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**STRENGTHENING NATIONAL AND INTERNATIONAL ACTION AND  
MULTILATERAL COOPERATION FOR A HEALTHY, SECURE AND  
EQUITABLE WORLD ECONOMY**

(Agenda item 8)

Draft consolidated text for submission by the Main Committee

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Part I

CHALLENGES AND POTENTIALS FOR INTERNATIONAL TRADE  
AND DEVELOPMENT IN THE 1990S

A. The evolving international political and economic context

1. The international community faces an unprecedented conjunction of challenges and opportunities, responses to which will shape the outcome of efforts to build a healthy, secure and equitable world economy. Prospects have improved for maintaining peace and security, strengthening multilateral co-operation, and progressively improving the human condition. With the ending of the cold war, a marked easing has occurred in international political relations and the scope has widened for the reduction of nuclear and other armaments and of military expenditures throughout the world. The broad tide of economic reform, the democratization processes, and respect for human rights have gathered pace. At the same time, the international political and economic situation remains fluid in many respects. Risks remain for stability, security and development, including those arising from economic, social, humanitarian and ecological problems. These risks and challenges should be addressed urgently by the international community.

2. Several positive conditions have come into being for revitalizing the development process and building a new international partnership to that end. Structural and other changes in the global economy have brought within reach the means of overcoming many of the obstacles to this process. Economic performance in a number of developing countries has shown considerable dynamism. These countries enjoyed vigorous growth and some of them made considerable progress in diversifying their economies and strengthening their position as major exporters of manufactures. Yet stagnation and poverty persist in many developing countries due to difficulties in the selection and implementation of domestic policies as well as adverse developments in international trade and finance. In many developing countries, particularly the least developed, many of which are in Africa, these problems accentuated by structural weaknesses have reached crisis proportions.

3. Persistent poverty, which is particularly acute in many developing countries, is unacceptable. Arresting and reversing economic decline therefore deserve highest priority. This calls for national and international measures to alleviate poverty, with special attention to the most affected countries, in particular developing countries, and to promote social development. Success in reducing and eventually eliminating poverty and providing an adequate distribution of social benefits in developing countries should contribute to the expansion of world trade and to sustainable development.

4. Vigorous efforts have been under way in much of the developing world to adapt and improve the responsiveness of their economies to changing circumstances, to pursue market-oriented reforms to enhance efficiency in the use of resources, as well as to promote also the processes of social development and democratization. Initially, these efforts concentrated on stabilizing the macro-economic situation through measures to reduce fiscal deficits and to reduce high and accelerating rates of inflation with a view to achieving a rapid improvement in external accounts and laying a basis for sustained economic growth in the medium term. Subsequently, many countries have moved on to implement structural or sectoral reforms of varying degrees of ambition, notably in areas of trade policy, investment policy, privatization and, where applicable, deregulation, all with a view to improving efficiency, competitiveness and the climate for productive investment and enterprise. These reforms were often accompanied by steps to improve the transparency of political processes and to encourage wider participation in them, with a view to bolstering confidence in and popular acceptance of economic reforms.

5. These reforms have not been easy: many have involved difficult choices among public sector spending priorities, as demands for social expenditures have competed with needs for new and rejuvenated physical infrastructures as well as the need to finance debt service. Often economic assumptions underlying reforms were undermined by interest rate increases or deteriorating terms of trade. But, at the beginning of the 1990s, it is becoming increasingly evident that a number of countries

implementing those reforms are beginning to see the benefits. This is most evident in a number of Latin American countries, but the trend is not limited exclusively to them, and their success should serve as encouragement for others to pursue their own reforms further.

6. In countries of Central and Eastern Europe, dramatic developments, involving the introduction of democratic forms of government in place of existing regimes, were accompanied by far-reaching institutional changes and rapid moves to market-based economic systems, as well as towards closer integration into the world economy. Countries in the region are addressing the challenges of complex economic and institutional reforms in a situation where traditional trade patterns have collapsed. It is also to be recognized that these countries are facing unprecedented challenges in transforming their economies, in some cases in the midst of considerable social and political tensions. Appreciating the magnitude of the problem and significant efforts being made by these countries, the international community has responded with considerable support.

7. At the same time, the realignments that have occurred in East-West relations have wide-ranging consequences for overall relations between developed and developing countries and raise questions in developing countries about the place of their vital interests, especially of development, in the emerging configuration of political and economic power. The assurances given by OECD countries as to the priority they would continue to attach to development cooperation with developing countries are to be welcomed. Despite these assurances, concern nevertheless persists among some developing countries about the implications for trade, aid, investment and technology flows to the developing countries of the strong support being provided by the OECD countries for the reform processes in Central and Eastern Europe.

8. The success of national and international efforts to strengthen the positive aspect of economic and social change will contribute significantly to international trade and development, as well as to peace and security, and should in the medium and long term contribute to greater dynamism in world trade and open up new trading opportunities for all countries.

9. At the root of many of the recent structural changes in the world economy are technological innovation, including advances in micro-electronics, new materials, biotechnology and, prospectively, renewable energy. Knowledge-intensive processes have become increasingly important, as has the services sector in many economies. These technological advances are modifying the distribution of economic activities in the world and generating important consequences for the competitive position of countries in international trade. In particular, they are eroding the traditional comparative advantage of developing countries in several areas, and are adversely affecting the demand for a number of products of export interest to those countries. Nevertheless, these technological innovations provided new opportunities and could, if adapted, where necessary, to local conditions and accompanied by improved access to and adequate diffusion of technology, help to solve many of the present pressing problems of developing countries, including brain drain, and accelerate diversification and development of developing economies, leading to revitalizing the global economy.

10. Technological change has also helped to speed up the internationalization of several markets and fostered the globalization of investment, production and marketing. Over the past several years, prompted by increasing financial deregulation, the development of electronic trading has facilitated the emergence of a huge global market for funds and financial instruments. This evolution has significant implications for the deployment of international investment and for the behaviour of exchange rates and interest rates, and hence for the relative competitiveness of economies. More recently, advances in information technologies, as well as in communications and transportation, have intensified the globalization process: corporate decisions on sourcing, production and marketing are increasingly taken

within a global frame of reference, and strategic alliances have developed among transnational corporations, relying heavily on world-wide information networks. One result is that a growing share of international trade now takes place within such corporations and related firms. Also, the trend to larger and interlinked firms poses new challenges for competition policy authorities. In addition to their extensive distribution channels and information networks, these entities have also come to play an important role in affecting the global location of economic activities and access to new technologies.

11. At the same time, much economic dynamism and job creation in both developed and developing countries derives from the activities of small and medium-size enterprises. Those enterprises are contributing an increasing share of technological innovations, and are participating more actively in international trade. Developing countries in particular have everything to gain from small and medium-size enterprises.

12. In recent years the interactions between trade, investment, technology and services, and their financial underpinning, have grown denser. Key sectors covering trade flows in goods and services and developments in the areas of trade, money, finance, debt and commodities, are now more closely integrated. Linkages among economies, as well as between major issues of economic policy, have tightened and the interactions between the domestic economic policies of Governments, internationally accepted rules and disciplines and the operation of market processes have become stronger and more diversified.

13. Interdependence could realize its full potential as a vehicle for the transmission of positive impulses, cumulating benefits for all in a positive sum game, if policies were formulated in a mutually reinforcing fashion to favour positive adjustment, growth and development in the world economy. The significance of this potential has recently acquired a new edge from the recognition that world-wide sustainable development requires both national and international action to conserve the earth's resources in a manner conducive to development and to eradicate poverty

as one of the major sources of degradation in the developing world. However, interdependence also means constraints on the scope of autonomous policy-making within national economies. Economies, especially those of developing countries, which are making efforts to integrate themselves in the world economy and are open enough to come under considerable influence from policies pursued abroad, but do not have sufficient weight for their own policies to have a significant impact on others, are particularly vulnerable to external shocks. On the other hand, well diversified economies, having greater flexibility to adjust, are in a better position to absorb external shocks.

14. The past few years have also seen a resurgence of interest in integration arrangements centering on common markets, customs unions or free trade areas. Groupings aimed at enhancing economic cooperation among developing countries are being strengthened. These efforts should be generally respected by the international community. Large economic spaces involving major trading partners have emerged, which could foster competitiveness, contribute to trade liberalization and help impart new dynamism to international trade. Through their growth effects, these economic spaces could lead to an expansion of market opportunities for other countries, including developing countries. Thus these arrangements are to be welcomed, keeping in mind that they must respect accepted international rules with regard to their impact on non-participating countries and strengthen the multilateral trading system.

15. Demographic changes, in particular those in the age structure of populations, and poverty-related population pressures have become increasingly critical issues for the sustainability of development. They are creating serious problems of savings mobilization and resource allocation and have increased the pressures on employment creation, education and training, and social services in many developing countries. In addition, international migration has also become a matter of growing concern in the countries involved, inter alia because of the so-called "brain drain". In the long run, the solution must lie in sustainable world-wide development which will reduce the motivation for large-scale international migration.

16. Faced with the present international political and economic environment, States members of UNCTAD, recognizing that economic prosperity and success of reform policies in the developing countries and in the countries undergoing the process of transition to market economies are as essential for a peaceful and secure world as the sound and sustained expansion of developed economies, rededicate themselves to continuing and expanding global assistance and co-operation efforts, according to each one's economic and financial capacity, over and above the geopolitical divisions of the past.

B. The growing convergence on development issues and priorities and a new partnership for development

17. As noted in the declaration of the Security Council of 31 January 1992, the world now has the best chance of achieving international peace and security since the foundation of the United Nations. States members of UNCTAD recognize "that peace and prosperity are indivisible and that lasting peace and stability require effective international cooperation for the eradication of poverty and the promotion of a better life for all in larger freedom." UNCTAD members recommit themselves to addressing urgently the problems of economic and social development, requiring the collective response of the international community.

18. The most important development challenges for the 1990s are the elimination of poverty and the acceleration of economic growth and social development in the developing countries on a sustainable long-term basis. Addressing these challenges effectively will provide a solid foundation for lasting international peace and security. It calls for effective national policies to achieve sustained and accelerated non-inflationary growth and development, firmly supported by international cooperation aimed at improving the external economic environment, with each country contributing to this objective taking into account its capacities and weight in the world economy. It also calls for a firm and tangible commitment to multilateralism, involving a strengthened development dialogue and cooperation for development among countries, rich and poor, based upon the principle of sovereign equality and the recognition of mutual benefits, common interest and shared responsibilities.

19. Over the past few years the imperative of multilateralism has been intensified by, among other developments, the rise in the level of ecological concern, the ascendancy of new technologies, changing perceptions of domestic economic management and of international economic policy, and political and economic transformations in many countries. Transboundary problems such as environmental degradation, fast-spreading epidemics, the consumption and trafficking of illicit drugs, terrorism, migratory movements, and the disposal of hazardous waste reinforce this imperative. In addition to the urgent development needs of developing countries, the need to facilitate the success of the transition of countries in Central and Eastern Europe to market-based systems, to integrate them into the world economy, and thus to generate positive impulses to world trade and development has also added a new dimension to the requirement of strengthened multilateral co-operation.

20. Member States of the United Nations have reaffirmed their commitment to pursuing international co-operation in response to the challenge of growth and development. This reaffirmation was reflected in various texts recently adopted by the General Assembly and the Trade and Development Board, including the Declarations adopted respectively on the occasion of the twenty-fifth anniversary of UNCTAD and at the eighteenth special session of the General Assembly, as well as the International Development Strategy for the 1990s. The Programme of Action for the 1990s adopted by the Second United Nations Conference on the Least Developed Countries, and also the United Nations new agenda for the development of Africa in the 1990s which was approved recently by the United Nations General Assembly following its final review of UNPAAERD, as well as Programme 45: the United Nations system-wide Plan of Action of Africa, based on the concept of strengthened partnership between those countries and the developed countries, are illustrations of this commitment.

21. In addition, the global policy dialogue has moved progressively towards more generally shared perceptions of development problems and economic management issues which are important ingredients for the evolution of a broader consensus to underpin international economic cooperation for development in the 1990s. Development, for which individual countries retain the primary responsibility, is increasingly seen as a people-centred and equitable process, the ultimate goal of which must be the improvement of the human condition. Views have also converged on the importance, for development, of democratic systems based on popular consent and accountability, and on the stimulus that the observance of human rights can give to creativity, innovation and initiative, making all human rights - civil, political, economic, social and cultural - not only a moral imperative, but also an important factor for development.

22. Countries also accept that the development process requires effective supportive frameworks of broad economic policy, both national and international. It is increasingly recognized that the use of market signals and the fostering of entrepreneurial initiatives improve efficiency, competitiveness and the contribution of public and private sectors, while governmental actions may be necessary to complement the operation of markets or to correct market deficiencies. Furthermore, it is generally recognized that, while no single model of domestic economic management can be applied to all countries, there is no substitute for sustained national policies directed at liberating and mobilizing latent energies for development and promoting efficiency in the allocation and use of resources; it is accepted at the same time that a facilitating international economic environment is vital to the success of developmental efforts.

23. Furthermore, a consensus has developed on a number of priority aspects of development, including the eradication of poverty and hunger, human resources and institutional development, improved access to technology and the strengthening of technological capacities, halting and reversing of protectionism, adoption of liberal investment regimes and other economic policies aimed at the mobilization of domestic and

external resources, improved population policies, and the promotion of ecologically sound, sustainable and economically viable development. In particular, the recent sharp rise in the level of public concern for the security of the planet's ecological base has sharpened international awareness that, in the interest of present and future generations, natural resources must be wisely managed and that production and consumption patterns must evolve in ways consistent with the protection of the environment. Countries accordingly agree that major efforts by all countries are necessary to evolve approaches to growth which would at the same time substantially alleviate poverty and promote ecologically sound and sustainable development.

