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**AFRICAN MINISTERIAL DECLARATION ON UNCTAD X**

**AND**

**AFRICA'S DEVELOPMENT CHALLENGES**

## **AFRICAN MINISTERIAL DECLARATION ON UNCTAD X**

1. The African Ministers of Trade, having met on 14 September 1999 during the Ninth Ministerial Conference of the Group of 77 which took place in Marrakech from 14 to 16 September, 1999, in preparation for the tenth session of the United Nations Conference on Trade and Development (UNCTAD X) to be held in Bangkok, Thailand, from 12 to 19 February 2000, call on the international community to agree on, and implement policies, measures and actions to contribute to the achievement of Africa's objectives of growth and development, with equity, in an increasingly globalizing world economy. The present document will be transmitted as a record to the Second Ordinary Session of Trade Ministers of the OAU/AEC, scheduled to take place in Algiers on 23-24 September 1999.

2. The Ministers reaffirm the role of UNCTAD as the principal forum of the United Nations for the integrated treatment of development and interrelated issues in the areas of trade, finance, investment, technology and sustainable development. The significance of this role has increased in an era characterized by the troubled relationship between globalization and development and by the inherent imbalances in the structure of the international systems governing development, trade and finance.

3. The Ministers consider, therefore, that UNCTAD X provides an opportunity to review and reinvigorate the dialogue on international economic cooperation with a view to enhancing the development of developing countries and to providing fresh orientations for a development paradigm consistent with the exigencies of the new millennium.

4. Having reviewed global economic developments since UNCTAD IX in the context of globalization and, in particular, their impacts on African countries, the Ministers express concern that the promise of globalization has not been fulfilled. This promise was that growth based on global market forces would be more rapid, more sustainable and more widely shared than in the past. On the contrary, the empirical record has been strikingly at odds with this expectation and particularly so in the case of Africa, which continues to be marginalized. The growth targets seen by most observers as essential if the income gaps among and within countries were to be reduced, have eluded all but a handful of developing countries. In fact these gaps have grown even wider in the 1990s.

5. Although it was conceded that some weaker countries might find themselves marginalized as a result of the globalization process, this was to be rectified by assisting these countries to integrate into the world economy. However, not only has the African continent been unable to benefit from the process of globalization, but it has also become increasingly marginalized from the international trading and financial systems. This is evident from its decreasing shares in world trade, low levels of capital accumulation and investment, low levels of foreign direct investment (FDI) and limited access to capital. In addition, widespread poverty, high levels of unemployment and under-employment, lack of access to basic education, health and clean water, and conflict and civil strife continue to affect the lives of millions in the African continent, especially women and children.

6. This situation has persisted despite African countries' painful reforms under structural adjustment programmes, often with severe social consequences. In this process, the role of the State has been weakened and the private sector has been unable to fill the role that a market economy requires. African countries have, in line with their commitments in the context of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF)

and the Cairo Agenda for Action, substantially improved governance, ensured macro-economic stability and created an enabling environment for domestic and foreign investment. However, these reforms have not yielded the desired results. It has become evident that the conceptualization, design and implementation of structural adjustment programmes need to be adapted to the needs and requirements of African countries, based on a broad national consensus. If national efforts are to succeed, however, it is imperative that the international community also lives up to its commitments to support African economic recovery and development.

7. The Ministers express serious concern at the precarious social and economic situation and the structural weaknesses of the least developed countries (LDCs), which relegate these countries to a weak competitive position and further marginalization in the global economy. These problems are further aggravated by, *inter alia*, the shrinking aid effort, the continued decline in official development assistance (ODA), the heavy debt burden, lack of market access, supply-side constraints and the decline in commodity prices. The Ministers call upon the international community to reverse this dismal situation in LDCs and honour their commitment as contained in the various United Nations resolutions and the Paris Programme of Action for LDCs as well as the Marrakech Ministerial Decision in favour of these countries. The Ministers express their satisfaction with the outcome of the UNCTAD Coordinating Workshop for Senior Advisers to Ministers of Trade of LDCs, in preparation for the Third WTO Ministerial Conference, which was held in Sun City, South Africa, from 21 to 25 June 1999, and call on the international community to give serious consideration to the proposals for a comprehensive new plan of action for LDCs, in the context of the Third WTO Ministerial Conference, as adopted by the meeting.

