of negotiations leading to a further strengthening of trade and economic cooperation between the developing countries and the socialist countries of Eastern Europe.

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

(d) To request the Trade and Development Board to keep the implementation of these activities under periodic review.

**4. Problems of the Least Developed Countries, bearing in mind the substantial New Programme of Action for the 1980s for the Least Developed Countries**

**Specific policy measures suggested for adoption**

At the end of the mid-term global review of the implementation of the SNPA, conducted by the Intergovernmental Group on the Least Developed Countries in September/October 1985, a number of recommendations were made for the improvement of the condition of the LDCs and for full implementation of the SNPA. It would be necessary to implement fully and expeditiously all these recommendations and conclusions, along with other measures included in the SNPA itself. The following*, inter alia,* deserve reiteration and expeditious action by the countries concerned within the context of the SNPA:

A. The LDCs reaffirm their primary responsibility for their overall development.

**B. Financial and technical assistance**

1. The international community should support the efforts of LDCs to increase their per capita food production and, in view of the energy problems, 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.

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

3. The SNPA should be fully and effectively implemented, and a substantially enlarged volume of financial assistance in real terms should be given to LDCs on terms which correspond to their immediate and long-term development needs.

4. Within the context of the SNPA, donor countries which have not yet done so should attain 0.15 per cent of their GNP as ODA to the LDCs before the end of the decade or should attain, on priority basis, a doubling of their ODA (a target which was originally to be achieved by 1985).

5. The 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 significantly increased to meet the increased needs of the LDCs, and donors should channel a substantial part of their aid through these institutions and agencies.

6. The eighth replenishment of IDA should be significantly higher than the previous levels, keeping in view the critical importance of the IDA for the LDCs.

7. Relevant international institutions should continue their concerted efforts to consider new mechanisms and arrangements, which include proposals for*, inter alia,* international tax schemes for development, further gold sales by the International Monetary Fund, the linking of the creation of special drawing rights to development assistance, and the use of interest-subsidy techniques. The IMF should 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, and allocate substantial portion of Special Drawings Rights (SDRs), Trust Fund facilities and compensatory financing facilities to these countries.

8. Concerned donors should provide timely assistance on appropriate terms to mitigate the adverse effects of adjustments programmes and should support the efforts of the LDCs in implementing the required policy changes.

**C. Compensatory financing**

9. In the event that a complementary facility for fully compensating the export earning shortfalls of the developing countries is established, it should ensure special provision for the LDCs. Special measures should be taken to strengthen the commodity markets and enhance export receipts of the LDCs from such commodities. The existing compensatory financing facility of the IMF should be improved, 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.

10. All developed countries which have not yet done so should expeditiously adopt special measures in order to compensate fully the export earnings shortfalls of the LDCs.

**D. Aid modalities**

11. With regard to aid modalities, immediate steps should be taken to provide ODA to the LDCs fully in the form of grants and to provide loans without discrimination on highly concessional terms, at least as concessional as those provided by IDA.

12. Urgent steps should be taken by donor countries to provide ODA, loans and grants to LDCs on an untied basis. They should also take steps to improve the quality and effectiveness of aid, and eliminate the time lag between aid commitment and disbursement. In this regard, a mechanism that would ensure automaticity and predictability of disbursement should be created.

13. Advance payments should be made by the donors concerned against their commitment in order to minimize delays in disbursement and improve the effectiveness of assistance.

14. Donor countries should take steps for increased local cost as well as recurrent cost financing.

15. Concerned donors should provide increased-balance-of-payments support as well as commodity aid, programme aid, including sector assistance and general import financing, and their terms should be flexible enough to facilitate their effective use. Such balance-of-payments support in general must not be used to exercise political pressure on the least developed countries and should not be dependent on acceptance by these countries of measures and programmes which involve social costs and hinder their basic aims, objectives and priorities or compromise their political independence and national sovereignty.

