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BASIC CONSIDERATIONS ON ISSUES ON THE AGENDA OF UNCTAD VIII

Position paper submitted by China

Note by the UNCTAD secretariat

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I. INTRODUCTION

1. The 1980s witnessed a strikingly imbalanced development of the world economy. Whereas the developed countries experienced their longest period of uninterrupted economic growth since the end of the Second World War, the developing countries, notwithstanding managed to achieve some economic growth, had a growth rate which was far below that of the previous decade. With the exception of a few Asian countries and territories which achieved comparatively high growth rates, the economies of most developing countries grew very little, and they are now facing serious economic difficulties. Very many developing countries were locked in economic stagnation and decline, suffering serious set-backs. They were faced with an adverse international economic environment, notably the intensification of protectionism on the part of developed countries, the continued depressed prices for commodities, the worsening terms of trade, the high real interest rates, the increasing debt burden and the serious reversal of financial flows.

2. Many developing countries have undertaken reform and structural adjustment programmes at great social cost to themselves, but have not achieved the expected results. To most developing countries, the 1980s meant "a lost decade" in which their social poverty increased. Worse still, as a result of the economic recession in some developed countries and the Persian Gulf War during the second half of 1990, tremendous economic losses have been incurred by developing countries.

3. The world now is in a transitional period in which the old pattern of relations is about to be replaced by a new one. The improvement in East-West relations and the relaxing of military tensions have provided an opportunity for expanding international economic cooperation and releasing more financial resources and technologies for economic and social development. At the same time, however, the North-South relations have not improved. The development of the regional economic groupings among developed countries and the intensification of trade barriers have seriously impeded the exports of developing countries. The financial difficulties of the developing countries are being aggravated by the reductions in their financial inflows. The economic development of the developing countries still faces great difficulties in the 1990s and the world is confronted by the serious challenge of the widening gap between the North and the South.

4. The present unreasonable international economic order represents a serious obstacle to world stability and development, resulting in imbalanced international economic relations and the widening gap between the North and the South. This economic order is becoming increasingly unsuitable for global development. With the integration into the international economic system of the economies of the Central and Eastern European countries and Soviet Union, the problems facing the world today are becoming more formidable, complicated and pressing. At stake are the fundamental interests of all countries at the common destiny of mankind. It is therefore all the more urgent to establish a new international economic order and to revitalize the world economy and

achieve common prosperity through cooperation among all countries, based on the principles of equality and mutual benefit. The connotations and implications of this new international economic order need to be further explored and developed by all countries in the world. The Chinese Government holds that the new international economic order should include the following elements:

(a) Each country has the right to choose its socio-economic system and development path in accordance with its own national circumstances;

(b) Each country has the right to control effectively its national resources and the exploitation thereof;

(c) Each country has an equal right to participate in decision-making on international economic affairs;

(d) Each country should develop its bilateral and multilateral relations with others on the basis of equality and mutual benefits. The developed countries should respect and give preferential consideration to the interests and needs of developing countries. No political conditions should be attached to the provision of technical assistance; and

(e) The North-South dialogue and cooperation between the North and the South should be strengthened. Necessary adjustment and reform should be carried out in the key international economic areas such as trade, commodities, debt, money and finance in order to create a favourable international environment for the common development of all countries.

5. The responsibility for the revitalization and growth of the economy of each country lies first and foremost in the country's own efforts. The developing countries should formulate and effectively implement policies and measures in accordance with their own conditions, with a view to promoting their economic and social development in the course of their national development. To improve and strengthen State management constitutes an important aspect of effective implementation of national policies, which in turn guarantees the achievement of the expected results.

6. Dynamic international cooperation and a favourable external economic environment are important conditions for effective implementation of national policies, since the economy of each country is an integral part of the world economy, and the economies of various countries and regions are becoming increasingly interdependent. International and national policies and international and national management are interrelated and mutually complementary. In order to achieve progress in the national economy, efforts are needed in both policies and management.