8. A major impediment to Africa's economic development is the lack of sufficient development finance to invest in human resources development and physical infrastructure, which are prerequisites for placing Africa on the path to growth. Current levels of savings and investment are too low to make a discernible impact on the structural transformation of African economies. Furthermore, the heavy debt burden of African countries and their increasing arrears have had a dampening effect on investment in Africa, both private and public, and has deterred potential FDI. Ironically, official development assistance has fallen to historically low levels at a time when it is needed more than ever and when policy reforms in African countries are rendering aid more effective.

9. Structural constraints have also been important factors in preventing African countries from diversifying their economies into manufactures as well as higher value-added commodity products in which they have comparative advantage. Owing to insufficient funding, existing infrastructure has deteriorated and the small manufacturing base has become outdated and uncompetitive. African countries' dependence on the export of one or two commodities makes the continent extremely vulnerable to the vicissitudes of commodity markets and the climate. For this reason, the improved economic performance of the mid-1990s in many African countries proved to be tenuous, as much of it was due to higher commodity prices and better weather conditions.

10. The Ministers reaffirm their commitment to continue the restructuring of their economies to respond to the challenges of growth and development in a globalizing world economy. In order to achieve international targets for the reduction of poverty and to become fully integrated in the international financial and trading systems, African countries recognize the need for a stable macroeconomic environment to encourage both domestic and foreign investments, the need to modernize their economies and build their human capacity and

physical infrastructure, and the need to increase their competitiveness in an increasingly liberalized world economy. This requires not only action at the national level but also the full support of the international community as well as a favourable external environment.

11. The Ministers express grave concern over the decline in levels of ODA to less than one-third of the internationally agreed target of 0.7 per cent of GNP of donor countries. The budget constraints of the countries of the Development Assistance Committee (DAC) can no longer be advanced as a reason for such a dramatic decline in ODA, as many developed countries have reduced budget deficits or enjoy unprecedented surpluses. The Ministers consider that this trend in ODA flows should be reversed as a matter of urgency. In addition to its quantity, the quality of aid needs to be improved. Assistance should be based on the priorities set by the African countries in their development programmes and should not be donor-driven. Aid coordination should be improved in partnership with donors.

12. Greater liquidity needs to be provided to multilateral institutions which are major sources of financing in low-income countries. The discussions on the reform of the global financial architecture should place more emphasis on financing for development, in addition to greater financial stability. Furthermore, more effective surveillance of the policies of the major industrialized countries that affect key international monetary and financial variables, including capital flows, are required. There is a need for increased and effective representation and participation of developing countries at the decision-making level of international financial institutions to properly reflect developing countries' role in the world economy. There is also a need to enhance the role of special drawing rights (SDRs) in the international monetary system in order to achieve greater stability. Finally, UNCTAD X should be an occasion for the launching of a new initiative aimed at achieving greater coherence among multilateral organizations particularly WTO and Bretton Woods institutions.

13. The Ministers express deep concern that African countries should continue to spend more on debt repayment than on either primary health care, education, human resources development or physical infrastructure development. They welcome the recent initiative on debt reduction undertaken in the context of the G-7 Cologne Summit. However, the Ministers underscore that it is imperative to ensure that any debt relief measures do not give rise to more problems that will lead to socio-economic and political instability. They note that the recent initiative represents an improvement over the initial Heavily Indebted Poor Countries (HIPC) debt initiative which proved to be too slow, too little and too narrow in scope. It is, however, noted that the new initiative may prove to be insufficient to support globally agreed targets for poverty reduction by the year 2015. The Ministers express concern that relief is still attached to performance under the Enhanced Structural Adjustment Facility (ESAF) and while flexibility has been introduced in the time frame of such performance, experience shows that delays inevitably occur in ESAF implementation owing to poor design and lack of ownership. Such reform programmes should not be focused on narrow monetary objectives, but should be designed and developed with a view to enhancing economic development and poverty reduction. The Cologne initiative should be flexibly interpreted by the international financial institutions to the full benefit of debtors and appropriate resources should be devoted to reduce considerably the stock of debt and its servicing. The Ministers reiterate that the issue of the sustainability of Africa's debt should be referred to an independent body composed of eminent persons conversant with financial, social and development problems. Such persons would be selected by mutual agreement between creditors and debtors, with creditors committing themselves to the cancellation of such debt as is deemed unpayable. Furthermore,

the debt problems of middle-income countries need to be addressed. Ministers recommend that for heavily indebted middle-income countries there should be expanded use of debt swaps and conversion and more generous refinancing terms.