24. The relaxation of international tensions, including the easing of global strains, provides an incentive as well as opportunities to all countries to reduce military expenditures, as much as is compatible with legitimate security needs, and to divert resources from expenditures on armaments towards socially productive uses and generation of additional development finance. National initiatives in this regard could produce cumulative effects by encouraging other countries to follow suit. The conversion of military capacities and technologies to civilian uses would also provide opportunities to adjust production structures to development priority needs and facilitate new trade, technological and financial flows.

25. Growing global challenges require countries at all stages of development to promote a new partnership for development based on the recognition of sovereign equality, mutual interests and shared responsibilities. While developing countries reaffirm their primary responsibility for their own economic and social development in accordance with their national plans and priorities as well as political and cultural diversities, developed countries and others in a position to do so will give adequate support to their efforts. Developing countries equally recognize the importance of domestic policies as a foundation for economic success and in that context reaffirm their determination to persevere with efforts they have been making to carry out structural adjustments and economic reforms, often at considerable social and political cost. Early completion of the transformation of the economies

of the countries of Central and Eastern Europe into market-based ones would strengthen the emerging new partnership for development. Developed countries, on their part, have a major responsibility in the context of growing interdependence to create and sustain a global economic environment favourable to accelerated and sustainable development. There is a need for developed countries to mobilize and generate their national savings so as to contribute to the level of investible resources necessary to put the global economy on a path of sustainable growth and development. Developed countries will continue and enhance coordination of macro-economic policies and positive structural adjustment with a view to strengthening an open, non-discriminatory and multilateral trading system. In this context, an early, successful and balanced outcome of the Uruguay Round is of crucial importance to stimulate expansion in international trade as well as growth in the world economy.

26. The ultimate goal of UNCTAD members is to achieve steady rates of sustained growth in all countries and accelerate development of developing countries, so that all peoples can enjoy economic and social well-being. The way to bring this about is through concerted efforts for development. By working together through the new international partnership, the global community should aim to erase the scourge of poverty and deprivation, provide international support for national reform programmes, encourage efficient use of precious global resources, and address economic and social problems through coherent and mutually reinforcing policies. Members pledge themselves to strengthen UNCTAD as a forum where all nations participate fully and equally, and with mutual respect, and join actively in cooperative work to build a peaceful, equitable and prosperous world.

Part II

BROAD POLICY ORIENTATIONS

A. Good management at the national and international levels

27. There is a growing recognition of the importance of the market and the private sector for the efficient functioning of economies at all stages of development. The need to combine the two elements is widely acknowledged: realizing the great potential of the private sector for improvements in economic performance activity requires concomitant policies to increase market competition. At the same time, the effective functioning of markets must go hand-in-hand with conducive government policies together with the provision of personal freedom and security as the basis for widespread participation of the population in economic and political processes. Good management, which fosters the association of effective, efficient, honest, equitable and accountable public administration with individual rights and opportunities, is an essential element for sustainable, broadly based development and sound economic performance at all development levels. In this context private as well as public enterprises should also be subject to similar standards of accountability. All countries should increase their efforts to eradicate mismanagement of public and private affairs, including corruption, taking into account the factors responsible for, and agents involved in this phenomenon. Impartial operation of the court of law, supported by an independent judiciary, is essential in this regard as it is also for resolving disputes and settling conflicts.

28. Good management has several dimensions. It encompasses governmental action to establish appropriate frameworks and rules of the game for the effective and proper functioning of markets and a healthy climate for economic activity. It entails the provision of the necessary physical and social infrastructure, the pursuit of sound macro-economic policies, the creation of a conducive policy environment, and the development of human resources required to support economic activity and policies that respect efficiency in the use and allocation of resources.

It requires clear legal and regulatory frameworks as well as transparent processes for rule setting, and decision-making, and efficient institutions for the sound management of resources. Government policies should furthermore stimulate the development of entrepreneurship and growth in productivity, help to expand employment opportunities, and promote or undertake, as necessary, functions which cannot be adequately initiated or performed by the private sector.

29. The decentralization of economic activity calls for strengthened systems of dispute settlement and conflict resolution. Governmental action may be also essential to complement the operation of markets or to correct market deficiencies. Economic and regulatory instruments are necessary in the interest of sustainable development when markets left to themselves are unable to deal with the phenomenon of externalities and public goods or better to integrate environmental costs into economic activities. In the interest of social and political cohesion, government policies would need to address questions of income distribution, to provide for economic and social safety nets and to assist disadvantaged groups to gain access to market opportunities. Public intervention, on a selective basis, could also be required to foster competition including where concentrations of market power create excessive rents, to ensure some initial protection for infant industry or to promote employment.

30. The desirable extent and nature of direct government involvement in economic activity, as well as the balance between the public and private enterprise sectors, depend on the specificities of country situations. Beyond far-reaching reform of the public enterprise sector, privatization and the liberalization of entry into activities previously restricted to public enterprises are important options being pursued in many countries. Key considerations must include relative efficiency, working with and through the market, and increased competition.

31. Developing countries need to persist with or step up their efforts, in accordance with their national plans and priorities, to modernize their economies, make more effective use of their resources, keep control over inflationary tendencies, promote domestic savings, achieve favourable conditions for productive domestic and foreign investment and increase their international competitiveness, in order to improve the standards of living of their peoples. They could also benefit from the sharing of experiences regarding their structural adjustment policies. The benefits of these reform efforts will be more immediate in a dynamic global economy with sound international economic relations. Likewise, development will be enhanced through continued efforts towards the reduction of heavy external debt burdens, adequate development finance, lowering of trade barriers and improved terms of trade.

32. Developed countries need to persist with or step up their efforts to undertake appropriate national macroeconomic and structural policies aimed at promoting non-inflationary growth and structural adjustment, and at avoiding undesired exchange-rate fluctuations and financial market disturbances. Given their weight in the international economic system, they also have a special responsibility, among other crucial requirements, to narrow their major external imbalances in a sustainable manner, to reduce their public deficits, to increase the adjustment capacity of their economies, and to accord improved market access to developing-country exports especially in the context of the Uruguay Round. In general, they should intensify their efforts to invigorate world economic growth and to bring about a stable and predictable international economic environment for accelerated and sustainable development.

33. The international aspects of good management are also essential. World economic stability and growth depend on a higher and sustained level of international cooperation to address issues arising from the interdependence of economies and key areas of economic policy. This endeavour requires, among other things, that the national policies of countries having great weight in the world economy be effectively

coordinated. Such coordination is needed to avoid inconsistencies among these policies and to ensure that they advance global as well as national objectives and result in positive outcomes for the international economic environment while fully taking into account the interests of other countries. Enhancing the effectiveness of multilateral surveillance aimed at correcting existing external and fiscal imbalances, promoting non-inflationary sustainable growth, lowering real rates of interest, and making exchange rates more stable and markets more accessible, now commands general support. International good management requires full respect by all countries for agreed multilateral rules.

34. Stronger international cooperation is also needed to improve the systems, structures and arrangements that have thus far underpinned international economic relations, particularly as regards trade, money and finance. The necessary processes of change in the international economic framework must aim at providing firmer support for the development process, a more conducive setting for the vigorous policy reforms being carried forward in most developing countries and in the countries undergoing the process of transition to market economies, and an improved environment for developed countries to achieve better macroeconomic management and structural adjustment. Good management at the international level calls for greater transparency and effective participation in these processes by all countries.

35. Good management at the international level also requires that the international trading system become increasingly open, transparent, secure and non-discriminatory, to halt and reverse protectionism and to facilitate in a timely way the integration of all countries into the world economy. The Uruguay Round must contribute to the strengthening of the international trading system which should take into account the specific interests of developing countries. In the area of commodities, the need is for a viable and more efficient commodity policy for the 1990s, notably through stronger international cooperation, including international consultation and arrangements taking into account market trends, and exchange of information between producers and consumers, which would promote a better and transparent functioning of commodity markets and a greater contribution by the commodity sector to the development process.

36. Ongoing efforts should be continued and urgently implemented in the appropriate forums by all actors concerned, to arrive at an effective and durable solution to the remaining debt problems in developing countries. Continued attention should be paid to the importance of financial flows to the developing countries.

37. In addition, existing facilities for helping developing countries to cope with balance-of-payments difficulties should be fully utilized and when appropriate widened. The members of the International Monetary Fund are encouraged to continue considering the question of further allocations of special drawing rights (SDRs). There is a need for stable and predictable exchange and interest rates, which would be consistent with high rates of non-inflationary growth and investment in the world economy. Governments in a position to do so and competent international organizations are invited to study and make recommendations on ways and means of encouraging direct foreign investment in developing countries, taking into account a more favourable approach to direct foreign investment apparent in most developing countries.

#### B. Sustainable development

38. Sustainable development aims at achieving both efficient economic performance and ecological sustainability as well as social equity at all levels of development. It thus offers a comprehensive framework for addressing the root causes of environmental degradation. It encompasses such key issues as patterns of economic activity, modes of consumption, the persistence of poverty, the quality of development and the necessary adaptation of domestic and international economic management. In endorsing this concept, the international community has recognized that a major challenge for the decades ahead is to meet the needs of the present generation, in particular those of the world's poor, while at the same time safeguarding the capacity of future generations to meet their own needs.

39. Sustainable development places environmental concerns firmly within the context of growth. Conflicts between certain patterns of economic activity and environmental goals can arise in relation to the global environment, as in the case of ozone depletion and the emission of greenhouse gases, in relation to regional environments, as in the case of desertification, transboundary and marine pollution, or in relation to local environments, as with urban pollution and soil degradation. Therefore, sustainable development implies changes in the economies of all countries as well as enhanced international economic cooperation, so as to make economic growth and environmental protection mutually supportive.

40. The Conference recognizes that all countries have a common but differentiated responsibility for the main environmental problems. Consequently they should be committed to adopting national environmental strategies in order to set priorities, to review policies and to monitor progress towards sustainable development. Industrialized countries currently emit the largest quantity of pollutants into the global environment and are the major users of natural resources. At the same time they are best placed to contribute to solutions to environmental problems by implementing relevant policy measures and mobilizing the necessary financial and technological means. Such efforts should promote an evolution in their production and consumption patterns which would help substantially to maintain the carrying capacity of the global ecology. In their search for sustainable development, developing countries are concerned with local environmental problems - including soil erosion, desertification and rapid urbanization. Urgent specific measures have to be taken in this respect, accompanied by a mix of comprehensive policies addressing the complex interrelationship among widespread poverty, population pressures and the environmentally damaging use of natural resources. These countries are, however, also vulnerable to global environmental problems. Their contribution to the solution of these problems is essential. The additional burden involved should be underpinned by appropriate additional international support.

41. International cooperation is thus essential not only for the adoption of a concerted global strategy on environment but also to assist developing countries in implementing plans aimed at sustainable development. Such cooperation should proceed along two main lines: first, aiming at coherence between the various environmental measures and policies implemented by individual countries and, whenever possible, placing them in the framework of broad international or, where appropriate, regional agreements; secondly, seeking to prevent detrimental effects of national, regional or international environmental measures on economic growth and development and, through increasingly open trade, appropriate additional financial resources and technological cooperation, to support the efforts of developing countries to achieve internationally agreed objectives and to resolve their specific environmental problems.

42. The Conference reaffirms the need for UNCTAD's intergovernmental machinery and the secretariat to continue to integrate the concept of sustainable development and its environmental dimension into their respective programmes of work. The orientations outlined in Part IV below relating to the environment and sustainable development should be guided by the following objectives, taking into account the work in other forums: (i) to contribute within its mandate to innovative thinking on the establishment of a framework for coexistence between environmental measures and international trade rules, and thus, aiming at preventing the use of environmental measures for protectionist purposes; (ii) to contribute to the exploration of all possibilities of providing developing countries with additional resources for environmental protection and development, notably through the improvement of existing financial mechanisms, such as the Global Environment Fund (GEF); (iii) to explore and promote policies aimed at generating, adapting and disseminating environmentally sound technologies; (iv) to foster the sound management of natural resources, taking into account the special conditions and development requirements of developing countries, through enhanced international cooperation, and to complement and support their national policies and efforts, respectively.

43. The Conference agrees that UNCTAD technical cooperation be provided to developing countries for the design and implementation of national policies in the fields presented above, including the preparation of national sustainable action plans, and in their preparations for ongoing or future international environmental deliberations, including those concerning flows of finance and technology, the management of natural resources related to exports, and issues having implications for international competition and trade. For that purpose, UNCTAD should assess and monitor the impact of the results of these deliberations on the growth and development prospects of developing countries.

44. The Conference stresses the importance of the forthcoming United Nations Conference on Environment and Development and affirms the readiness of UNCTAD to participate, within its mandate, in the follow-up process of that Conference.

Part III

UNCTAD IN A CHANGING POLITICAL AND ECONOMIC ENVIRONMENT:  
INSTITUTIONAL MATTERS

A. Introduction: the need for institutional adaptation

45. The profound changes that the world has witnessed in the last few years and the ensuing new international context have resulted in an increased interest in, and a renewal of the relevance of, the United Nations. There has emerged a new sense of partnership for development among Member States, to which UNCTAD has made a major contribution, based on recognition of sovereign equality, common interests and shared responsibilities and on the growing convergence of policy perspectives among Member States on both appropriate domestic policies for development and the need for international policies to provide a favourable international economic environment. This evolution offers a special opportunity for strengthened international cooperation for development, but it also poses a great challenge to the United Nations system: that of adapting structures and operations to the new realities and of enhancing responsiveness to the diversified interests of all Member States.

46. UNCTAD, as the principal organ of the General Assembly in the field of trade and development, has a crucial role to play in this regard. It provides the most appropriate focal point, within the United Nations proper, for the integrated treatment of development and interrelated issues in key areas including trade, finance, investment, services and technology, for the interests of all countries, particularly those of developing countries.

47. Institutional adaptation and revitalization are urgently needed to enable UNCTAD to seize the new opportunities to foster international cooperation for development. UNCTAD should promote international consensus on principles and strategies for policy action at the national and international levels to enhance the development prospects of member States, particularly those of developing countries. It should also

provide a forum for the exchange of experiences among member States so as to enable them to draw appropriate lessons for the formulation and implementation of policies at the national and international levels and for international economic cooperation.