7. The developed countries should provide a favourable external environment for the economic development of the developing countries. The major developed countries, in particular, should take full account of the interests of the developing countries when they formulate their national economic policies and coordinate their macro-economic policies, so as to eliminate any negative impact on the developing countries and to render the external environment more

favourable to the economic development of the developing countries. In this process, the developed countries should single out market access for and transfer of finance and technology to developing countries as matters for priority consideration.

8. The regional groupings among developed countries which have great influence on the world economy should not become closed and exclusive economic and trading blocs. They should on the contrary be conducive to the development of the global economy and trade and create more opportunities for the transfer of finance and technology and for the diversification of products and market access for developing countries.

9. The whole world is aware of the dramatic changes taking place in Central and Eastern Europe. It is widely hoped that the changes in national policies and the transformation of these countries will have a positive impact on the economic development of the developing countries, especially on transfer of finance and the improvement of market access. The commitments made by developed countries that economic assistance to the Central and Eastern European countries will not be at the expense of the assistance to the developing countries are welcomed by the international community. It is our hope that these commitments will be translated into reality.

10. Their specific geographical location, harsh natural conditions, bitter historical experiences and unfavourable external environment have kept the economies of the least developed, land-locked and island developing countries in a state of deep depression. Despite the strenuous efforts made by these countries, they have not been able to lift themselves out of poverty. On the contrary, they have become more marginalized. Substantial and more effective assistance by the international community is therefore urgently needed for these countries. "The Programme of Action for the Least Developed Countries for the 1990s" should be implemented in earnest. UNCTAD VIII should particularly consider the difficulties and interests of the least developed countries in formulating the policies and measures in various aspects.

11. The accelerating degradation of the global environment is becoming a practical threat to the survival and development of the human race. How to solve the environmental problem effectively and to achieve sustainable and stable development is a task facing the international community which brooks no delay. Environmental protection is the necessary condition for economic development, but so is economic development the material basis for environmental protection. Environment concerns each sector of development and therefore requires serious attention from all members of the international community. To solve the environmental and developmental problems is the common interest of all citizens of our planet and is thus the common responsibility of all.

12. The developed countries should bear the main responsibility for the degradation of the global environment and should contribute to environmental improvement in accordance with their economic and technological capabilities. While addressing their national environment problems, they should help the developing countries to develop their economies, to eradicate poverty and to create the conditions for improving the national environment of the latter.

Apart from assistance for development, the developed countries should provide additional financial resources as well as environmentally sound and advanced technologies on favourable terms to developing countries for improving their environment. They should not create new trade barriers for the exports of developing countries on the pretext of environmental protection. Nor should they take environmental problems as a source of additional conditionality in providing assistance to developing countries. UNCTAD should incorporate environment and development issues into its main work programmes and make an effective contribution to the United Nations Conference on Environment and Development which will be held in 1992. The UNCTAD secretariat should provide technical assistance to developing countries in the area of environment and development.

13. International economic cooperation is not just a matter of North-South cooperation. In order to achieve mutual support and common development, cooperation among developing countries should also be strengthened by making full utilization of the conditions that could be created. The developed countries and relevant international institutions should give effective support in this regard.

14. The United Nations has been playing an active role in resolving international disputes and promoting world peace in the past few years. The United Nations has also played, and will continue to play, an important role in the North-South dialogue and international economic cooperation. UNCTAD, as the unique and universal international organization with the responsibility for comprehensive review and consideration of trade and development issues, should make greater contributions than ever in this field. The functions and role of UNCTAD should be further strengthened.

15. In the past few years, the international political and economic situation has undergone great changes. However, the international economic relations have not been in the least improved. On the contrary, they have become more and more inequitable and irrational. Economic difficulties besetting the developing countries still exist and have been further aggravated. Therefore, the mandate entrusted to UNCTAD by the General Assembly in its resolution 1995 (XIX) is still valid. The general orientation of UNCTAD's work should not be changed. UNCTAD should continue its policy research and analysis in the existing fields. With the situation evolving, it should also seriously study and explore such new issues as regional economic integration among developed countries and the relaxing East-West relations and their implications on the world economy, particularly the economies of the developing countries, sustainable development, the role of market signals and competition mechanisms, etc.