14. The Ministers consider that, despite major policy reforms and the creation of a propitious investment climate in Africa, the region's share of total FDI has remained woefully low. This is partly due to the perception that Africa is seen as being a high-risk area by most foreign investors. The Ministers, while affirming their commitment to work towards changing this perception, call on major home countries to expand their investment guarantee facilities and charge lower premiums for investment in Africa and especially in LDCs. Furthermore, the Multilateral Investment Guarantee Agency (MIGA) could be requested to consider providing preferential premiums for investors from developing countries that have no national guarantee systems of their own.

15. The Ministers consider that while the completion of the Uruguay Round and the establishment of the World Trade Organization (WTO) have raised expectations of gains for developing member countries as a result of market access opportunities and the predictability created by the rules-based trading system, the experience of African countries in the implementation process of the Uruguay Round agreements (URAs) so far highlights an imbalance that should be redressed. Furthermore, the expected benefits from the multilateral trading system have not materialized from the perspective of many developing countries. Many African countries are encountering difficulties in the process of implementation of the Uruguay Round agreements.

16. In addition, supply-side constraints continue to hamper the effective participation of African countries in the international trading system and technological advances have bypassed them, marginalizing African countries even further. The international community should provide support to Africa, and especially LDCs, for dealing with their supply-side constraints, and for vertical and horizontal diversification of their economies, infrastructure development, human resources development and institution-building.

17. Measures should be adopted for the faithful implementation of the special and differential provisions in several Uruguay Round agreements in favour of developing countries, particularly the least developed among them, and consideration should be given to their expansion. The concerns of small economies should also be addressed. Duty-free and quota-free access should be granted to all products of export interest to LDCs, and safeguards and anti-dumping action should not be taken against LDCs. They should be exempted from the aggregate measures of support and subsidy disciplines of the WTO agreements.

18. The process of accession of African countries to the WTO should be facilitated and accelerated. These countries should not be called upon to assume obligations or commitments that go beyond what is applicable to other developing WTO members. LDCs seeking accession to the WTO must be provided with a fast-track approach for their membership on terms which are consistent with their trade, financial and developmental needs. The process of accession of other African countries should also be facilitated and accelerated, and the commitments sought from these countries should not go beyond the commitments of the current developing member countries.

19. African countries should be enabled to participate fully in international standard-setting bodies. Assistance should be provided to African countries in meeting sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT). The application of

unilateral measures which are stricter than the relevant international standards should be avoided.

20. Tariff peaks and tariff escalation and agricultural support policies severely constrain the development of the export-oriented growth of many African countries. This is particularly important in respect of commodity-based industrialization. The reduction of such barriers and requisite remedial measures should be given priority. The Marrakech decision on measures concerning the possible negative effects of the reform programme on LDCs and net food-importing developing countries should be implemented fully and without further delay.

21. An urgent contribution by developed countries and international financial institutions to a revolving fund to help LDCs and other net food-importing developing countries is required to help them cope with rising food requirements and associated high food import bills and to assist them in increasing local food production and capacity, *inter alia*, in marketing, storage and distribution.

22. Schemes under the Generalized System of Preferences (GSP) should be improved through the elimination of tariffs, widening of product coverage, reduced complexity and further relaxation of the rules of origin.

23. Ministers welcome the opportunities provided to African countries under the Lomé arrangements. In this regard, Ministers urge that the post-Lomé arrangements should, in addition to enhancing market access, equally ensure trade and infrastructure development and provide the means to improve the competitiveness of exports from the African, Caribbean and Pacific (ACP) States. The new arrangements should be in consonance with regional integration processes and adequate resources should be made available to cater for the specific needs of each ACP region or subregion.

24. The Ministers express great concern at the continuing decline of Africa's share in world trade and in particular in world commodity exports, as well as at the continued fluctuations in commodity prices and their current depressed levels. They underscore the need to rejuvenate the commodity sector, including by identifying ways and means to regain market share and to achieve horizontal and vertical diversification. In this context, the activities of producer-consumer commodity bodies remain crucial, particularly in respect of market transparency and information, and therefore should be expanded and their effectiveness improved. An increase in funding, including through the Second Account of the Common Fund for Commodities, is needed to finance research and development.

25. Excessive price fluctuations are often associated with supply-side disturbances. The possibility and utility of establishing supply management mechanisms aimed at maintaining stable prices at remunerative levels should be considered.

26. The vulnerability of African countries to external price shocks makes the management of price risk an important element of commodity policies. New and innovative structured finance techniques could contribute to the generation of resources to be used by the commodity sector.