48. This process of institutional development should contribute to the exercise recently launched by the General Assembly for the restructuring of the economic and social sectors of the United Nations. Account must also be taken of developments concerning the institutional follow-up of the outcome of the Uruguay Round, and of the recent initiative taken by the General Assembly on the strengthening of institutional arrangements in the area of multilateral trade.

#### B. The functions of UNCTAD

49. UNCTAD's mandate in the field of international trade and related problems of economic development, as laid down in General Assembly resolution 1995 (XIX) and other relevant texts, is sufficiently broad and flexible to allow for the necessary adaptation of UNCTAD's work as regards both substantive content and working methods.

50. In line with this mandate, the functions of UNCTAD comprise policy analysis; intergovernmental deliberation, consensus building and negotiation; monitoring, implementation and follow-up; and technical co-operation. These functions are interrelated and call for constant cross-fertilization between the relevant activities.

51. Substantive work within UNCTAD should consist of a dynamic and progressive sequence involving the initial identification of a relevant set of issues; the carrying out of high-quality analytical work, which should benefit from invited inputs from both governmental and non-governmental experts and actors; and the conduct of intergovernmental consultations, dialogue and interaction aimed at the identification of areas of convergence and, when appropriate, negotiations as described in paragraph 57 below.

52. Careful, rigorous analysis should lie at the foundation of UNCTAD's activities. The analytical work of the secretariat should form the basis for the consideration of issues by intergovernmental bodies within UNCTAD. The function of policy analysis should involve conceptual innovation as well as research. While careful selectivity should be exercised in the light of current resource and expertise constraints, particular attention should be paid to bringing fresh thinking to bear on long-standing problems, and to the identification and treatment of key emerging issues of trade and development, including an early warning perspective, in a rapidly changing world.

53. Analysis should also include a systematic study of national and international policies which affect development and should take account of policies pursued or agreed upon in other institutions, so as to assess their implications for developing countries. The analytical function should cover the examination of the determinants of success in economic development, should facilitate the sharing of experiences in a constructive fashion and should ultimately provide the basis for the formulation of strategies comprising national and international policy measures required for promoting worldwide growth and development.

54. To facilitate concrete and innovative discussion, the secretariat should draw attention to issues requiring closer consideration and should provide concise, independent, even if controversial, analyses. Due account should be taken of the diversity of country situations and experiences. With this in mind, analyses should be more disaggregated, to the extent appropriate.

55. Consensus building is a most important function of UNCTAD, flowing from the identification of issues and the analytical work carried out by the secretariat to clarify the main aspects of such issues and shared perceptions. Sharing experiences, concerns and views forms an integral part of this process of defining common interests and promoting convergence.

56. The outcomes of deliberative processes in the Trade and Development Board and its subsidiary bodies need not take the form of resolutions. Greater use should be made of agreed conclusions, assessments or summings-up by presiding officers, particularly when the issues are new or difficult ones, requiring further exploration and the building of common perceptions.

57. Negotiations are an intergovernmental interaction leading to implementable commitments. They are the culmination, although not automatic, of a sequential process described in paragraph 51 above. These comprise intergovernmental deliberations and interactions leading to conclusions or outcomes in the form, as appropriate, of: agreed statements, conclusions and recommendations comprising broad policy guidelines on economic policy issues for the international community; agreed recommendations for member States; decisions; resolutions to be implemented by the organization and member States; or binding international agreements. Consideration should also be given to the negotiation of specific agreements with well-defined objectives which should be open to all interested parties and be transparent.

58. The process of negotiation should be initiated in a selective manner, paying due regard to the nature and maturity of the issues involved, and keeping in mind the need for a broad convergence of views as a prelude to meaningful negotiations. Negotiations should be launched on the basis of a large degree of common understanding on the desirability of an outcome and its form.

59. On issues where other institutions are vested with the necessary powers of decision or rule-making, UNCTAD should aim at providing constructive approaches as well as viewpoints and at generating political impulses on matters within its purview, to be considered by these institutions in accordance with their decision-making powers.

60. Effective implementation, monitoring, and follow-up are essential for fulfilling the mandate of UNCTAD, and the necessary arrangements should be made by the Trade and Development Board in order to ensure that the outcomes of the processes described above are translated into concrete action.

61. Technical co-operation should be strengthened, expanded with the resources available and integrated into all relevant areas of UNCTAD's work, taking into account the need for effective interaction among the main functions of UNCTAD and the need for continued effective coordination with other technical cooperation agencies of the United Nations system. It is a component of a comprehensive development approach to support domestic efforts in UNCTAD's fields of competence and to strengthen the capacity of countries to manage their own development process as well as to be both full participants in, and beneficiaries from, international deliberations in these areas.

62. A strengthened and expanded technical cooperation programme will require political support and increased extra-budgetary financial contributions. The Conference welcomes the growth of financial contributions during the past few years. It further invites member States to contribute or, as the case may be, to increase their contributions to UNCTAD's technical cooperation, particularly for the purposes outlined in this document. The policy review of UNCTAD's technical cooperation activities referred to in paragraph 68 below should assess the results and as necessary ensure continued support for these activities. Developing countries, in the context of their national priorities, should arrange for adequate provision to be made for technical cooperation as regards trade and development in the context of UNDP country and inter-country programmes and in programmes financed by bilateral and other multilateral donors. Interested countries are invited to make use of the services of UNCTAD and of ITC in this respect, including for the assessment of technical cooperation needs. UNCTAD and ITC should continue their efforts to achieve complementarity in their technical co-operation activities.

C. Adapting, re-orienting and consolidating the  
substantive work of UNCTAD

63. UNCTAD should, in the light of its mandate, continue to address long-standing trade and development problems as well as new and emerging issues in this field. The Conference agrees that the following areas should serve as orientations for developing both fresh approaches to long-standing issues and insights for pursuing relevant new lines of work:

A NEW INTERNATIONAL PARTNERSHIP FOR DEVELOPMENT:

(1) The translation into operational terms of this concept requires mutually supportive efforts at the national and international levels. It is crucial to ensure the enhanced participation in the world economy of developing countries, as well as countries undergoing the process of transition to market economies, through the betterment of their trade conditions, including trade efficiency, access to markets and structural adjustment; effective policies in the field of commodities; further evolution of the international debt strategy; rapid and balanced expansion of the service sectors in developing economies; exploiting the interrelationship between technology and investment, and strong policies for human resources development.

(2) Intensified international cooperation for development involves fresh approaches to traditional areas, including development finance, concerted efforts to fight poverty, special measures to promote developing countries' exports, the Programme of Action for the Least Developed Countries for the 1990s, the United Nations New Agenda for the Development of Africa in the 1990s, as well as Programme 45: the United Nations System-wide Plan of Action for Africa, and economic cooperation among developing countries.

GLOBAL INTERDEPENDENCE:

(3) A dialogue and evaluation of trends and issues in the world economy in order to strengthen global interdependence and to reduce imbalances in the global economy for the benefit of all countries, especially developing countries. Work will focus on: international implications of macro-economic policies and issues related to their coordination; evolution of the international trading, monetary and financial systems; good management at the international level; and evolution and consequences of the emerging, enlarged economic spaces and regional integration processes.

PATHS TO DEVELOPMENT:

(4) Sharing and discussion of national development experiences and policies, paying due regard to different national circumstances and to relevant aspects of the international economic environment. Work will focus on distilling lessons and policy advice from the experiences of all countries, including domestic reform and development policies, in promoting sustained growth and development of their economies. Experiences should be exchanged on national policies in areas of economic management and the respective roles of the public and private sectors; fostering entrepreneurship; mobilizing financial and human resources; promoting flexible and competitive markets and developing export markets, and supplementing market outcomes to ensure respect for social values. Attention should be paid to the interrelationship between economic progress, market orientation, good management and increased popular participation. The economic aspects of conversion of military capacities to civilian uses should be also addressed.

SUSTAINABLE DEVELOPMENT:

(5) Work in areas requiring international cooperation to ensure that growth and development, poverty alleviation, rural development and protection of the environment, are mutually-reinforcing,

such as: interaction between trade issues and environmental policies; measures to promote ecologically sound development; generation and dissemination of environmentally sound technologies; impact of patterns of production and consumption on sustainable development, and follow up, as appropriate, of UNCED's conclusions and recommendations\*.

D. Strengthening UNCTAD's intergovernmental machinery and improving its methods of work

64. UNCTAD's intergovernmental machinery and methods of work need to be revised to ensure that all facets of its work programme are fully integrated and reviewed periodically, with the objective of: (i) providing an enriched substantive and technical basis for policy discussion, negotiation and decisions; (ii) increasing UNCTAD's effectiveness in addressing national and international development issues; (iii) stimulating a greater participation of officials responsible for policy formulation at the national level in the work of the organization. The Conference accordingly agrees on the following.

65. UNCTAD's intergovernmental structure shall consist of the Trade and Development Board, standing and special Committees, and ad hoc Working Groups.

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\* In its first meeting after the United Nations Conference on Environment and Development, the Trade and Development Board will discuss the impact of its results on UNCTAD's work, and will take the necessary action to ensure the discussion and adoption of the required measures within UNCTAD's intergovernmental machinery.

1. The Trade and Development Board and its subsidiary bodies

(a) The Trade and Development Board

66. The Board will address at one part of its annual sessions a topic relating to the international implications of macro-economic policies and issues concerning interdependence, using the Trade and Development Report as background; and at the other part, it will consider a topic relating to trade policies, structural adjustment and economic reform. These topics should be defined sufficiently in advance of their consideration by the Board. Additional topics drawn from other key areas indicated in paragraph 63 should also be addressed at each of the two parts of the annual sessions so as to cover all the key areas during the period between Conferences and to respond fully to requests made by the General Assembly for the consideration of particular issues, including, notably UNCTAD's contribution to the United Nations New Agenda for the Development of Africa in the 1990s. The Board will also undertake, during the spring segment of its annual sessions, the review of progress in the implementation of the Programme of Action for Least Developed Countries for the 1990s, using the LDC Annual Report as background.
67. The policy function of the Board should be strengthened. The Board should be more active in adapting the organization's work to changing worldwide economic circumstances, and reviewing work programmes and priorities, promoting greater efficiency and reacting to reports from its subsidiary bodies in order to give impetus to ongoing work. In order to facilitate this task, the Board will meet in short executive one-day or half-day sessions at the level of Permanent Representatives immediately before its regular sessions, and periodically in between.
68. The Board will conduct, midway between Conferences, a review and evaluation of the work programme of the intergovernmental machinery, including its own; of technical assistance programmes; and, bearing in mind the calendar established in this regard, of the programme budget and medium-term plan, so as to ensure full integration of all work undertaken by UNCTAD, and to establish or adjust priorities for the period up to the following Conference.

69. In order to facilitate the full participation of representatives of the least developed countries in its consideration of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s, the Board should establish in advance the specific organizational arrangements and dates for such work.

(b) The Committees of the Board

70. With the exception of the Special Committee on Preferences and the Intergovernmental Group of Experts on Restrictive Business Practices, whose terms of reference remain unchanged, the Conference agrees that the existing Committees of the Board should be suspended and standing committees on the following topics be established:

- Commodities
- Poverty alleviation
- Economic co-operation among developing countries
- Developing services sectors: fostering competitive services sectors in developing countries

71. The standing committees should be geared to assist the Board in the effective discharge of its functions. The work and agendas of the standing committees should be organized in such a way as to attract the attendance of senior policy officials in the respective sectors.

72. The present terms of reference of the Committee on Shipping and of the Committee on Finance and Invisibles related to Trade (Insurance) should be included in that of the Standing Committee on fostering competitive services sectors in developing countries. The terms of reference of the Special Committee on Preferences and the Intergovernmental Group of Experts on Restrictive Business Practices remain unchanged.

73. The terms of reference of the Committees referred to in paragraph 70 above should be urgently established by the Board, which should complete this task by the end of the first part of its thirty-ninth session.

74. In addition to the redeployment of the work programmes of the subsidiary bodies referred to in paragraph 72 above, aspects of the work programmes of the following Committees relevant to the programme of work adopted by the Conference will be assumed, as appropriate, by the Board, the Standing Committees or the Ad hoc Working Groups referred to above:

- Committee on Finance and Invisibles related to Trade (Finance)
- Committee on Manufactures
- Committee on the Transfer of Technology.

75. The Committees will meet as often as determined by the Board, and their meetings will be of five days duration or less.

76. Immediately prior to UNCTAD IX, the Board will review the functioning of its Committees with a view to making recommendations concerning them to the Conference.

(c) Ad hoc working groups

77. It is recognized that issues emerging on the international scene which have a bearing on trade and development and new or emerging aspects of long-standing problems in that field require, because of their complexity, detailed analysis, examination and reflection. Provided such subjects are precisely defined, the necessary in-depth exploration and the identification of possible areas of convergence may be entrusted to working groups established in an ad hoc manner by the Board. Ad hoc working groups will be established for a period up to two years, which may be extended if the Board so decides. In order to enable national experiences as well as empirical evidence to be brought to bear on the issues, the core membership of these working groups will comprise all interested countries, which will nominate the relevant national experts. Other countries may participate in an observer capacity. Provision will also be made for the participation of outside experts in an advisory capacity, as provided for in paragraph 84.

78. These ad hoc working groups should report directly or through the relevant Committee to the Trade and Development Board. In the light of the report, the Board should decide what, if any, further action is needed.

79. The Conference requests the Board, as an initial step, to establish, for necessary action by the Secretary-General of UNCTAD, ad hoc working groups to deal respectively with:

- I. Investment and financial flows; non-debt creating finance for development; new mechanisms for increasing investment and financial flows.
- II. Trade efficiency.
- III. Comparative experiences with privatisation.
- IV. Expansion of trading opportunities for developing countries.
- V. Interrelationship between investment and technology transfers.