16. UNCTAD is a policy forum. However, it is not, and should by no means be turned into, a place for rhetorics and empty talks. UNCTAD is also a place for negotiations. On the basis of profound analysis and discussions, UNCTAD should continue and further intensify its efforts in negotiations on issues of interest to the international community, particularly those of great concern to the developing countries, in areas of trade and trade-related development. It should formulate appropriate policy framework for international and national measures. It should also establish appropriate

monitor and follow-up mechanisms to ensure the effective implementation of the adopted policy measures and documents on the outcome of relevant conferences and meetings. Technical cooperation activities of UNCTAD, especially those with developing countries, should also be strengthened.

17. With the above-mentioned objectives, all discussions on the reform of UNCTAD institutions and all constructive recommendations for improving its methods of work and enhancing its efficiency deserve to be welcomed. UNCTAD VIII will provide a favourable and timely opportunity in this regard.

18. When UNCTAD VIII is in session, all States members should demonstrate fully their political will and their cooperative spirit with a view to making an in-depth review, in accordance with the agenda of the Conference, of the world economic situation, in particular the current problems of the developing countries in such related areas as resources for development, international trade, technology, services and commodities. After negotiations, policy measures should be formulated aimed at assisting the developing countries in their efforts to acquire development finance, alleviate the debt crisis, undertake rational structural adjustment, make effective utilization of resources, strengthen their technological capabilities, improve the commodities market and expand their exports, thus creating a favourable environment and opportunity for the stable, sustained and sustainable development of the world economy, particularly the economy of the developing countries.

## II. POLICIES AND MEASURES

### A. Resources for development

#### Situation assessment

19. Financial flows to the developing countries have undergone fundamental changes in terms of volume, structure, direction and conditions in the 1980s. First, the net financial flows, especially the official development assistance (ODA), have substantially decreased. Secondly, among the limited financial flows to the developing countries, the proportion of private resources has fallen drastically whereas that of official resources has increased. Thirdly, since 1983, a reverse flow of financial resources has occurred in the developing countries due to the reduction of financial inflows and the increasing external debt service. Financial resources obtained by developing countries, particularly loans from the commercial banks and multilateral financial institutions, are still on harsh terms. Development financing is becoming more and more difficult for the developing countries, the debtor countries in particular.

20. Shortage of development finance and especially the reverse flow of financial resources of the developing countries, which has restricted investment and development, are directly linked to their heavy debt burden. Although the debt situation has been eased somewhat in recent years, the debt problem is far from being fundamentally solved.

21. At present, developed countries are complacent about the measures adopted in their present debt strategy and reluctant to take further actions. The multilateral institutions have difficulty in playing their due role because of their limited resources. Despite the fact that the developing countries have paid dearly in debt servicing and in their efforts to revitalize growth, the debt problem remains unsolved for lack of adequate external support.

22. The high real interest rates of developed countries have not only restricted financial flows to developing countries and resulted in capital flight therefrom, but have also increased the debt burden of developing countries. The excess of demand over supply in the international capital market, the frequent and fluctuating movement of world financial markets, particularly the unstable exchange rates of the main currencies, have had a highly negative impact on the development of the world economy and seriously impeded the economic interests of developing countries.

23. As an important component of resources for development, human resources is one of the key factors for the success of development. However, most developing countries are extremely backward in this regard. This will certainly be detrimental to the enhancement of their productivity and to their future economic development in particular. Owing to various unfavourable internal and external factors, their prolonged and strenuous efforts to change this situation have resulted in little improvement or simply ended in complete failure.

#### Policies and measures

##### 1. Finance for development

24. Developed countries should adjust their macroeconomic policies in a manner favourable to world economic development so as to help increase financial flows to developing countries, thus reversing the trend towards inadequate financial flows to developing countries and their net financial outflows.

25. Those developed countries which have not done so should attain the agreed ODA target of 0.7 per cent of their GNP; those which have attained this target are invited to make new efforts in increasing ODA to developing countries.