27. The withdrawal of marketing boards from the commodity sector has created a void in many African countries. This is particularly important in the face of increasingly oligopolistic and oligopsonistic market structures dominated by transnational firms. Many of the functions traditionally supplied by marketing boards are not being adequately provided by the local

private sector. It is necessary for African countries to fill this void urgently, prepare the private sector to take over those functions which it can perform effectively and efficiently, and establish institutional and cooperative arrangements for providing the remaining services.

28. The Ministers consider that the new challenge facing the African countries is to increase the competitiveness of African economies through, *inter alia*, access to global information networks, particularly through the development of their telecommunication infrastructure and strengthening their human resources capacities. In particular, African countries should be provided with assistance to strengthen their domestic infrastructure and service capacity through transfer of technology, training in telecommunications and computer-based technologies. The global information infrastructure should have a development dimension in order to facilitate African countries access to and use of information technologies, public telecommunication networks, including satellites, low-orbit systems and information banks in developed countries.

29. Major efforts are required in providing assistance to Africa in the context of trade facilitation and trade efficiency in the areas of transport, customs, transit, trade points, banking and insurance.

30. In the light of the meagre technological resources in Africa, means should be found for the transfer of technology on a concessional basis, and the creation of mechanisms for sharing knowledge among research and development institutions at national, regional and international levels.

31. Regarding economic cooperation and regional integration, the Ministers, recalling that the Treaty establishing the African Economic Community is now in force, reiterate their determination to work towards the economic integration of the continent within the provisions of the Abuja Treaty. In this connection, they reaffirm that all their commitments in international trade negotiations will therefore not only have to be consistent with the regional integration objectives, but also have to enhance the implementation of these objectives.

32. The Ministers conclude that while the present century comes to an end with Africa still confronted with daunting economic difficulties, in spite of the moderate success recorded, the new millennium could hold promise for the continent if the international community agrees on innovative policies, measures and actions to make globalization a tool for global development in equity, integrating and benefiting all countries and all people. With a view to advancing this vision, the Ministers commit themselves to work towards the success of several high-level global conferences to be held in the year 2000, including UNCTAD X in Bangkok, the South Summit in Havana, the United Nations Conference for Financing Development, the Millennium Assembly and the Third United Nations Conference on the Least Developed Countries, to be hosted by the European Union in the year 2001. They express the conviction that, given the desired political commitment, a new international partnership and understanding will emerge to give new impetus to the cause of international cooperation for development in the new millennium.

33. To this end, the Ministers, having taken due note of the Plan of Action prepared by the Group of 77 Preparatory Committee for UNCTAD X, adopt and commend within the context of the preparatory process for UNCTAD X, the annexed analytical document entitled "Africa's Development Challenges".

## AFRICA'S DEVELOPMENT CHALLENGES

### I. Overview of Africa's Economic Development

1. Global economic growth in the 1990s, while having accelerated above that of the 1980s, has remained well below the post-war average. More recently, financial crises have had a particularly devastating effect on some of the most successful development experiences in East Asia and Latin America, having destabilizing effects in other continents including Africa. Policy flaws have been important elements of such crises. Tight macroeconomic policies have favoured capital against labour, and finance against industry. This has been accompanied by asymmetries in the world economy where protecting the interests of investors and creditors receives overwhelming precedence over host country and debtor interest. As a consequence, interactions in an increasingly interdependent world economy are not always a positive sum game. The fast pace of financial liberalization has de-linked finance from international trade and investment. The growing volatility of capital flows are engendering recurrent crisis, affecting the economies of the developing countries which are not in a position to withstand such shocks. Therefore, integration in the world economy should be treated as a means to development rather than an objective in its own right. Efforts to maximize the advantages of the trading and financial system for the weaker partners should constitute a moral imperative.

2. African countries have undertaken major steps to improve governance and reform their economies. Furthermore, many African countries have gone through a process of free elections and democratic reforms. Improvement of macroeconomic management, liberalization, leaner government and privatization of many public enterprises have been achieved, in order to stimulate economic growth and development and to respond to the exigencies of the globalizing and liberalizing world economy. Many of these reforms have been painful and have been undertaken at considerable social cost. Improvements in the macroeconomic indicators of many African countries are due to the efforts of African Governments to bring about the necessary changes in economic governance. However, Africa remains straddled with deep-seated structural problems, which in effect make it difficult for the economy to respond to macro policies.