80. The Conference welcomes the intention of the Secretary-General to make the necessary adjustments to meet the requirements of the new work programme and intergovernmental structures.

2. Methods of work

81. Greater flexibility is necessary in the sequencing and duration of meetings of the subsidiary bodies of the Board, as well as in setting the agenda of sessions of the Board and its subsidiary bodies. To this end, the Secretary-General of UNCTAD should be granted a greater measure of discretion in the preparation of proposals on these matters for the consideration of governments, including through the informal consultative mechanism referred to in paragraph 83 below.

82. Greater flexibility should also be sought in the manner in which intergovernmental consultations and negotiations take place. While Governments remain free to join with others to pursue common objectives or to formulate joint positions, complementary mechanisms, such as ad hoc issue-oriented groupings, better arrangements to facilitate cross-group communications, and greater recourse to consultations arranged by the Secretary-General of UNCTAD involving interested Governments, should be fostered and utilized.

83. In order to enhance the effectiveness of the existing system of consultations with representatives of member States between sessions of the Trade and Development Board and to promote greater efficiency in the intergovernmental processes, the informal consultative mechanism established by the Board in its resolution 231 (XXII) (also known as the monthly consultations of the Secretary-General) should be strengthened for the purpose of preparing and following up the work of the Board. The preparatory process for the work of the informal consultative mechanism should take the form of exchanges of views by the Secretary-General with the representatives of States members of the Bureau of the Board. Such prior exchanges of views should be held as often as may be necessary, so as to enable the Secretary-General to submit recommendations for approval by the informal consultative mechanism.

84. Non-governmental actors, such as enterprises, trade unions, the academic community and non-governmental organizations, as well as other international bodies, could, depending on the issue, be invited to participate in an advisory capacity, both at public meetings of the Board and its standing and special committees, and in the ad hoc working groups described in paragraph 77. More generally, closer cooperation, through regular contacts of various kinds, should be developed with such external actors, especially non-governmental organizations and the enterprise sector.

85. With a view to enhancing its substantive work and technical cooperation, including the optimal design and execution of projects, consultation and cooperation between UNCTAD and development and financial institutions, as well as with non-governmental organizations, should be intensified. Similarly, the Secretary-General of UNCTAD should set up flexible and informal mechanisms involving the participation of non-governmental actors, particularly the enterprise sector, so as to avail himself of their advice on specific issues under current examination.

86. To enable the secretariat to meet the highest professional standards and to enhance its responsiveness to changing requirements, the Secretary-General of the United Nations is invited to give consideration to granting UNCTAD greater operational flexibility in budgetary, financial and administrative matters, within existing resources, consistent with his overall responsibility as chief administrative officer of the United Nations.

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87. The Trade and Development Board, at its first session following UNCTAD VIII, is called upon to take the necessary follow-up measures to ensure the speedy implementation of the above agreed institutional reforms.

Part IV

## POLICIES AND MEASURES

88. Issues and policies in the areas of finance, trade, commodities, technology and services interlink in a variety of ways. Some of these interlinkages are long-standing, others, such as the interplay between trade, investment, technology and services, have only recently become prominent.

89. Policies and measures - at the national and international levels, in the interrelated fields of resources for development, international trade, technology, services and commodities - to accelerate the development process are outlined below. The full significance of these policies should be assessed in an integrated and comprehensive manner, in the light of the new spirit of partnership in development, calling for a reinvigoration of the development dialogue. The Conference agrees that Governments should provide for specific operational mechanisms to ensure the effective implementation of decisions taken.

A. Resources for development1. Assessment

90. While some developing countries have managed to achieve rapid economic growth and satisfactory external financial positions in recent years, many others have continued to experience acute difficulties with regard to the mobilization of resources for development. The difficulties of the latter have in many cases contributed to serious backsliding in development efforts in areas such as food security, poverty reduction, human resource development, infrastructural investment and environmental conservation. The primary source of financing for development has

been, and will remain, developing countries' own savings. A substantial increase in savings is probably not feasible in most developing countries in the absence of faster growth. But there is still considerable scope for improving the allocation and utilization of savings and for reversing capital flight. Increased amounts of external financing will also be needed to supplement developing countries' domestic savings on conditions which take proper account of the specificity of the economic needs and situations of developing countries. Private lending is unlikely to revive substantially for most countries in the near future, and total resource flows in real terms have in recent years remained well below the levels of the early 1980s. Special importance thus attaches to the mobilization of external finance in forms such as official flows and foreign direct investment and continuing to work towards solutions to the debt problems which still remain despite recent improvements in the international debt strategy. An important part of the additional financial effort required in the 1990s will be the mobilization of international finance for the protection of the environment. This mobilization will build on such initial steps as the agreements on the Interim Multilateral Fund to assist countries signatories to the Montreal Protocol on Substances that Deplete the Ozone Layer and on the Global Environmental Facility to provide grants or concessional loans to developing countries to support environmental measures in specific areas.

2. Measures and action

(a) National policies

91. The Conference agrees that all countries should deploy sustained efforts to mobilize domestic savings for investment, growth and development. It emphasizes that a major part of such efforts should be the achievement of macroeconomic stability and predictability, which in turn requires increased monetary control

and greater financial discipline. It notes, however, that monetary policy should not be overburdened, and that use of a wider gamut of policy instruments is needed.

92. Financial liberalization should be accompanied by appropriate institutional reform and by those domestic supervisory and prudential arrangements required for a sound national banking system operating in the context of a liberal and secure international financial system. It should be introduced in a context of macroeconomic stability, and proceed in a manner compatible with the competitiveness and institutional development of capital markets. Liberalization in these circumstances can help to maximize the contribution of the financial sector to economic development.

93. The Conference agrees that an economically and institutionally efficient public sector would contribute to fostering growth and development. In many countries, public sector reform is essential for the improved mobilization and use of savings. Fiscal reform should be introduced with the aims of rationalizing and simplifying the taxation system, with due account being taken of the revenue, equity and incentive aspects of the taxation system, protecting government revenues from erosion by inflation and strengthening tax administration.

94. The Conference reiterates the importance of giving high priority to the development of human resources, especially with regard to women, particularly to improve the status of rural women, and the provision of basic public goods, including investment in infrastructure, as well as social services, such as health and education. Structural adjustment programmes and international cooperation programmes should take full account of these priorities.

95. The Conference notes the growing recognition that reform of State economic enterprises would contribute to an increase in savings and investment in developing countries. Privatization is an option and, accompanied by an effective regulatory framework to foster competition and efficiency and prevent the emergence of private monopolies, it could play an important role. The Conference notes that many member countries have adopted privatization programmes, and it encourages officials responsible for these programmes to share their experience and expertise.

96. The considerable efforts made by developing countries to improve their policy and regulatory environment so as to attract foreign direct investment (FDI), the return of flight capital and other non-debt-creating financial flows should be further strengthened. A favourable environment for foreign direct investment also requires appropriate policies to sustain economic development and to encourage the expansion of internal market opportunities and export activities.

97. The Conference also reiterates the need for developed countries to implement necessary adjustment measures with a view to bringing about a more favourable international economic environment which would help stimulate economic growth in developing countries. Developed countries should take steps to reduce external and fiscal imbalances. They should also adopt appropriate mixes of fiscal and monetary policies conducive to a decline in interest rates consistent with price stability and an increased stability of exchange rates, co-ordinating effectively these policies as required.

98. All countries should consider the possibilities that exist in their specific and individual situation for the reduction of military expenditures and for channelling the savings towards socially productive uses. The Conference welcomes reductions already under way or planned by developed countries and urges them to continue these efforts, in view of the importance which a

decrease of military expenditures can have for the reduction of external and fiscal imbalances and for increased availability of development finance. The Conference urges developing countries to reduce military spending to the extent that it is excessive in their specific and individual situation, recognizing the positive effects that such reduction can have on budgetary policies aimed at the acceleration of their growth and development.

99. The intergovernmental machinery of UNCTAD, with the appropriate support from the secretariat, should explore the issue of structural adjustment for the transition to disarmament and the implications for world economic growth and development.

(b) International policies

(i) Debt

100. All countries reaffirm their commitment to the evolving international debt strategy aimed at restoring debtor countries' external financial viability and the resumption of their growth and development. The international community should continue to provide support, including, on a case-by-case basis, further debt relief, for countries implementing sound economic reform programmes.

101. The Conference recognizes, in regard to the external debt incurred with commercial banks, the progress being made under the strengthened debt strategy and encourages more rapid implementation of this strategy. Some countries have already benefited from the combination of sound adjustment policies and commercial bank debt reduction or equivalent measures. The Conference wishes to encourage:

- (a) other countries with heavy debts to banks to negotiate similar commercial bank debt reduction with their creditors;

- (b) the parties to such a negotiation to take due account of both the medium-term debt reduction and new money requirements of the debtor country;
- (c) multilateral institutions actively engaged in the strengthened international debt strategy to continue to support debt-reduction packages related to commercial bank debt with a view to ensuring that the magnitude of such financing is consonant with the evolving debt strategy;
- (d) creditor banks to participate in debt and debt-service reduction;
- (e) strengthened policies to attract direct investment, avoid unsustainable levels of debt and foster the return of flight capital.

102. With regard to debt owed to official bilateral creditors, the Conference welcomes the recent measures taken by the Paris Club with regard to more generous terms of relief to the poorest most indebted countries. The Conference welcomes ongoing efforts to implement these Trinidad terms measures in a manner commensurate with their payments capacity and in a way that gives additional support to the economic reform efforts of those countries. The Conference also welcomes the substantial bilateral debt reduction undertaken by some creditor countries and encourages others which are in a position to do so to take similar action.

103. The Conference commends the actions of low-income countries with substantial debt burdens which continue, at great cost, to service their debt and safeguard their creditworthiness. Particular attention should be paid to their resource needs. Other debt distressed developing countries which are making great efforts to continue to service their debt and meet their external financial obligations also deserve due attention.

104. In connection with multilateral debt, the Conference urges that serious attention should be given to continuing to work towards growth-oriented solutions of the problem of developing countries with serious debt-servicing problems, including those whose debt is mainly to official creditors or to multilateral financial institutions. Particularly in the case of low-income countries in the process of economic reform, the support of the multilateral financial institutions in the form of new disbursements and the use of their concessional funds is welcomed. The use of support groups should be continued in providing resources to clear arrears of countries embarking upon vigorous economic reform programmes supported by IMF and the World Bank. Measures by the multilateral financial institutions such as the refinancing of interest on non-concessional loans with IDA reflows - "fifth dimension" - are noted with appreciation.

105. The international community should explore ways and means to improve coordination between all creditors, official and private, and donors to help meet, in an integrated manner and based upon solid economic considerations, financing requirements of debtor countries in relation to their medium-term development programmes. The experience gained with the Special Programme of Assistance to Africa of the World Bank, consultative groups, etc. could serve as an example here. The Conference recognizes that in such a way the risk of underfunding of those programmes can be considerably reduced.

(ii) External finance for development

106. Technical co-operation among developing countries in the area of external debt and UNCTAD's co-operation with developing countries in debt negotiation and its activities in providing advice to developing countries on debt issues should be continued, as should UNCTAD's analytical role in this area.

107. The process of structural adjustment in developing countries needs to be adequately supported and funded. A substantial increase in the aggregate level of resources, particularly concessional resources, would provide a needed boost to this process. In addition, it is important to ensure that associated macroeconomic and structural policy conditions take due account of the specificity of the economic needs and conditions of developing countries.

108. The Conference underscores that substantial additional efforts are required to enhance both the quantity and quality of support for developing countries. In this regard, official finance in its various forms is particularly important. Developed country donors should implement the undertakings they have made to attain the agreed international target of devoting 0.7 per cent of GNP to ODA and, to the extent that they have not yet achieved that target, agree to continue their efforts. Other developed donor countries, in line with their support for reform efforts in developing countries, agree to make their best efforts to increase their level of ODA so as to contribute to the common effort to make available the substantial additional resources that have to be mobilized. In addition, other countries in a position to assist will share in the global efforts, each according to its capacities. Donors reaffirm the commitment undertaken at the Second United Nations Conference on the Least Developed Countries to bring about a significant and substantial increase in the aggregate level of external support to these countries, taking into account that since the Paris Conference six States have been added to the list of Least Developed Countries.

109. The effectiveness of aid should be strongly enhanced by both donor and recipient countries. On the recipient side, a stable policy environment which would, among other things, encourage long-term investment and increase its efficiency will contribute to increasing the effective use of aid. On the donor side, aid effectiveness will be enhanced by improved aid co-ordination, by further untying of aid and by targeting aid on the genuine promotion of long-term development, in particular human resource development.

Aid efforts should take into account the increasing differentiation among developing countries: while highly concessional assistance should be focused primarily on low-income countries, resources for co-operation with other developing countries in need of assistance could be of a less concessional character.

110. Efforts to provide financial assistance to the countries of Central and Eastern Europe will not diminish the determination of the international community to give high priority to developing countries.

111. The resources of the World Bank's Special Programme of Assistance for debt-distressed low-income countries, and those of the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility, must continue to play a key role in providing medium-term concessional loans to low-income countries. In this context, the Conference welcomes the fact that the list of countries eligible for support under ESAF is being kept under consideration.

112. The members of IMF are encouraged to continue considering the question of further SDR allocations.

113. Both industrialized and developing countries should consider ways and means to encourage mutually beneficial flows of foreign direct investment to the developing world. For those interested, such measures could include membership in, and wide utilization of, programmes under the MIGA and IFC, the conclusion of bilateral investment and double taxation treaties, and the provision of direct incentives. Consideration should also be given to innovative incentives and promotional measures that could be adopted by developed countries and the World Bank.

114. Intensified efforts should be made by all countries and multilateral financial institutions to implement fully and expeditiously the Programme of Action for the Least Developed

Countries for the 1990's adopted by the Second United Nations Conference on the Least Developed Countries held in Paris in September 1990.