26. By taking such measures as credit and investment guarantees, the governments of the developed countries should encourage their commercial banks and private enterprises to increase loans, direct investment and other non-debt financial flows to developing countries.

27. The multilateral financial institutions and regional development banks should continue their replenishment of resources and increase concessional financing in order to respond to the needs of developing countries and to eliminate the crushing additional conditionalities in lending to developing countries.

28. Developed countries and international financial institutions should give strong financial support to economic adjustments and reforms undertaken in many developing countries aimed at revitalizing their growth so as to make them a success.

29. Developed countries and multilateral financial institutions should take specific and effective measures to ensure that any redirection of financial flows will not have a negative impact on the financial flows to developing countries.

## 2. Debt

30. Developed creditor countries, commercial banks, international financial institutions and debtor countries should share their common responsibilities for improving the debt-servicing capacities of the debtor countries by stimulating the economic growth of the latter, thus providing a fundamental solution to the debt problem.

31. The international community, especially the developed creditor countries, should take further action to improve and strengthen the present debt strategy. The solution to debt problems should be linked to the improvement of trade terms and market access for developing countries.

32. Developed countries should substantially reduce the bilateral official debt burden of developing countries on a larger scale by debt reduction, debt cancellation and rescheduling arrangements.

33. By implementing appropriate policy measures, the developed countries should encourage and urge the commercial banks to conduct realistic and constructive debt-reduction negotiations with developing debtor countries. Any approach which leads to the solution of the debt problems without detriment to the interests of the debtor countries should be attempted.

34. The multilateral financial institutions should address the issue of debt arrears of developing countries on reasonable terms.

## 3. International monetary system

35. The international community, and the developed countries in particular, should make efforts to create a favourable international financial environment as well as a stable and reasonable international monetary system to solve the problems of debt and development resources for developing countries.

36. Developed countries should take practical and effective measures to reduce their real interest rates, to alleviate the debt burden of developing countries and to ease the pressures of capital flight of the latter.

37. International financial institutions should seek to promote the exploitation of the development resources for developing countries and to increase loans on concessional terms to developing countries.



#### 4. Human resources

38. Human resource development is an important factor in enhancing development. Therefore, the international community, and the developed countries in particular, should give strong support to the efforts made by the developing countries in this area. Such support should take account of the developing countries' conditions and requirements, and should take the form of finance, technologies and managerial experience.

#### B. International trade

##### Situation assessment

39. With the sustained growth of the world economy, international trade has also increased substantially in recent years. However, seriously imbalanced development still exists in the area of international trade. The share of the developed countries in world trade has continued to increase while that of the developing countries has been on the decline, thus widening the gap between the North and the South.

40. One of the fundamental reasons for this disequilibrium is the intensification of trade protectionism by developed countries. Some major developed countries, instead of implementing in earnest their commitments on "standstill and rollback" of protectionism and carrying out structural adjustment favourable to the developing countries, have constantly reinforced their protectionist measures, particularly non-tariff barriers, most of which are directed at the industries and sectors in which developing countries have comparative advantages and special export interests.

41. The Uruguay Round of multilateral trade negotiations, which have failed to conclude in accordance with the original time schedule, have been proceeding in an uneven way. The negotiations on issues of great concern to the developing countries, such as market access and textiles, have lagged far behind those on the "new issues", which are of concern to the developed countries.

42. In the area of the GSP, the developed preference-giving countries have applied discriminatory and differentiated treatment to the preference-receiving countries by invoking the graduation clause to reduce the scope of their preferences and by regulating the rules of origin on harsh terms and additional conditions. These safeguard measures have made it difficult for the preference-receiving countries to benefit from all the advantages of the GSP and created obstacles to access to markets for the products of the preference-receiving countries, or even excluded the products of these countries from the markets of the preference-giving countries.

##### Policies and measures

43. UNCTAD VIII should adopt policies and measures to improve the present international trading system and strengthen multilateral cooperation to prevent unilateral actions, in order to promote international trade, especially the expansion of foreign trade of developing countries.