3. The 1980s marked a continuous economic decline for the African region as a whole. "The lost decade for development", as it came to be known, was accompanied by numerous economic policy reforms under the structural adjustment programmes. The reduced role of the State, the introduction of market-oriented reforms and the liberalization of African economies did not yield the desired results in a large majority of African countries. The conceptualization, design and implementation of structural adjustment programmes and the occurrence of external shocks as a result of a continuous fall in commodity prices led to a vicious circle of low and even negative growth. However, the mid-1990s witnessed a significant increase in the growth of African economies as a whole. For the first time in 20 years, economic performance outpaced population growth, owing partly to higher commodity prices and better weather conditions. However, owing to the precarious nature of this economic recovery, economic fortunes have continued to decline since the mid-1990s, prompting a downward revision of Africa's future growth prospects.



4. While Africa's economic difficulties are multifaceted, they are interlinked and mutually aggravating. Increased levels of investment in human and physical infrastructure are prerequisites for ensuring that growth and development are placed on a sure footing. The levels of savings and investment in Africa are lower than in any other continent, and half of that in East Asia. The continuous burden of debt places great strains on national budgets. Public investment has been reduced considerably and neither portfolio investment nor FDI has been able to fill the gap. At the same time, ODA has fallen to historically low levels representing less than one-third of the internationally agreed target of 0.7 per cent of GNP. The reduced role of the State through greater liberalization and market orientation has led to the weakening of State institutions to the extent that they are unable to perform the regulatory functions normally attributed to the State in a market economy. At the same time, private sector institutions remain weak and under-capitalized. The vulnerability of African economies to external shock has continued as African countries have been unable to diversify from a predominantly agricultural and commodity-based economy.

5. In spite of the market-friendly reforms associated with globalization and increasing liberalization, Africa's experience has been that global systemic constraints have continued to reinforce internal structural constraints and institutional weaknesses leading to Africa's increasing marginalization in the global economy.

6. As a result, the Secretary-General of the United Nations described the development problematique of Africa as the greatest development challenge faced by the world today. The persisting economic crisis of the continent prompted the international community to adopt a number of initiatives over the years. The common feature of these initiatives has been that while their conception and objectives have been laudable, implementation has always fallen short of expectations.

7. It is, therefore, important that UNCTAD X should undertake a critical appraisal of Africa-specific international initiatives with a view to identifying the impediments and building the desired political support to accelerate Africa's development. The most important of these Africa-specific international initiatives which UNCTAD X should review is the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF), for which the United Nations System-wide Special Initiative on Africa has become the implementation vehicle.

8. The underlying factors that informed the launching of UN-NADAF in 1991 are still very much valid today. African countries took major steps to implement their commitments under UN-NADAF. However, as we approach the end of the 1990s, and consequently, the end of the lifespan of the programme, the international support measures envisaged by UN-NADAF have not been forthcoming. A large majority of African countries have not been able to attain the 6 per cent growth rate set by UN-NADAF.

9. The critical sectors of Africa's economy continue to exhibit poor performance. The continent's overall economic growth depends critically on the performance of agriculture and commodity exports. The poor response of African agriculture to the opportunities presented by liberalization is accounted for by internal structural constraints and institutional weaknesses, on the one hand, and external systemic constraints, on the other. Consequently, supply-side constraints and an unfavourable international economic environment, particularly the collapse in commodity prices, have dimmed the prospects of agriculture as the pivot of Africa's efforts at poverty alleviation and sustainable development.

10. Furthermore, Africa's continuing marginalization is increasingly defined by the continent's very low absolute level of exports and decreasing share in world trade during the past four decades. The consequence has been import compression, weak productivity and low output. This is accounted for by the inability to expand and diversify productive capacity, and to secure assured and expanded market access for products on which Africa enjoys a comparative advantage, as well as by the deteriorating terms of trade.

11. The poor performance of Africa's agricultural and trade sectors, among other factors, inevitably leads to a slow pace of industrialization on the continent. Here too, structural and institutional weaknesses, both domestic and external, have hampered the continent's industrialization. In 1995, Africa's share in the manufacturing value-added of all developing countries was only 5.5 per cent, a decline from the already low level of around 6.9 per cent in the mid-1980s. The situation is even worse in the 1990s. The traditional problems of low rates of capital accumulation, inadequate flow of foreign direct investment and technology transfer and the scarcity of a dynamic indigenous entrepreneurial class have become reinforced by the heavy debt burden and lower levels of ODA. This has created a lack of confidence in national economies, leading to capital flight.