115. The Conference recognizes that the problems of the poor countries in Africa are particularly difficult and need special treatment. It also recognizes that in dealing with Africa's external indebtedness, the magnitude and the severity of the debt problems of many African countries constitute a severe and continuing burden which restricts their economic recovery and long-term development: the international community, particularly the donor developed countries and the multilateral financing institutions should fully implement the concrete measures agreed in the United Nations New Agenda for the Development of Africa in the 1990s following the final review of UN-PAAERD as well as Programme 45: the United Nations System-wide Plan of Action for Africa.

116. The Conference takes note of the proposal of the Secretary-General of the United Nations to convene an international conference on the financing of development and urges its speedy and full consideration in preparation of the forty-seventh session of the General Assembly.

117. The Conference agrees that the UNCTAD secretariat should undertake analysis and make proposals, as well as provide technical assistance to developing countries, in the above-mentioned areas. UNCTAD could also be a forum to promote discussions and negotiate basic consensuses on the treatment of resources for development in the different competent organizations of the international economic system.

(c) Environment and development finance

118. For developing countries to achieve sustainable development and be in a position to address pressing problems of economic growth needed to combat poverty and to improve environmental management domestically, they must have access to the financial resources necessary to meet these challenges. While domestic resources will have to play an important role, donors pledge their continuing efforts to ensure that external resources available from both the public and private sectors and provided through existing bilateral and multilateral channels should be increased and used effectively and efficiently. For developing countries to play their full part in coping with global environmental problems, the Conference considers that appropriate additional financial resources should be made available to them as part of a strengthened partnership. It also agrees on the need for more funding for implementing sustainable development policies at the national level.

119. The Conference emphasizes that government intervention for the protection of the environment and the achievement of sustainable development should pay attention to, inter alia, control mechanisms that make use of market signals and generate additional financial flows. The Conference notes that the UNCTAD secretariat is undertaking studies on a possible global system of tradeable carbon emission entitlements.

120. Creditor countries, multilateral financial institutions, developing countries and non-governmental organizations should co-operate in efforts to implement debt conversion schemes devised by debtor countries for the protection of the environment.

(d) Resource allocation and sustainable development

121. The Conference agrees that there is a need to examine the terms and conditions on which developing countries can resort to economic and regulatory tools aimed at integrating environmental costs into economic activities, so as to correct market deficiencies, without thereby hampering their economic growth and development and jeopardizing their competitive position on international markets.

122. Likewise, a number of principles, such as the polluter-pays principle, the user-pays principle and the use of a precautionary approach where uncertainties exist are being examined as devices to foster economic behaviour more in line with the imperatives of sustainable development. As these principles might be considered in future international negotiations related to the environment, there is a need to study further their implications for developing countries, and to make conclusions available to the relevant negotiating bodies in time for them to be taken into account. UNCTAD should undertake studies and provide information and analyses within its competence in the relevant areas.

123. In addressing all the above issues related to the environment and sustainable development, full recognition and detailed attention should be given to the specificities and realities of the developing countries and their social, economic and environmental needs as well as their national plans and priorities.

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124. The Conference expresses its deep concern about the serious ecological damage that was caused by the recent Gulf crisis.

## B. International trade

### 1. Assessment

125. The international trading environment has been affected by a number of developments which have created new challenges and opportunities and which have made multilateral economic cooperation of even greater importance. World trade has continued to grow faster than world output in recent years. However, the expansion of world trade has been unevenly spread, and only a limited number of developing countries have been capable of achieving appreciable growth in their exports. Protectionist pressures and unilateral policy actions continue to endanger the functioning of an open multilateral trading system, affecting particularly the export interests of developing countries. Economic integration processes have intensified in recent years and should impart dynamism to global trade and enhance the trade and development possibilities for developing countries. In recent years, a growing number of these countries have adopted courageous policy reforms involving ambitious autonomous trade liberalization, while far-reaching reforms and profound restructuring processes are taking place in Central and Eastern European countries, paving the way for their integration into the world economy and the international trading system. Increased attention is being devoted to enhancing the role of enterprises and promoting competitive markets through adoption of competition policies. The GSP has proved to be a useful trade policy instrument, although its objectives still have to be fulfilled, and trade facilitation strategies relating to electronic data interchange (EDI) have been effective in improving trading efficiency of the public and private sectors. The interactions between environment policies and trade issues are manifold and have not yet been fully assessed. An early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations would bring about further liberalization and expansion of world trade, enhance the trade and development possibilities of developing countries and provide greater security and predictability to the international trading system.

2. Objectives

126. Accordingly, the objectives of the international community should be:

- (a) To halt and reverse protectionism in order to bring about further liberalization and expansion of world trade, to the benefit of all countries, in particular the developing countries;
- (b) To provide for an equitable, secure, non-discriminatory and predictable international trading system ;
- (c) To facilitate, in a timely way, the integration of all countries into the world economy and the international trading system;
- (d) To ensure that environment and trade policies are mutually supportive, with a view to achieving sustainable development;
- (e) To strengthen the international trading system through an early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations.

3. Measures and action

- (a) Protectionism, structural adjustment and trade policy reforms

127. All countries should implement previous commitments to halt and reverse protectionism and further expand market access, particularly in areas of interest to developing countries. This improvement of market access will be facilitated by appropriate structural adjustment in developed countries.

128. Developing countries should continue the trade-policy reforms and structural adjustment they have undertaken and, in particular, should progressively reduce their import barriers, consistent with their trade, financial and development needs. These efforts should be supported by the international community through adequate improved market access and increased flows of financial resources.

129. Member countries are invited to support the transition of countries in Central and Eastern Europe to a market economy and to liberalize their trade regimes vis-à-vis all of them. Those countries which have already done so are invited to continue to do so. It is important that discriminatory measures aimed specifically at these countries be abolished and that non-tariff measures (NTMs) which affect their exports be relaxed on a MFN basis. At the same time, the interests of the world economy would be best served if the trade regimes that are emerging in the Central and Eastern European countries are kept open to imports from all potential trading partners without prejudice to preferential agreements under the relevant provisions of GATT. Special attention should be paid in this regard to trade with developing countries, in accordance with international commitments on differential and more favourable treatment for them. The Trade and Development Board should periodically assess the above process and UNCTAD should identify the opportunities resulting from the above developments for the mutual benefit of developing countries and individual countries of Central and Eastern Europe, notably through technical assistance, with a view to helping developing countries derive the maximum benefit in terms of expansion of trade and reinforcement of economic co-operation with individual countries of Central and Eastern Europe. UNCTAD should collaborate in this respect with UNDP and multilateral institutions, where appropriate.

130. The international trading system should support the observance by all countries of their international commitments on the granting of differential and more favourable treatment to developing countries and provide for the increasing integration of developing countries into the international trading system in accordance with their level of development.

131. The international community should implement the measures, adopted in the Programme of Action for the Least Developed Countries for the 1990s, aimed at granting substantially improved market access for exports of LDCs and at providing special trade treatment for these countries.

132. Reaffirming paragraph 105(4) of the Final Act of UNCTAD VII and Trade and Development Board decision 367 (XXXV) that Governments should consider, as part of their fight against protectionism, as appropriate, the establishment of transparent mechanisms at the national level to evaluate measures sought by firms/sectors, and the implications of such measures for the domestic economy as a whole and their effects on the export interests of developing countries and the need to take expeditious and concrete measures towards this end, the Conference agrees that UNCTAD should promote the establishment of these mechanisms, including discussion on their relevant features, and their participation in the work of the appropriate UNCTAD bodies, as appropriate. The secretariat should provide technical assistance to interested countries in connection with the establishment of such mechanisms.

133. Attention should be given by all countries to increasing the transparency of their trade regimes and to the replacement of NTMs by tariffs where possible.

134. The Conference notes that many developing country exports have benefited from GSP treatment, and encourages preference-giving countries to continue to improve and renew the schemes and to extend the schemes' operation periods in order to avoid the uncertainty of preferences, bearing in mind the autonomous nature of the schemes.

135. The Conference recommends that preference-giving countries comply with the multilaterally agreed principles of the GSP. Preference-giving countries should consider appropriate adjustment in country coverage. The Conference recognizes that a substantial expansion of product coverage to include hitherto excluded products of current and potential export interest to developing countries would constitute a major improvement in the effectiveness of the GSP and calls upon preference-giving countries to consider, if possible, comprehensive product coverage, especially in the context of the review of the schemes under way in many preference-giving countries. Limitations and restrictions on preferential imports, as well as withdrawals of preferential benefits, should be minimized and the rules of origin should be simplified and harmonized, where possible, so as to impart stability, transparency and greater predictability to the schemes and to reduce their complexity.

136. The Conference expresses concern over the incidence of non-tariff measures on the benefits deriving from GSP schemes, and preference-giving countries are urged to make efforts to reduce or eliminate such barriers linked to the GSP schemes.

137. The Conference calls upon preference-giving countries to fully implement the relevant provisions of the Paris Declaration and Programme of Action in respect of GSP measures in favour of least developed countries and urges that special consideration be given to products of export interest to them, in particular to the provision of duty-free access.

138. The Conference urges UNDP and potential donor countries in a position to do so, to increase their contributions to the UNCTAD technical assistance programme on GSP in order to allow developing countries to benefit fully from the system. Those preference-receiving countries and their exporters which have not yet fully taken advantage of the GSP should participate actively in these technical assistance activities.

139. The Conference requests the Special Committee on Preferences to examine the scope and possible modalities for extending preferential treatment to developing countries with respect to goods, in accordance with the principles and objectives underlying the GSP.

140. With MFN rates expected to be brought down pending a successful conclusion of the Uruguay Round, preference-giving countries should consider, where possible, increasing preferential margins and duty-free treatment offered under existing preferential schemes.

141. The Conference agrees that the Trade and Development Board should, annually at its spring session, continue to review global developments in the evolution of production and trade in manufactures, commodities and services; the review should comprise analysis of the principal elements of, and effects of, structural adjustment policies and trade policies, and if appropriate, policy options, taking into account the special interests of the developing countries.

142. The Secretary General may, as he deems necessary, convene high-level experts to present their views to the Board or its sessional committee on specific issues requiring the attention of the Board.

(b) Improving the international trading framework

143. While reiterating the principles and objectives of the Punta del Este Declaration, the Conference urges all participants, and in particular the major trading partners, to make determined efforts to arrive at an early, balanced, comprehensive and successful outcome to the Uruguay Round, taking into account the specific interests of developing countries. The Conference reaffirms the commitment to an open, viable and durable multilateral trading system to bring about further liberalization and expansion of world trade to the benefit of all countries, especially developing countries.

144. Pursuant to General Assembly resolution 45/203, the Conference requests the Trade and Development Board to analyse and assess the outcome of the Uruguay Round, in particular in areas of interest or concern to developing countries, and its impact on the international trading system. In this context, the Board should examine, on the basis of analyses by the Secretary General of UNCTAD, the problems and opportunities the developing countries as well as the economies in transition in Central and Eastern Europe face in increasing their participation in international trade in goods and services in the 1990s.

145. The Conference acknowledges the appreciation expressed by recipient countries for the support provided by UNDP through UNCTAD to facilitate the effective participation of developing countries in the Uruguay Round.

146. The Conference requests the Trade and Development Board to review the implications of emerging regional free trade and economic integration agreements for developing countries and for the international trading system and to promote regional and subregional integrations, particularly among developing countries, as a complementary means to strengthen the trade liberalization process in the world economy.

147. The Conference agrees that UNCTAD should pursue through the Intergovernmental Group of Experts on Restrictive Business Practices its work with regard to policies and rules for the control of restrictive business practices in order to encourage competition, to promote the proper functioning of markets and efficient resource allocation, and to bring about further liberalization of international trade. Efforts should be made by national governments or regional authorities to implement fully the provisions of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices and to develop co-operation between national competition authorities, including competent authorities of regional groupings. UNCTAD's work should cover both goods and services.

148. The UNCTAD secretariat and developed countries should also provide, upon request and within available resources, developing countries and other countries with technical co-operation in the area of competition policy.

149. The Conference notes the ongoing discussions in the United Nations and in GATT on strengthening institutional arrangements in the area of multilateral trade, and proposals in the Uruguay Round for the establishment of a multilateral trade organization to implement the results of the negotiations.

150. The Conference reaffirms UNCTAD's mandate and important role in the international trading system.

(c) Environment and trade

151. The Conference recognizes that improved market access for developing-country exports in conjunction with sound environmental policies would have a positive environmental impact.

152. Environmental policies should deal with the root causes of environmental degradation, thus avoiding that environmental measures result in unnecessary restrictions to trade. The Conference recognizes that trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transborder or global environmental problems should, as far as possible, be based on an international consensus. Domestic measures targeted to achieve certain environmental objectives may need trade measures to render them effective. Should trade policy measures be found necessary for the enforcement of environmental policies, certain principles and rules should apply. These could include, inter alia: the principle of nondiscrimination; the principle that the trade measure chosen should be the least trade restrictive necessary to achieve the objectives; an obligation to ensure transparency in the use of trade measures related to the environment and to provide adequate notification of national regulations; and the need to give consideration to the special conditions and developmental requirements of developing countries as they move towards internationally agreed environmental objectives.

153. The Conference recalls principle 23 of the Stockholm Declaration of 16 June 1972, which provides that "Without prejudice to such criteria as may be agreed upon by the international community, or to standards which will have to be determined nationally, it will be essential in all cases to consider the systems of values prevailing in each country, and the extent of the applicability of standards which are valid for the most advanced countries but which may be inappropriate and of unwarranted social cost for the developing countries".

154. UNCTAD, at both the intergovernmental and secretariat levels, taking into account the work of other relevant fora, should undertake in-depth work on the clarification of the linkages between trade and environment and the need for environmental protection to coexist with liberal trade policies and free market access and contribute to consensus building with regard to appropriate principles and rules.