44. The developed countries should earnestly implement their commitments to "standstill and rollback" and gradually reduce and finally eliminate the tariff and non-tariff barriers to the exports of developing countries and grant more preferential and differential treatment to developing countries. They should further open their markets, examine their anti-dumping and countervailing trade legislations and give up unilateral actions.

45. The developed countries should take effective and concrete measures to accelerate their structural adjustment which will be conducive to the economic development of developing countries.

46. To ensure the complete implementation of the GSP, the developed countries should observe the basic principles of the GSP, improve their GSP schemes, widen the scope of the beneficiary countries, increase the coverage of products and enlarge the range of preferences. The rules of origin should also be further unified and simplified.

47. Regional economic groupings should not be exclusive. On no account should they infringe on the principles of multilateral trade liberalization, and generate a negative impact on the development of world trade, especially that of the developing countries. The developed countries should examine and monitor strictly the relevant regulations of their regional groupings and bilateral arrangements to ensure that they will not block the market access of the products from developing countries.

48. The Uruguay Round of multilateral trade negotiations should be accelerated and a balanced package of agreements which reflect the interests of all parties concerned should be concluded to strengthen the multilateral trade system and prevent the growing tendency towards protectionism. In terms of market access for textiles and clothing, tropical products, natural resource-based and agricultural products, the interests of developing countries should be taken into full account. Specific preferential treatment should be given to developing countries, and their specific situation and development needs should be considered in discussing the issues of services, trade-related aspects of intellectual property rights and trade-related investments measures.

### C. Services

#### Situation assessment

49. The services sector plays a key role in economic development, especially in the developing countries. With the progress made in science and technology, trade in services is growing more rapidly than that in goods.

50. A serious imbalance has occurred in the production and trade in services. Developed countries occupy an absolutely predominant position in the production of and trade in services: they account for more than 80 per cent of the world trade in services. However, services in developing countries are still an infant sector which is concentrated only in labour-intensive activities. Their service trade has been running a deficit for a long time and their share in the world total is marginal.

51. People are becoming more and more aware that development of services is one of the key factors to dynamic economic development of the developing countries and to the building of a healthy, sound and equitable world economy. However, developing countries are facing tremendous difficulties in services production and trade. They lack technology, infrastructure facilities and qualified personnel, which their domestic manufacturing industry is unable to provide. They have, therefore, to seek these services from foreign countries, which increases the deficit in the services trade. The developing countries also face many restrictions in acquiring foreign advanced technologies.

#### Policies and measures

52. Services are of vital importance to the social, economic, cultural and infrastructural development of the developing countries. Therefore policy measures formulated by developing countries to improve the domestic services capabilities and competitiveness, and the protection of their information and telecommunication technologies with subsidies at the initial stages, are highly necessary and should be respected by the international community.

53. A framework of multilateral agreements is being formulated in the Uruguay Round negotiations, which should be conducive to the promotion of healthy development of international trade in services. The principles of MFN treatment and the preferential as well as differential treatment granted to developing countries should be reflected in formulating these framework agreements. In the process of liberalization, national laws and regulations should be respected and different development levels should be taken into account. Developed countries should further open up their services markets, especially those for labour intensive industries.

54. The transnational corporations (TNCs) have brought with them their own services at the time of establishing and operating enterprises in developing countries. The TNCs should also make full use of the services provided by the host developing countries in order to make contributions to the development of these countries.

55. UNCTAD has made tremendous efforts in dealing with the trade issues in shipping, insurance and technology for many years and has achieved remarkable success. The UNCTAD secretariat should strengthen its functions in the area of services, pursue its studies on world services trade, put forward policy measures and continue to provide necessary technical assistance to the developing countries so that their services trade can play its full part in their development.

#### D. Technology

##### Situation assessment

56. In recent years, the world technology dissemination and distribution pattern has been more and more unfavourable to developing countries. One striking feature has been the rapid spread of technology transfer among the

developed countries and the sharp decline of such transfers - especially for high technology, new technology and environmentally-sound technology - to developing countries.