12. The fact that these economic challenges and difficulties are replicated in all other sectors of the African economy explains why the continent has been unable to integrate in a globalizing world economy and thus risks further marginalization. As Africa remains the weakest link in the chain of global economic relations, the international community must remain actively engaged in the search for innovative and enduring solutions to the persisting economic crisis of the continent.

13. The problems associated with African economies are further exacerbated in the case of the least developed among them, whose structural weaknesses have placed them in an increasingly precarious socio-economic situation. This situation and the structural weaknesses inherent in the economies of the least developed countries, the majority of which are in Africa, consign these countries to a weak competitive position in the current global economic setting. The challenges facing LDCs, in this context, can be summed up in four main categories: first, the need to reverse the decline in economic and social conditions in these countries; second, the need to reactivate and promote economic growth, recovery and development; third, the need to ensure structural transformation in the economies of LDCs and reverse their continued marginalization in world trade; and lastly, the need to ensure their full and successful integration into the international trading system and the global economy, taking into account, their trade, finance and development needs. It was against this background that the international community collectively committed itself to the design and implementation of the Substantial New Programme of Action (SNAP) and the Programme of Action for the LDCs in the 1980s and the 1990s respectively.

14. UNCTAD X should, therefore, set the stage for a renewed and genuine international commitment to Africa's economic growth and sustainable development in the new millennium. It should also provide concrete policy inputs for a comprehensive review of progress made in various international trade and development initiatives in favour of LDCs and formulate policies and strategies to address the special needs and concerns of these countries. To prevent the risk of further marginalization of Africa requires that international factors reinforce the domestic determinants of the growth process in Africa. To this end, Africa's interests and concerns should be taken fully into account in the design and implementation of UNCTAD's future work programme, and the Conference should take

urgent action to enhance the capacity of African countries to place growth and development on a sustainable track.

## **II. Africa's Development Challenges**

### **A. Finance and Investment Issues**

#### **(a) Development Finance**

15. UNCTAD should continue its policy analysis regarding the situation of external financing to the African countries with respect to the critical needs of these countries in financing their development requirements. UNCTAD, in collaboration with other relevant international institutions, should study new and innovative ways of attracting finance for development, while at the same time striving to improve the prospects of traditional sources.

16. UNCTAD should continue to be fully involved in the preparations for the High-Level Conference on Financing for Development, to be held not later than 2001, and should be given a specific mandate in the follow-up of its outcome. In this regard, UNCTAD, in cooperation with the OAU/AEC secretariat, the Economic Commission for Africa (ECA), the African Regional Economic Communities (RECs) and all relevant institutions should undertake preparations for this conference and assist in formulating a common African position on the matter.

#### **(b) Official Development Assistance**

17. The official development assistance (ODA) resources have been dwindling throughout the 1990s, both in real and nominal terms. They declined from 0.33 per cent of the combined GNP of the members of the OECD Development Assistance Committee (DAC) in 1992 to 0.22 per cent in 1997, the lowest level ever recorded. In addition, the share of African LDCs in total ODA has been declining in the second half of the 1990s. This decline comes at a time when the economic reform policies implemented by many developing countries, including African countries, as well as improved budget situations in many DAC countries, should have encouraged expansion, not contraction of aid.

18. Moreover, this decline is not in consonance with donor countries' commitments in various United Nations resolutions to meet the internationally agreed target of 0.7 per cent of GNP. It also fails to reflect their commitments to improve the social and human development conditions, particularly to reduce, by 50 per cent, the proportion of the world's population living in extreme poverty by the year 2015. Ways and means should therefore be sought to enhance compliance with these commitments. In the light of the reduced international liquidity in relation to demand, adequate resources should be made available to the multilateral development banks and other institutions, which are major sources of financing for low-income countries. It is also imperative that resources directed to post-conflict or emergency aid should be additional to other ODA flows.

19. The international community, and especially donor countries, should take urgent and practical measures to reverse the continued decline in ODA and meet the internationally agreed targets of 0.7 per cent of their GNP for developing countries and 0.15 per cent of their GNP for LDCs, in accordance with various United Nations resolutions and the Programme of Action for the LDCs for the 1990s. Donor countries need to reorient their development aid programmes to make them more focused on the development needs and priorities of the beneficiary countries.

(c) Debt Relief

20 The external debt problem of many African countries continues unabated. The debt overhang impedes African countries from directing more investment into physical infrastructure, human resources development and social services, particularly basic education and health. The negative effect of external debt on credit rating deters foreign investors from investing in many of these countries. Furthermore, the “albatross” of debt continues to hinder the effective participation of African countries in the world trading and financial system. Consequently, Africa’s persisting debt problem and the resulting decline in economic performance have continued to deepen the marginalization of the continent in the global economy. There is, therefore, a compelling moral and practical obligation to free these countries from their debt burden.