155. The Conference requests the UNCTAD secretariat to undertake studies, analyse policy measures, and carry out technical assistance co-operation in the vital area of trade and sustainable development. In particular, the secretariat should analyse the relationship between environmental policies and trade and the impact of developments in this field on developing countries, taking the work of GATT, OECD, UNCED and other relevant fora into account. In accordance with paragraph 6 of Trade and Development Board Resolution 384 (XXXVII) as reaffirmed for this purpose in General Assembly Resolution 45/210, UNCTAD should continue to collect, analyse and disseminate information on environmental regulations and measures which may have an impact on trade, especially that of developing countries. The Conference notes that debate on and analysis of environment and trade issues in UNCTAD have intensified. Donor countries are requested to continue contributing extrabudgetary resources to further strengthen UNCTAD's work on interlinkages between environment, trade and sustainable development, including the adjustment of Trade Control Measures Information System.

(d) Trade efficiency

156. New techniques in international trade transactions and procedures are capable of producing substantial time and money savings in international trade transactions and procedures. These result in new trade links involving all regions of the world.

Benefiting from these techniques requires a truly universal use of EDI. UNCTAD programmes should give special attention to the integration of countries and regions less advanced in this process in order to give them access to new sources of trade competitiveness. Domestic models adapted to each level of development are likely to help actual and potential traders and the public sector to integrate into international trade efficiency and to build up the local infrastructures to foster foreign trade and investment.

157. The Conference requests the Secretary-General of UNCTAD to initiate consultations with member States so as to establish an expert group on trade efficiency, having in mind the decision of the Conference (paragraph 79) to establish an ad hoc working group on trade efficiency. This group will report regularly to the Trade and Development Board on the progress of its work. It should be so composed as to take advantage of the experience of the most advanced public and private participants in the area of trade efficiency. In its work, it will need to take due account of existing efforts made in the United Nations system and in other organizations, in order to support, accelerate and enhance them. The group will be responsible for producing guidelines needed to take concrete steps towards trade efficiency at the national and international levels, especially in developing countries. The group will also identify and formulate the elements necessary to the promotion and implementation of such guidelines, focusing on their legal, technical, procedural and institutional components while preserving full scope for private sector initiatives in this field.

158. The culmination of these efforts of the expert group should be an international symposium on trade efficiency, to be held in 1994. This event should reinforce international discussion on the promotion of harmonized national and regional infrastructures for trade and trade efficiency. It should focus especially on the requirements for involving all countries in efficient trade, giving priority to ways and means of promoting the participation of small

and medium-size enterprises in international trade. The Trade and Development Board should regularly review the work in preparation for the symposium. Sufficient budgetary and voluntary resources should be provided to ensure adequate participation in the symposium. The UNCTAD share of symposium costs should be found within existing resources.

159. Transparency in trade-related information should be fostered, by increasing awareness of opportunities to access publicly available market information. Current efforts aiming at establishing EDI standards should be supported so that the business interests and concerns of all countries, in particular developing countries, are represented and complemented through international co-operation.

160. UNCTAD should continue to strengthen its analytical and technical co-operation work in the area of trade efficiency, including through experiments carried out jointly with the private and public sectors of pilot countries.

161. The Conference acknowledges the efforts made by many countries to increase trade efficiency through the use of information technology. Countries are urged to continue such efforts, especially in areas of trade facilitation and Customs automation. All countries are encouraged to adopt laws, regulations and policies that would reduce barriers to trade facilitation through the use of information technology.

(e) Transit facilitation

162. Improvement of transit facilities is vital for the expansion and development of the foreign trade sector of the land-locked developing countries. The Conference urges the international community to assist these countries and their transit neighbours through appropriate financial and technical assistance for the improvement of their transit infrastructure.

(f) Technical co-operation

163. Within existing regular budget resources, the UNCTAD secretariat should, with extrabudgetary contributions, strengthen its technical co-operation activities in the area of trade with the objective of strengthening national capacities for trade and development, enhancing the participation of developing countries in the international trading system, and promoting the trade of developing countries, taking into account the activities of other organizations. Such activities should encompass: trade policy reforms, including, on request, assistance to developing countries preparing for their participation in the GATT Trade Policy Review Mechanism; trade negotiations; market access, including effective use of the GSP; trade and sustainable development; trade facilitation and trade efficiency; dissemination of trade information and software packages; training and human resource development in regard to the foregoing; and assessment and implementation of the results of the Uruguay Round.

C. Strengthening the technological capacities of developing countries

1. Assessment

164. Technology has increasingly become a determinant of the ability to participate in world trade in manufactures and services. In the context of globalization in the world economy, the prospects for the technological progress of developing countries are determined inter alia by their access to technology - which is partly and increasingly a function of inter-firm technological linkages - by developments in intellectual property protection and by the development of their human resources. The revitalization of technology flows and of investment, which remains an important source of technology, and their positive contribution to development requires an increase in the capacity to absorb imported technology, especially in least developed countries, where domestic efforts to

improve infrastructure, raise educational standards and train technicians call for sustained international support. The growing international concern for ecologically sustainable development has added a new dimension to this problematique.

## 2. Measures and action

165. The Conference recognizes that technological capability is one of the fundamental factors for social and economic development, and therefore recommends that emphasis be put on policies and measures that promote technological innovation in developing countries, including the provision of adequate financial resources. With a view to promoting domestic technological capabilities, high priority should be given to stimulating technology flows to developing countries through inter alia cooperative schemes, incentive measures and inter-enterprise collaboration arrangements. Policies and measures in this field should facilitate the access of developing countries to technology and enhance their capacity to modify and adapt it to suit local conditions and to generate and develop technology domestically.

166. The Conference recognizes that, in order to stimulate transfer of technology and the development of endogenous technological capabilities, developing countries, in their plans and policies, should emphasize policies and measures that enhance their scientific and technological capability, and should devote adequate resources according to their national development needs within existing availabilities to that end. Such policies must range from the expansion and adaptation of their educational systems, including vocational training, to the building-up of their scientific and technological research and development capabilities. Such policies should include measures to encourage the diffusion of technology within developing countries, specially to small and medium-sized companies.

167. National technology development policies should be introduced and/or enhanced in the context of an appropriate policy framework which would promote entrepreneurship and encourage technology transfer, including through foreign direct investment, accompanied by measures for the domestic absorption of such technologies, and provide incentives for investment in technology capacity-building, including research and development (R & D), innovation, adaptation and development of technologies which will support national objectives and priorities.

168. Given the importance of technologies to the development process, developed countries should consider ways of facilitating technology cooperation with the developing world. In their trade and technology policies, developed countries should facilitate access of developing countries to efficient, best-practice, and needed technologies. Means to encourage technology flows to developing countries could include, inter alia, public guarantee schemes to promote joint ventures, licensing agreements and R&D collaboration agreements. Bilateral investment and double taxation agreements can provide, to those interested in subscribing to such agreements, a supportive framework for investment flows inviting transfer of technology and collaborative R&D arrangements between firms of developed and developing countries. Bilateral and multilateral assistance programmes should give due priority to the transfer of appropriate technology, taking into account national development needs.

169. Developed countries should encourage improved co-operation between enterprises and scientific and technological institutions of developed and developing countries. In order to mitigate the negative consequences of the reverse transfer of technology, developing countries should consider, where appropriate, national policies which will encourage their nationals to study and/or work in their home countries, and developed countries should consider providing increased support to existing programmes in order to allow a larger number of developing countries to benefit from knowledge and expertise accumulated by their skilled personnel residing abroad.

170. The Conference recognizes the need to explore ways and means for providing the developing countries with technical co-operation and necessary support to enable them to undertake R&D and skill formation, including training programmes, as well as to import foreign technological inputs as a complement to local technological efforts. In this context, the reverse transfer of technology merits consideration. Multilateral and international financial institutions should be encouraged to take due account of the technological needs of developing countries.

171. The Conference further recognizes that developing countries could help one another by the establishment of common institutions and centres for research and training, by the promotion of joint education programmes in science and technology, and by the exchange of information. Science and technology must be given a prominent place in schemes for co-operation among developing countries at the global, as well as at the regional and subregional level. To this end, special measures could be undertaken to enhance such co-operation, including joint ventures and R&D collaborative arrangements, in order to facilitate the access of developing countries to technologies and to promote foreign direct investment and transfer of technology with due regard to the national interest of developing countries. All countries and relevant international organizations should consider strengthening support for TCDC facilities in developing countries.

172. The Conference recognizes that the establishment and implementation of internationally agreed standards of protection for intellectual property rights which recognize underlying public policy objectives, including developmental and technological objectives, should facilitate international flows of technology and technology cooperation amongst all participating nations, particularly to developing countries on terms and conditions agreed to by the parties concerned, and notes the important role of the World Intellectual Property Organization and the important efforts

in the ongoing GATT Uruguay Round negotiations in this regard. The Conference further recognizes that a national regime for the adequate and effective protection of intellectual property rights is important because it can create market incentives for indigenous innovation and the transfer, adaptation and diffusion of technologies.

173. The Conference, having reviewed the work carried out in the negotiations on an international code of conduct on the transfer of technology and the lack of agreement in the recent consultations on this subject, recognizes that the conditions do not currently exist to reach full agreement on all outstanding issues in the draft code of conduct. Should Governments indicate, either directly or through the Secretary-General of UNCTAD reporting according to General Assembly resolution 46/214, that there is the convergence of views necessary to reach agreement on all outstanding issues, then the Board should re-engage and continue its work aimed at facilitating agreement on the code.

174. The Conference agrees that transfer and development of environmentally-sound technologies is an essential component of a successful strategy for sustainable development, and requests that effective modalities for the creation, development, favourable access to and transfer of environmentally-sound technologies, in particular to developing countries, including on concessional and preferential terms, should be examined. This could include the proper dissemination of information on existing, environmentally-sound technologies, as well as the improvement of existing, and consideration of the possibility of elaboration of additional, financial schemes and mechanisms to help developing countries to have better access to resources for supporting the cost of importing, using and developing environmentally-sound technologies.

175. The Conference also recognizes that attention needs to be given to the technological requirements of countries undergoing transition processes to a market economy of Central and Eastern Europe and other regions as they adapt their structures to the challenges that face them in the 1990s.

176. In the context of its existing mandate to analyze issues for trade and economic development, the Conference agrees that UNCTAD should focus its work programme in support of economic development of developing countries, and of promoting transfer of technology to, and development of endogenous technological capabilities in developing countries, with special attention to the needs of the least developed countries, on:

- (a) Research and policy analysis addressing, in depth, technology issues in their interrelationship with trade in goods and services, investment, finance and environment;
- (b) Analysis addressing technology transfer and issues of transfer of environmentally-sound technology to developing countries and least developed countries. This work should cover the role of entrepreneurship in the transfer, development and management of technology, including the policies affecting the development of entrepreneurial capabilities in developing countries, the role of effective intellectual property protection in the transfer of technology and the development of an indigenous technological capability; relevant human resource development; modalities for channeling technology flows to developing countries, such as investment guarantees and concessional credits; means for strengthening cooperation in the field of R&D activities among countries, particularly between

developed and developing countries, and also among enterprises; needs of those developing countries which lack the basic technological infrastructure; challenges and opportunities for transfer of technology to and from countries undergoing transition processes to a market economy;

- (c) technical co-operation activities in support of developing countries in order to enhance their technological capacities. In this respect, priority consideration should be given to the preparation of assessments of developing countries' requirements for building up their capacity to evaluate, select, negotiate, acquire and develop technology; to programmes for the training of human resources, including on the formulation of sound technology policies and on the development of technical and managerial capabilities; and to the transfer, adaptation and generation of environmentally-sound technologies. The Conference expresses its appreciation for technical assistance provided by the Advisory Service on Transfer of Technology (ASTT) of UNCTAD and calls upon governments and financial development institutions, in particular UNDP, to consider increasing their financial support to ASTT.

#### D. Services

##### 1. Assessment

177. The 1980s witnessed significant growth in the importance of the services sector in national economies and in international trade. Producer services, in particular, emerged as a highly dynamic segment of the world economy and as a major determinant of

productivity and competitiveness. The strategic significance of services for the development process is increasingly recognized. Although the situation varies according to different services sectors, developed- country firms dominate world trade in services, while most developing countries have not been able to build up a productive and competitive capacity, or to overcome barriers to entry to world markets. The increased participation of developing countries in trade in services would enable them to benefit from their comparative advantage in a number of service sectors and would contribute to their development process and to increased efficiency in the world economy. A growing number of developing countries are now in a position to develop exports of services in a range of areas. Some are dependent on the export of services for their foreign-exchange earnings. For others, strengthening their service sectors, including shipping, is crucial to enhance their position in international trade in goods. Many recognize the need to create the appropriate conditions conducive to strengthening their services sectors and to increase their foreign-exchange earnings therefrom.

## 2. Objectives

178. The multilateral agreement for trade in services emerging from the Uruguay Round should provide a framework for a progressive liberalization of world trade in services which would enlarge the participation of developing countries by expanding their access to markets for services. In order to enable developing countries to benefit from the liberalization of trade in services, the Conference encourages the international community to support the efforts of national Governments to strengthen the production and export capacity of their services sector by establishing an adequate infrastructure and investing in human resource development. In addition, the telecommunications sector plays a critical role in the development of a competitive services economy. National Governments are encouraged to create the conditions necessary to strengthen this sector and improve access to information networks.

179. The Conference, recalling paragraph 105(19) of the Final Act of UNCTAD VII, agrees to the measures and action on national and international policies set forth in the following section. The Conference also recognizes the important contribution of the private sector in the development of competitive service industries. In particular, corporations often facilitate job creation, human resource development, technology transfer, infrastructure development and expansion of export capacity and capabilities.