57. The chief developments in the field of new technologies have occurred mainly in developed market economies. The vast majority of developing countries, however, cannot benefit from the technology progress in developed countries. On the contrary, certain industrial sectors in which some developing countries possess comparative advantage, as well as commodity prices and their export earnings, have all been seriously affected by technological progress in developed countries.

58. Although the developing countries have strengthened their efforts to formulate technology development strategies, policies and legislation and to accelerate the pace of technological innovation, the implementation of these strategies and policies by most developing countries is restricted by their shortage of financial resources and the weakness of their industrial infrastructures. Developing countries are almost totally excluded from the development of key and new technologies. The scientific and technological development capabilities as well as the technological level of developing countries as a whole lag far behind those of the developed countries.

59. In the field of transfer of technology, the ability of the developing countries to import advanced technologies and equipment has decreased owing to shortage of financial resources. In the meantime, developed countries have reduced their direct investment to developing countries by a large margin, which has also had a serious negative impact on commercial technology transfer to these countries. Official and non-government free technical assistance, which played an important role in technology transfer in the 1950s and 1960s, decelerated in the 1970s and almost stagnated in the 1980s. During this period, the developed market economies, in order to uphold and strengthen their predominant position in the world technology market, and for the sake of their own interests, have taken various strict protection measures in the field of intellectual property rights. These measures have been highly detrimental to the development, dissemination and acquisition of technologies in developing countries.

60. The negotiations on the draft Code of Conduct on the Transfer of Technology have reached a deadlock. Although developing countries have repeatedly expressed their strong hope for the resumption of the negotiations and have made substantial concessions, and although the United Nations General Assembly and UNCTAD have engaged in a great deal of coordination, it is still difficult to resume the negotiations. Nor has there been any progress with regard to the amendment of the Paris Convention for the Protection of Industrial Property. Formulation of international guidelines and standards in favour of improving the international economic and policy environment for the transfer of technology has never occurred.

61. In the 1980s, the brain-drain from developing countries to developed countries - known also as the reverse transfer of technology - accelerated, and this movement has seriously hampered the economic and social development of the developing countries, particularly their technology development capabilities.

62. With the development and spread of science and technology, technology transfer and development have become an important part of the endeavour of various countries to implement their sustained and sustainable development strategy. The prospects for technology transfer, development and economic growth in the developing countries depend not only on the utmost efforts by the developing countries themselves but also on a favourable external environment that facilitates technology development and transfer to developing countries - an environment created by the international community, and especially by developed countries.

### Policies and measures

#### 1. Resources for technological development

63. Developed countries should create a favourable external environment for developing countries to help them to overcome their economic difficulties, revitalize their capability for technological development and obtain the financial resources needed for the import of technologies.

#### 2. Technology transfer

64. The developed countries should improve the terms of technology transfer to developing countries, reduce various kinds of restrictions and barriers to technology export, resume and increase their technology flows - including those of new and high technologies applicable to developing countries - on preferential terms. The developed countries, in formulating legislation on protection of intellectual property rights, should consider not only the development of their own national economies and the encouragement of technological innovation initiatives, but also the benefit of the developing countries in the field of transfer of technology.

65. The regional economic groupings among the developed countries should not generate a negative impact on the transfer of technology to developing countries.

66. The formulation of necessary international legal instruments on technology transfer, especially the Code of Conduct on Transfer of Technology, should be expedited.

#### 3. Technology research and development

67. Developing countries should give serious consideration to the import of foreign advanced technologies - including basic technologies and newly-emerged technologies - that are suitable for their domestic needs, while strengthening their national technological research, development and innovation. The international community should provide technical assistance for the research and development activities of the developing countries in this regard.

68. The developed countries should take concrete measures to encourage their enterprises to set up cooperative arrangements related to R & D with enterprises of developing countries in agreed sectors, so as to help enterprises of the latter countries absorb and adapt new technologies.

#### 4. Reverse transfer of technology

69. In respect of brain-drain from developing countries, the international community, especially developed countries, should cooperate with developing countries in taking effective measures to help them alleviate the negative impact resulting from reverse transfer of technology.