**E. Debt problems of the least developed countries**

16. Developed countries should fully implement Trade and Development Board resolution 165 (S-IX) expeditiously and convert all outstanding bilateral ODA loans of all the LDCs into grants, without discrimination.

17. Creditors should provide substantial and multi-year scheduling of private debts, including the waiving of service payments and/or outright cancellation of the debt.

**F. Access to markets**

18. Steps should be taken by developed countries to further improve GSP or MFN treatment for products of the least developed countries with the objective of providing duty-free access to such products, and to eliminate non-tariff measures affecting exports of least developed countries. Special schemes should be prepared by each of them to realize these objectives. Flexible rules of origin should also be applied in favor of LDCs to facilitate expansion of their export trade.

19. Increased technical assistance should be given to the LDCs for promotion of trade and expansion of production facilities for export. In particular, developed countries and international organizations should also assist the LDCs to create 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 all supply bottlenecks.

20. The developed countries should assist the LDCs in entering into long-term arrangements for exports, as called for in the SNPA.

**G. Land-locked and island developing countries**

21. In accordance with the United Nations Convention on the Law of the Sea of 1982 and Conference resolutions 137 (VI), 138 (VI) and Trade and Development Board resolution 319 (XXXI) and other relevant resolutions of the United Nations as adopted on the specific needs and problems of land-locked and island countries among the least developed countries and the extremely acute nature of the problems:

(a) Transit countries should intensify cooperation 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 regional commissions, should continue to support those least developed countries with measures required to alleviate their specific transit-transport and communications problems.

**H. Country review mechanism**

22. The country review meetings which are the mechanisms for the periodic review and implementation of the SNPA should be further strengthened and improved to make them more effective. UNDP and the World Bank, as the lead agencies, should expand their technical assistance to the LDCs to enable them to prepare efficiently for these meetings. Donor countries should be represented at an adequately high level. The meetings should result in firm commitments and secure increased mobilization of resources to the LDCs.

23. Developed donor countries and international financial institutions participating in country review meetings for LDCs, such as the UNDP sponsored Round Table Processes (RTPs) should not link their commitments of development resources to the condition that the LDCs should have effective operational IMF / IBRD adjustment programmes; these country review meetings should be seen essentially as additional measures for increasing financial resources to the accelerated development of LDCs.

**I. Equitable benefits of assistance**

24. In the application of all measures it should be ensured that the assistance benefits all least developed countries according to their individual requirements on a just and equitable basis.

**5. Interdependence of issues**

1. The policy actions in the four interrelated areas of the provisional agenda of the seventh session of the United Nations Conference on Trade and Development, as proposed here, are mutually supportive. Many of the most pressing needs of developing countries – including a new and comprehensive strategy to reach a lasting solution to the problems of debt – can be hoped to be successfully met only through the implementation of a coherent set of agreed measures spanning the above areas.

2. Developed countries should adopt more expansionary macro-economic policies including an easing of monetary policies and fiscal stances where appropriate, with a view to substantially lowering interest rates, stabilizing and correcting misalignment in exchange rates, reducing protectionist pressures, expanding trade and financial flows, and reversing the declining trend in commodity prices.

3. The areas covered in the UNCTAD call for commensurate action in other important current and forthcoming multilateral economic activities, in particular the Uruguay Round and in the framework of the IMF and the World Bank.

4. In order to enhance UNCTAD’s capacity to exercise its central role and to ensure effective action in the interrelated areas of money, finance, debt, commodities, development and trade, the Trade and Development Board should strengthen its reviewing and monitoring on a regular basis of decisions and measures in these areas.3

**Notes**

1. Buenos Aires Platform, section II (Ministerial declaration), paragraph 2.

2. For the Assessment, see Part I above.

3. At the closing meeting of the Technical Committee it was unanimously agreed that the chairman of the Committee should read out the following statement: “It is recognized by all that, in order to make the work of the Trade and Development Board on this subject fruitful, it will be necessary for the UNCTAD secretariat to make adequate and careful preparation.”