21. A important portion of the debt arises from arrears, and as such, there is a growing recognition that much of the debt is unpayable. There have been numerous international initiatives to deal with the debt problems of indebted countries. However welcome they may be, none of them have managed to rid these countries of the burden of debt and place them back on to the path of growth and development. The HIPC’s initiative was more comprehensive and for the first time included debt owed to multilateral financial institutions, but it unfortunately proved to be too little, too slow and too narrow in scope to reduce substantially and effectively the burden of the debt ridden countries. The more recent initiative on debt reduction undertaken in the context of the G-7 Summit in Cologne, marks a welcome improvement over the initial HIPC’s initiative. Yet, it may prove to be insufficient to support globally agreed targets for poverty reduction by the year 2015. Relief under the Cologne terms continues to be attached to performance under ESAF. While flexibility has been introduced with regard to the time frame for performance under ESAF, experience with the implementation of ESAF has demonstrated that slippages in implementation are frequent, owing to poor design and ownership problems. Such programmes should not be focused on narrow monetary objectives and should be designed in consultation with the Governments concerned and with civil society and should enjoy broad national support. Flexibility is needed in the interpretation of the Cologne initiative by the international financial institutions so that the debtor countries enjoy the full benefits of the initiative.

22. Care should be taken to ensure that debt relief measures do not lead to more problems for African countries. In particular, the effects of the announcements of gold sales on gold-producing African countries and those other African countries indirectly dependent on the gold mining sector should be studied and appropriate compensatory measures considered. It is equally important to ensure that debt relief initiatives are not provided at the expense of other flows. Unless these initiatives are financed by resources that are additional to previously committed assistance, they would be a mere exercise in resource reallocation with no marginal contribution to the development needs of African countries.

23. The question of the sustainability of debt remains a central issue in the process of debt reduction. So far, creditors have been deciding on the criteria, eligibility, and the degree of reduction of debt. The fact that there are mounting arrears signifies that the debt cannot be serviced. This is equivalent to a state of insolvency under bankruptcy codes. Judicial procedures would not allow practices that required debtors to maintain debt servicing or long delays between the recognition of insolvency and debt reduction. Furthermore, decisions by judicial authorities would not require the consent of creditors. Similarly, the determination of sustainability should be left to an independent panel of eminent individuals appointed jointly by debtors and creditors, with a commitment by creditors to write off debt which is deemed unpayable.

24. The problems of middle-income indebted countries should also be addressed. There should be expanded use of debt swaps and debt conversion and more generous refinancing terms for these countries.

25. UNCTAD should continue its assistance to African countries in their debt management in the context of its DMFAS programme. Sufficient resources should be provided to this programme by donors so that this assistance can be provided to a larger number of indebted African countries.

26. UNCTAD is invited to work closely with the OAU/AEC secretariat with a view to implementing the decisions of the Fifth Ordinary Session of the OAU/AEC's Council of Ministers and Assembly of Heads of State and Government in respect of the Contact Groups on Africa's external debt.

#### (d) Investment Issues

27. World FDI flows have risen continuously during the 1990s, reaching US\$644 billion in 1998 (according to preliminary data released by UNCTAD recently), an increase of 39 per cent over 1997.

28. While developing countries have made the biggest gains in flows of inward FDI in the 1990s, with their share reaching 37 per cent of global inflows in 1997, Africa's share in total FDI flows increased only modestly by a share of 1.2 per cent during this period. Indeed, African countries' share in total FDI inflows to developing countries dropped significantly to less than 5 per cent in the second half of the 1990s. Only this modest increase has been recorded despite African countries' efforts to implement far-reaching economic reforms and maintain macroeconomic stability. These have included the improvement of investment regulatory frameworks that are more open and business-friendly, the provision of incentives to attract and retain foreign investment, and allowing a more liberal capital repatriation regime. These efforts are in recognition of the fact that FDI flows can contribute positively to their economic development and integration into the world economy. In spite of the low response to this auspicious investment climate, Africa remains a highly profitable investment location as investors record rates of return that by far exceed those in other developing regions.

29. It is significant that an increasing share of FDI flows in the 1990s have been directed towards manufacturing and services, in contrast to the widely held assumption that Africa receives FDI only in traditional sectors such as mining and petroleum. The main priority for

African countries remains how to attract and encourage more FDI flows into the continent; but the quality of FDI flows and its impact on development is also of utmost importance.