#### E. Commodities

##### Situation assessment

70. Commodity exports play a vital role in the economic development of most developing countries. They are their main source of foreign-exchange earnings and make a significant contribution to their GNP.

71. Since the 1980s, the share of commodity trade has continuously declined in the total world trade, as has the share of the commodity trade of developing countries in relation to the total world trade of commodities. Prices for most commodities exported by the developing countries have been on a declining trend for the past decade. Moreover, the world commodity market lacks transparency and predictability.

72. Reasons for the worsening situation in the world commodity market are many, including cyclical and structural factors. The intensification of tariff and non-tariff barriers set by developed countries and the subsidies given by these countries to their own commodity production and export constitute insurmountable artificial barriers to the market access of commodities from developing countries. In addition, setbacks in the diversification process have also placed export commodities from developing countries at a disadvantage. Owing to a shortage of development resources, developing countries cannot but resort to expansion of commodity production and exports for increasing their foreign-exchange earnings. But ultimately these efforts have the opposite effect to the one desired, since they have aggravated the oversupply situation and contributed to the constant decline of commodity prices. As a result, the increase of export earnings of the developing countries has lagged far behind that of their export volume.

##### Policies and measures

73. The international community should strengthen its cooperation in the field of commodities to find a long-term solution to the commodity problems. The Integrated Programme for Commodities remains an effective approach in this undertaking. Furthermore, UNCTAD VIII should work out new effective and practical policy measures in compliance with the changing situation.

#### 1. International commodity agreements and arrangement as well as other forms of intergovernmental cooperation

74. Further efforts should be made by the international community to promote and strengthen consultation and cooperation between producing and consuming countries. The existing international commodity agreements should be better implemented and fully utilized. In the formulation of new international commodity agreements and arrangements and the renegotiation of the existing

commodity agreements, measures to stabilize commodity prices should be considered in accordance with the concrete situation of each and every commodity. The Common Fund for Commodities should be given a chance to play its due role. Informal intergovernmental consultations for those commodities which are not covered by commodity agreements and arrangements should be launched or continued as appropriate and necessary, in order to seek ways and means for effective cooperation on these commodities between producing and consuming countries.

## 2. The Common Fund for Commodities

75. The international community should take effective measures to promote an earlier operation of the First Account of the Common Fund for Commodities and make full use of the two accounts. Countries that have not approved the Agreement establishing the Common Fund for Commodities should be urged to do so as soon as possible.

## 3. International assistance

76. International financial institutions, UNDP and developed countries should increase their financial and technical assistance to developing countries in the area of commodities, with priority in diversification, processing, marketing and distribution (DPMD) activities. The existing compensatory financing facilities for shortfalls of export earnings should be improved in terms of country and commodity coverage. The international community should also consider setting up new facilities to help developing countries to deal with shortfalls in export earnings.

## 4. Market access

77. Developed countries should create conditions that allow products processed from developing countries to enter their markets, reducing and finally eliminating their tariff and non-tariff barriers on products from developing countries. This would help developing countries to reduce their high dependence on the export of one or two commodities.

78. Full consideration should be given to the interests and requests of developing countries in the Uruguay Round negotiations on agricultural products, tropical products and natural resource-based products.

## 5. Other measures

79. The solution to the commodity problems of developing countries should be linked with the solution to their debt problem and shortage of financial resources.

80. The stabilization of exchange rates is directly linked to the stabilization of commodity prices. Developed countries should take feasible measures to stabilize the exchange rates as much as possible.

81. Developing countries should also strengthen cooperation among themselves in the field of commodities.

6. Function of UNCTAD and the work of the UNCTAD secretariat

82. UNCTAD should continue to strengthen its functions in dealing with world commodity problems as well as its cooperation with other organizations within its mandate, as set forth in the General Assembly resolution 1995 (XIX) and other related resolutions as adopted within the United Nations system. UNCTAD should continue to regard commodities as a priority area in its future work, focusing on DPMP. The UNCTAD secretariat should further develop its microcomputer-based commodity information and analysis system (MICAS). It should continue to study world commodity trends and individual commodities, and to offer technical assistance to developing countries in the field of commodities.

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