3. Measures and action

(a) National policies

180. The Conference agrees that developing countries should pursue policies to create the appropriate conditions for the development of their national services sectors and, in particular, of producer services. Such policies could include, inter alia, the following elements:

- (a) Modernization and expansion of necessary infrastructures, in particular of telecommunications and information services;
- (b) Human resource development, including through on-the-job training arrangements; and development of knowledge-intensive services;
- (c) Measures to encourage investment and cross-border trade by firms in the services sector in order to contribute to objectives such as the transfer of technology, training, the strengthening of infrastructures, domestic capital formation, and access to information networks and distribution channels, as well as to make use of services from competitive domestic suppliers in developing countries;

- (d) The progressive liberalization of the services sector and the formulation of strategies to improve the domestic services capabilities and for internationally competitive services;
- (e) Enhancing co-operation with other countries at the interregional, regional and subregional levels, including mutual trade liberalization, pooling capabilities to improve skills and infrastructures for the promotion of services exports from their countries; and
- (f) Improving the infrastructure to support effective participation in negotiations on services at the regional and multilateral levels.

(b) International policies

181. The Conference agrees that all national Governments should be encouraged to support progressive multilateral liberalization, through negotiated commitments, under the draft General Agreement on Trade in Services, in order to promote economic growth and expand world trade in services, particularly with respect to increasing participation of developing countries, with a view to achieving:

- (a) The strengthening of their domestic services capacity and its efficiency and competitiveness, inter alia through access to technology on a commercial basis;
- (b) The improvement of their access to distribution channels and information networks; and
- (c) The liberalization of market access in sectors and modes of supply of export interest to them, including through the temporary movement of labour for the supply of services.

182. The Conference also endorses the obligation that developed countries, and to the extent possible other national Governments, shall maintain contact points, as established under the draft General Agreement on Trade in Services, to facilitate the access of developing countries' services providers to information, related to their respective markets, concerning:

- (a) Commercial and technical aspects of the supply of services;
- (b) Registration, recognition and obtaining of professional qualifications; and
- (c) The availability of services technology.

183. The Conference agrees that the international community, particularly developed countries and relevant international organizations, should be encouraged to continue support of concerted policy actions, including the provision of financial assistance on concessional terms, to promote training, as well as acquisition and transfer of technology on terms and conditions agreed by the parties concerned, to build up their technological and human capabilities, so as to enhance their ability to absorb relevant technologies and to construct and/or improve basic services infrastructures, including subregional and regional transportation, particularly in low-income countries and LDCs.

184. UNCTAD, in co-operation with other United Nations organizations dealing with services, should continue its useful work in the promotion of mutually beneficial international co-operation in the field of services so as, inter alia, to help developing countries overcome their handicaps in this sector, enhance their international competitiveness so as to increase their participation in world trade in services, promote environmentally friendly services and enhance the contribution of services to their

sustainable development. Due attention should also be given to improving the role of services in the countries undergoing transition to a market economy and increasing their trade in services.

185. The Conference agrees that the following orientations should provide the focus for the evolution of the work programme of the UNCTAD secretariat:

- (a) The role played by the services sector in the development process and, in that context, the design of policies to strengthen this sector in the developing countries, including issues relating to production and export capacity;
- (b) Services trade issues, with particular emphasis on increasing the participation of developing countries in world trade in this sector, and the need to overcome the difficulties they face in their export of services;
- (c) Means to facilitate developing countries' access to information networks and distribution channels for services;
- (d) Analysis of restrictive business practices by the Intergovernmental Group of Experts on Restrictive Business Practices with a view to improving the functioning of the services markets;
- (e) Measures aimed at strengthening the institutional technological and telecommunications infrastructure of the developing countries, including the incorporation into the services sector of technologies that are of strategic importance for their development;

- (f) Increasing knowledge on legislation concerning the services sector and improving statistics relating to this sector;
- (g) Analysis of specific ways to ensure an increasing participation of developing countries in trade in services, including a general discussion of all feasible options for promoting effective market access for services exported by suppliers from developing countries;
- (h) Assisting countries in the implementation of the results of the Uruguay Round negotiations on trade in services;
- (i) Problems and opportunities faced by the countries undergoing transition to a market economy in improving the role of services in their economies, as part of their structural adjustment programmes, with a view to increasing their trade in services and identifying issues for possible international action;
- (j) Developments and trends in the various service sectors, with the aim of identifying sector-specific policy options to increase the participation of developing countries in trade in these sectors;
- (k) Technical co-operation, at the national, regional and multilateral levels, to support and assist developing countries in identification of their weaknesses and capabilities in the services sector and to make their services sector more competitive;
- (l) Technical co-operation with those developing countries which lack the necessary infrastructures needed for the evolution and development of their national service sectors; and

- (m) Analysis of the interactions between trade in services and environmental protection, taking into account the work in GATT and other relevant fora.

(c) Maritime transport

186. The Conference welcomes the work of UNCTAD in the field of shipping as one of the sectors of services of interest to developing countries. Resolutions and Conventions on maritime transport adopted under the auspices of UNCTAD with a view to creating the conditions for greater participation of developing countries in world shipping play an important role in assisting developing countries and remain from their point of view a significant element of their policy in this service sector.

187. However, structural and technological changes in the shipping sector have affected participation in shipping by a number of countries, developing and developed alike.

188. UNCTAD should continue to provide technical assistance to developing countries on a bilateral, subregional and/or regional basis in the field of maritime transport.

## E. Commodities

### 1. Assessment

189. The dominant feature of the world commodity economy in the 1980s was the prevalence of very low and declining real prices for most commodities on international markets and a resulting substantial contraction in commodity export earnings for many producing countries. Demand for commodities grew moderately because

of slow economic growth and the declining rate of raw material usage per unit of GDP, notably in industrialized countries. Potential growth in import demand for some commodities was not realized because of severe balance-of-payments difficulties in many countries. In addition, import demand declined at the end of the 1980s in the countries of Central and Eastern Europe. Growth in supply tended to exceed consistently growth in demand, largely as a result of specific policies of subsidization of production, and of productivity improvements leading to production at lower cost, often with higher quality. There was an expansion in the range of commodities produced in a number of countries for both domestic consumption and export. In addition, the volume of traditional commodity exports of developing countries was often increased in response to structural adjustment programmes and to the need to generate foreign exchange earnings including that to service debt obligations. Nevertheless, the share of developing countries in total world commodity exports declined because the volume and value of commodity exports of developed countries grew more rapidly during the 1980s. On the other hand, the share of developing countries in world commodity imports rose slightly. Developing countries in general remained heavily dependent on commodity exports for their foreign exchange earnings. While some of them experienced a decrease in the share of commodities in their total export earnings, the majority, particularly in Africa and Latin America, still depended on one or two commodities for more than 50 per cent of their export earnings.

## 2. International commodity policy for the 1990s

190. The Conference agrees that solutions to problems in the commodity field call for sound, compatible and consistent policies at national and international levels. The Conference, bearing in mind the broad aims of the Integrated Programme for Commodities, agrees that the following goals should be pursued by the

international community: (a) improving the functioning of commodity markets by reducing the distortions affecting supply and demand; (b) optimizing the contribution of the commodities sector to development by, inter alia, working towards greater cost-effectiveness and productivity, thereby enhancing competitiveness; (c) achieving a gradual reduction in excessive dependence on the export of primary commodities through horizontal as well as vertical diversification of production and exports; (d) improving market access for commodity products through a progressive removal of barriers to international trade; (e) improving market transparency; and, (f) ensuring proper management of natural resources with a view to achieving sustainable development. To this end, the Conference agrees upon the following policies and measures:

### 3. Policies and measures

#### (a) Producer and consumer cooperation

191. The Conference urges producers and consumers of individual commodities to make an examination of ways and means for reinforcing and improving their cooperation in order to contribute to the solution of problems in the commodity area. Recognizing that such co-operation could take various forms, it stresses that they should take into account the particular characteristics and situation of each individual commodity.

192. The Conference recommends that an optimal functioning of commodity markets should be sought, inter alia, through improved market transparency involving exchanges of views and information on investment plans, prospects and markets for individual commodities. Substantive negotiations between producers and consumers should be pursued with a view to achieving viable and more efficient international agreements, that take into account market trends, or arrangements, as well as study groups. In this regard, particular attention should be paid to the agreements on cocoa, coffee, sugar

and tropical timber. The Conference underlines the importance of full and active participation by consumers and producers in international commodity agreements and arrangements. Occupational health and safety matters, technology transfer and services associated with the production, marketing and promotion of commodities, as well as environmental considerations, should be taken into account.

193. Cooperation among producers and consumers should be strengthened, especially in situations of large stock overhangs.

(b) National commodity policies

194. The Conference recognizes that enhancing the contribution of the commodity sector to development requires countries to have a domestic policy and an institutional environment that encourage diversification and enhance competitiveness, inter alia through the modernization and rehabilitation of the corresponding structures, and that recognize the importance of market factors and competition.

195. Comprehensive commodity-sector strategies should be put in place within a macro-economic policy framework that takes into consideration a country's economic structure, resource endowments, and market opportunities. Such strategies undertaken, where appropriate as part of an overall restructuring programme, should include the setting up of an enabling national environment to encourage the mobilization of domestic and international finance; the provision of specific incentives to encourage private enterprise and private investment; the development and maintenance of commodity-related power, transport and communications infrastructure; the provision of support services and training for human resources development; and support for commodity research arrangements.

196. Strategies should equally encompass measures to improve the competitiveness of traditional commodity exports as well as programmes and actions to encourage horizontal and vertical diversification, particularly in countries which continue to depend excessively on the export of commodities for their export earnings. Particular attention also needs to be paid to the financial and physical support structures for trading commodities. New market possibilities should be assessed and exploited.

(c) International support for national commodity policies

197. The Conference recognizes that international cooperation should effectively complement and support national commodity policies. International cooperation could take different forms, including (i) creation of a more favourable international economic and trading environment; (ii) other support in the commodity area; and (iii) support for national strategies, notably those aimed at a gradual reduction of excessive commodity dependence.

198. The Conference agrees that a favourable external economic environment would greatly enhance international demand for commodities produced by developing countries and would complement and highlight the effect of sound domestic policies. In this regard, developed country policies conducive to global growth and stability make an important contribution.

199. The Conference calls for concerted efforts on the part of developed-country Governments and relevant international organizations to support appropriate national commodity policies in developing countries as well as in countries undergoing transition to a market economy, including the provision of adequate and appropriate financial and technical cooperation for commodity development.

200. The Conference agrees that it is urgent to achieve an improvement in market access conditions for commodities, notably the progressive removal of barriers which restrict imports, particularly from developing countries, of commodity products in primary and processed forms, as well as the substantial and progressive reduction of types of support that induce uncompetitive production, such as production and export subsidies. It further agrees that improved market access through a successful conclusion to the Uruguay Round of multilateral trade negotiations will contribute to a favourable international trading environment.

201. The Conference agrees that improved flows of technology to developing countries are important for lowering commodity production costs and encouraging economic development. The free flow of information and science to allow innovation and transfer of technology, on terms and conditions agreed to by the parties concerned, should be promoted. This could be supported through policies that promote increased collaboration among firms in developing and developed countries.

202. The Conference affirms that adequate official bilateral and multilateral resources, as well as private resources, including private investment, are called for to finance appropriate diversification projects and programmes as well as the promotion and development of resource-based industries, including commodity-related services activities, possibly through special facilities for these purposes. In this regard, the Conference welcomes the decision by the General Assembly in resolution 46/151 concerning support for the diversification of the African economies.

203. The Conference agrees that support should be directed to efforts aimed at institution building, promotion of entrepreneurship, horizontal diversification and crop substitution, increased participation in processing, marketing and distribution,

including transportation, as well as efforts aimed at achieving a gradual reduction of excessive commodity dependency. It recognizes that increased coordination among donor-country Governments and international institutions is essential in this regard. Such coordination should avoid inconsistencies in advice and potential over-investment in particular sectors.

204. The Conference recognizes that commodity-related shortfalls in export earnings of developing countries are in varying degrees an important obstacle to their development efforts. In this regard, beneficiary countries welcome the compensatory financing mechanisms - namely the IMF-CCFF, the ACP-EEC STABEX and SYSMIN schemes of the Lomé Convention, the EEC scheme for non-ACP least developed countries and the Swiss scheme. The Conference invites other countries, which deem it appropriate, to consider introducing similar schemes and calls upon Governments and institutions to consider necessary improvements to existing mechanisms.

205. The Conference recognizes the importance of exploring new approaches to minimizing the risks arising from commodity market fluctuations. Where appropriate, developing countries should be provided with technical assistance and policy advice on mechanisms such as the use of financial instruments, to manage price and other commodity-related risks.

206. The Conference recognizes that increased reliance on market forces to determine international commodity prices requires the efficient and transparent operation of price formation mechanisms. In particular, it is essential that both buyers and sellers have full confidence in the ability of commodity exchanges to form prices which reflect the basic supply/demand situation. In this regard, market manipulation, among other things, should be avoided.

(d) Common Fund for Commodities

207. The Conference welcomes the coming into force of the Common Fund for Commodities and its potential contribution to support international commodity cooperation. Maximum participation in the Common Fund is urged. The resources of the Common Fund for Commodities should be fully exploited. Arrears in the payment of subscriptions to the capital of the Common Fund could be an impediment to the achievement of its objectives and should be paid up as soon as possible. Resources of the Second Account of the Common Fund should be increased, particularly through the fulfilment of pledges of voluntary contributions, as soon as possible. Efforts for the elaboration and consideration of appropriate project proposals, including those for diversification, for financing through the Second Account should be speeded up. Every effort should be made to ensure that this Account becomes fully operational as soon as possible and benefits in particular the least developed countries and the commodities of interest to developing countries, particularly those of small producers-exporters.

(e) Sustainable development

208. The Conference recognizes that commodities, inasmuch as they are natural resources, are an important aspect of sustainable development. The following subjects could be pursued:

- (a) The manner in which prices of natural commodities and their synthetic competitors could reflect environmental costs and resource values;
- (b) The means by which the competitiveness of natural products with environmental advantages could be improved;
- (c) The ways by which development of the commodity sector, including through diversification, and environmental concerns could be made mutually reinforcing;

- (d) Additional international financial and technical support to developing countries for the development and dissemination of technologies to cope with environmental problems that are specific to commodity production and processing.

4. The role of UNCTAD

209. UNCTAD should remain the principal forum and continue its efforts to play its mandated role of facilitating the coordination of the activities of all bodies involved in the commodity field. This includes periodic and global reviews on the situation of, and prospects for, commodities in order to be able to consider and recommend appropriate actions for consideration by Governments and institutions.

210. For the purpose of evolving an international commodity policy for the 1990s, the UNCTAD secretariat should, as soon as practicable after the Conference, undertake, on the basis of the guidelines provided in the preceding sections, a thorough review of the situation and prospects of the international commodity economy and policy, with a view to defining a possible course of action for submission to the Trade and Development Board.

211. The Conference reaffirms that UNCTAD should continue to assist in diversification as well as processing, marketing and distribution programmes, including the improvement of information flows to aid investment decisions, and technical cooperation projects and programmes, particularly for human resources development.

212. The Conference agrees that the problems of shortfalls in the commodity export earnings of developing countries arising from market fluctuations, as well as matters relating to compensatory financing of export-earnings shortfalls, including actions taken or

which might address problems identified in this area, should be kept under continuous review in UNCTAD. The UNCTAD secretariat should follow developments in various compensatory financing schemes and their implications for the development of developing countries.

213. The UNCTAD secretariat should explore various mechanisms, including market-linked price-hedging mechanisms, such as commodity futures, options, swaps, and bonds, obstacles to their potential use, including sovereign risk and problems of creditworthiness, and modalities for overcoming them and should provide information and assistance in this regard. At the level of governmental and non-governmental experts, an examination should be undertaken in UNCTAD of: (a) the conditions, both technical and regulatory, for encouraging maximum participation in, and usage of, commodity exchanges by both buyers and sellers of commodities and (b) proposals to address these conditions. Such analysis and proposals would facilitate decisions by Governments and industry concerning appropriate action at national and international levels.

214. UNCTAD should systematically explore the links between commodity policies, use and management of natural resources and sustainable development and should provide information and technical cooperation in this regard.

215. UNCTAD should review national policies, with the aim of enhancing the competitiveness of the commodity sector and ensuring consistency with long-term market trends.

F. Follow-up of the Programme of Action for the  
Least Developed Countries for the 1990s

216. Particular attention needs to be paid to the reactivation and acceleration of growth and to sustained development in the least developed countries. The Programme of Action for the Least Developed Countries for the 1990s should be implemented fully, effectively and on a timely basis by all parties. In the development partnership underlying the Programme of Action, the LDCs have the primary responsibility for elaborating and implementing effective strategies and policies for their growth and development, including policies for the eradication of poverty, and their development partners have accepted the responsibility for supporting these efforts.

217. Accordingly, all LDCs should continue to enhance the implementation of national policies and measures in line with the Programme of Action, including through macroeconomic policies conducive to long-term, sustained growth and sustainable development, the promotion of individual initiative and broad-based popular participation in the development process, the enhancement of human and institutional capacities and the expansion and modernization of the economic base. Their development partners should effectively and expeditiously implement the commitments undertaken or the measures proposed in the Programme of Action in all areas of international support, including ODA, debt relief and external trade. The Conference reaffirms that efforts to provide financial assistance to the countries of Central and Eastern Europe will not diminish the commitments of the international community to implement effectively the Programme of Action.

218. The Conference reiterates that external financial support to complement domestic efforts and appropriate policies should be both sufficient in terms of volume and quality, and efficient in terms of

allocation according to LDCs' individual development needs and priorities. It also reaffirms that a significant and substantial increase in the aggregate level of external support should be made available to the LDCs, taking into account those recently added to the list. In this context, the Conference takes note of the report of the Secretary-General of UNCTAD (TD/359).

The donor countries reaffirm their determination to implement the commitments they have undertaken in the Programme of Action with regard to ODA to the 41 LDCs included in the list at the time of the 1990 Paris Conference. As far as concerns the consequences of the inclusion of six additional countries in the LDC list, the 1992 Spring TDB should, when undertaking the review of progress in the implementation of the Programme of Action, consider the implications for appropriate adjustments for the commitments contained in the Programme in respect of targets and levels of ODA.

The Governing Council of UNDP is also invited to consider adjusting the total allocation of IPFs to LDCs in the light of additions to the list of the LDCs. The call in the Programme of Action for increasing the resources of UNCDF by 20 per cent a year should also be appropriately adjusted.

219. Since the Second United Nations Conference on the Least Developed Countries in Paris in September 1990, a number of developments have taken place with adverse consequences for the development efforts of many LDCs. The Gulf War led to losses in export revenue and in receipt of remittances, to costs for the absorption of returning workers and to temporary increases in import costs. The changes in Eastern and Central Europe have led to losses of export markets and of financial and technical assistance. While taking into account the measures which have already been taken, and while recognizing that these developments have affected LDCs to varying degrees, the Conference agrees that their overall impact calls for special attention. In this connection, the Conference has identified the following areas for priority action:

- (a) For many LDCs external debt problems continue to constitute one of the most serious constraints to their economic growth and development. With regard to debt owed to official bilateral creditors, the Conference welcomes the recent measures taken by the Paris Club with regard to more generous terms of relief to the poorest most indebted countries. The Conference welcomes ongoing efforts to implement these Trinidad terms measures in a manner commensurate with their payments capacity and in a way that gives additional support to the economic reform efforts of those countries. The Conference also welcomes the substantial bilateral debt reduction undertaken by some creditor countries and encourages others which are in a position to do so to take similar action. The Conference notes that many countries have responded to Trade and Development Board resolution 165 (S-IX) of 11 March 1978 by cancelling or providing equivalent relief for official development assistance debt. All donors which have not yet implemented such measures are urged to do so as a matter of priority.
- (b) The Conference also urges the international community to consider undertaking the actions set out in the relevant paragraphs of section A of Part IV of this document to address LDCs' problems in the areas of multilateral debt, payment arrears and commercial debt.
- (c) In the Uruguay Round of Multilateral Trade Negotiations, special attention should be given to the situation and particular problems of LDCs, including, among other measures, enhanced access for products of LDCs through the elimination where possible of tariff and non-tariff barriers, the fullest possible liberalization of trade in textiles and clothing for

LDCs, possible modalities for special treatment for tropical products of special interest to LDCs, and advanced implementation of MFN concessions of particular interest to LDCs made by the contracting parties to the GATT.

- (d) The Conference calls upon preference-giving countries to implement fully, as a matter of urgency, the relevant provisions of the Paris Declaration and Programme of Action in respect of GSP measures in favour of least developed countries and urges that special consideration be given to products of export interest to them, in particular the provision of duty-free access.
- (e) In view of continued weaknesses in the markets for commodities which LDCs export, the international community should support LDCs' efforts towards diversification, increased processing and increased participation in the marketing of their products by providing adequate financial and technical assistance.
- (f) The Conference recognizes that commodity-related shortfalls in export earnings of least developed countries are in varying degrees an important obstacle to their development efforts. In this regard, beneficiary countries welcome the compensatory financing mechanisms - namely the IMF-CCFF, the ACP-EEC STABEX and SYSMIN schemes of the Lomé Convention, the EEC scheme for non-ACP least developed countries and the Swiss scheme. The Conference invites other countries, which deem it appropriate, to consider introducing similar schemes and calls upon Governments and institutions to consider necessary improvements to existing mechanisms.

- (g) The Conference welcomes the proposal for holding of a symposium between the LDCs and the constituent state members of the CIS to discuss ways and means of promoting their economic cooperation.

220. Adequate humanitarian assistance should continue to be given to those LDCs facing acute problems arising from refugee flows, migration and population displacements caused by natural and man-made disasters.

221. Donor countries and relevant multilateral financial and development institutions should consider providing island and land-locked LDCs with adequate financial and technical assistance in the form of grants and concessional loans for the development, maintenance and improvement of their transit infrastructure and facilities.

222. With respect to commercial debt, UNCTAD should convene, in collaboration with relevant institutions, LDCs, donor countries, creditors and NGOs an expert group meeting to review issues of commercial debt held by LDCs.

223. Continued adequate support should be given for on-going policy reforms adopted by many LDCs to improve the climate for private foreign investment.

224. As recognized by the Second United Nations Conference on the Least Developed Countries, domestic instability in some LDCs has had adverse effects on their development. The end of the cold war and the progress recently achieved in the settlement of regional conflicts could provide opportunities for reducing such instability. The LDCs concerned should be encouraged to make determined efforts to create conditions for the reactivation of their development process. The international community should continue to provide effective support for the efforts of these countries in the rehabilitation and reconstruction of their economies.

225. The Conference stresses the importance of the monitoring, follow-up and review process as envisaged in the Programme of Action and reaffirms the role of UNCTAD and the Trade and Development Board in this process as provided in the Programme of Action and subsequently by the United Nations General Assembly in resolution 45/206. It calls upon all Governments, UNCTAD and other organs, organizations and agencies of the United Nations system to make early and adequate preparations for an effective and comprehensive mid-term review of the Programme of Action in 1995. In pursuance of the request to the Secretary-General of the United Nations in General Assembly resolution 46/156 to obtain extra-budgetary resources to defray the cost of participation of one representative from each LDC, at the annual review by the Board, the Conference strongly urges donor Governments and organizations to consider providing adequate resources for this purpose.

226. The problems of the LDCs should remain a priority topic in all relevant international forums. In this context, the forthcoming United Nations Conference on Environment and Development is invited to give special attention to the twin problems of poverty and degradation of the environment in the LDCs.

Part V

ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES

227. Stronger economic cooperation among developing countries (ECDC) has long been accepted as an important component of efforts to promote economic growth, technological capabilities and accelerated development in the developing world. It could enable them to exploit more effectively the latent complementarities in their economies, promote a fuller and more effective mobilization of their resources, gain access to additional resources and knowledge, and enhance the negotiating weight necessary to advance their common interests.

228. The recent changes in the global political and economic environment have made the role of ECDC in any global strategy of development even more important. In the new context of market-oriented reforms and export-oriented growth strategies that are being pursued by most developing countries, ECDC should also be seen as a means of securing the integration of developing countries into the world economy and of increasing their capacity to produce, achieve economies of scale and become internationally competitive.

229. The optimism of the 1970s about the potential of ECDC was not borne out by the record of the 1980s. Integration groupings in all regions were confronted with difficult circumstances. Their institutional frameworks and cooperation mechanisms proved inadequate to meet the crisis which member countries experienced in their external sectors. The intra-trade of developing countries suffered a set-back and payments, clearing and credit arrangements functioned at a low ebb. South-South trade and economic relations remain the weakest link in the network of international economic relations.

230. Even so, interest in political support for ECDC has remained undiminished in recent years, and integration processes at the regional and sub-regional level have received fresh impetus. Virtually every sub-regional and regional grouping has taken initiatives to improve its instruments of cooperation and to adapt them to the new realities. There is currently a stronger recognition of the link that should exist between national development policies and long-term integration objectives.

231. The expansion of trade, which is at the centre of cooperation efforts within groupings, depends vitally on the reduction of tariffs, the elimination of non-tariff barriers, the introduction of more transparent and simple customs procedures, macroeconomic policy coordination to ensure the needed convergence of national price trends and exchange-rate stability, and effective clearing and payments arrangements as well as the improvement of physical infrastructure. Participants in regional and other cooperative arrangements among developing countries should intensify their efforts in all these areas.

232. At the interregional level, the GSTP Ministerial Meeting held in Tehran in the course of the Seventh Ministerial Meeting of the Group of 77, in preparation for UNCTAD VIII, adopted a Declaration launching the Second Round of Negotiations under the Global System of Trade Preferences (GSTP) among developing countries. In this connection, the Meeting underlined the potential contribution of ECDC to the least developed countries trade and development, particularly in view of the provision for special treatment for the least developed countries in the GSTP Agreement, and urged continued translation of the provision for special treatment into concrete beneficial measures their favour.

233. Developing country groupings have intensified their search for international financial support for economic cooperation programmes and projects. While the implementation and strengthening of ECDC is primarily the responsibility of developing countries, the international community should play a significant role in ECDC success through its financial assistance, technical cooperation and other support for specific economic cooperation programmes and projects of individual interregional, regional and sub-regional integration groupings, as well as for regional infrastructural projects covering such areas as environment, communications and transport infrastructure, to complement the efforts of developing countries to strengthen South-South trade and economic relations.

234. The demands of structural adjustment should not divert attention from long-term integration objectives. Adjustment programmes financed from bilateral and multilateral sources should as far as possible take into account their impact on regional cooperation and integration. Likewise, the allocation of aid resources should support regional trade liberalization processes among developing countries. The international community, including especially the developed countries, should support the efforts of the regional and sub-regional groupings of developing countries to promote and encourage enterprise and entrepreneurship.

235. Advisory and other technical assistance services of the organizations of the United Nations system for ECDC activities should also be intensified. In this context, UNCTAD should play an important role in furthering sub-regional, regional and interregional economic cooperation and integration among developing countries.

236. Work on the main impediments and disincentives that adversely affect the expansion of trade among developing countries should be pursued and the UNCTAD secretariat and the intergovernmental machinery should examine the benefits to be derived by developing countries from reduction of trade barriers and improved policy co-ordination among them.

237. Removal of structural impediments and disincentives to trade among developing countries would enable their intra-trade to grow and realize its potential. These impediments cover barriers of all kinds, lack of trade information, marketing networks, transport facilities and monetary and financial impediments. In the context of monetary and financial impediments, existing national and regional trade financing schemes perform an important role. However, their resource base and ability to extend medium- and long-term finance should continue to be strengthened. The UNCTAD secretariat is urged to continue to assist developing countries in their efforts to strengthen and develop their national finance mechanisms through, as appropriate, studies, extension of expertise and technical assistance within its mandate. In this connection, UNDP and other funding institutions, are invited to provide financial support to carry out such projects.

238. All countries and relevant institutions are invited to cooperate fully with the Secretary General of UNCTAD in his consultations on the feasibility of establishing an inter-regional trade finance mechanism among developing countries, allowing enough time for all parties concerned to reach their conclusions and decisions on this matter.

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