30. African countries' efforts to attract a bigger share of world FDI flows are driven by their potential positive impact on increasing export capacity and access to markets, and the transfer of technology, know-how, managerial and labour skills. To facilitate the attainment of these goals, analytical work should be strengthened to assess the impact of FDI flows on development, as well as to identify policy options to maximize their positive effects and minimize their possible negative effects. Furthermore, in recognition of African countries' efforts to create a favourable environment to attract FDI, the international community should support further efforts aimed at consolidating the reforms undertaken so far. In this regard, due consideration should be given to home countries' measures to encourage investment flows to African countries.

31. Africa's below-potential performance in attracting FDI flows requires giving more attention to improving promotional efforts, through national investment promotion agencies as well as networking between the various African investment promotional agencies. These efforts should contribute to changing the widely held perception of Africa among investors as an unattractive location for their investments. Assistance should be given to investment promotion agencies, and the exchange of experiences on best practices in the area of investment promotion should be facilitated.

32. The possible impact of regional integration in attracting FDI flows should be considered. Such arrangements could assist in establishing larger markets, thus overcoming one of the obstacles to attracting more FDI flows to Africa. Furthermore, regional integration could promote the harmonization of investment regulations and incentives for the attraction of foreign investment among African countries.

33. African countries recognize the importance of promoting domestic investment and indigenous enterprise as a priority. Particular attention will need to be given to small and medium-sized enterprises (SMEs) through various business support services.

34. African countries have complemented their efforts to improve their domestic investment climate by participating in international investment arrangements. Most African countries have concluded bilateral investment treaties (BITs) to protect and promote FDI flows. A number of African countries have also accelerated the conclusion of double taxation treaties (DTTs) as an additional element to attract FDI flows. In this regard, UNCTAD's role in facilitating the conclusion of such agreements should be intensified. It is also important that the development dimension of international investment arrangements should be further studied and analysed. This should include identifying ways to introduce flexibility into international investment agreements and trade-related investment measures in the Agreement on Trade-related Investment Measures (TRIMs), in order to ensure that such arrangements are development-friendly. Furthermore, UNCTAD should intensify its work in the areas of a possible multilateral framework for investment with a view to promoting the better understanding of its implication for the development of developing countries.

35. Investment policy reviews (IPRs) conducted by UNCTAD upon request by beneficiary countries could be an important tool in identifying areas where further work by individual countries is needed to increase its attractiveness to FDI flows. They could also be important tools in promoting African countries among investors and changing the stereotype that

“Africa is not good for business”. UNCTAD should also expand the LDCs’ investment guides and capacity-building project to include more interested African LDCs.

36. Bearing in mind its ongoing work, UNCTAD should, in collaboration with ECA, the African Development Bank (ADB) and the African Capital Markets Forum (ACMF), initiate action for the implementation of the Mauritius Forum on financial market integration and in particular, the development of subregional stock exchanges for each REC and financial intermediation projects such as venture capital funds, mutual funds and regional insurance and guarantee institutions.

#### (e) Reform of the International Financial System

37. It is necessary that developing countries participate more actively and effectively in the process of reform of the international financial system triggered by the recent financial crisis, and that their views and proposals influence not only the process, but also the final form of the architecture to be put in place. The reformed architecture should ensure the proper management of the globalization of the international financial and capital markets, in order to reduce the incidence of financial volatility caused especially by short-term capital flows with grave economic and social consequences for developing countries. The new financial architecture should be sufficiently funded to provide the international liquidity required for effectively assisting countries facing financial crisis. Measures for the meaningful resolution of Africa’s persisting debt crisis, which represents an enduring constraint on development financing, must be an integral component of the reformed architecture. The stability of international flows is important to ensure Africa’s economic recovery and growth, as African economies are the least equipped to cope with external shocks.

38. Concrete steps should be taken to achieve greater coherence in global economic policy-making to ensure that the international institutions involved pursue mutually supportive policies, in a manner that would enable developing countries to derive maximum benefits from international policies and agreements. In this context, strategies are needed to ensure coherence, particularly between financial and trade policies of the various international financial and trade institutions.

### **B. Trade Issues**

39. The completion of the Uruguay Round negotiations and the subsequent establishment of the WTO were hailed by many as heralding a new dawn in international economic relations. Moreover, many studies conducted at the time postulated that gains would accrue to developing member countries as a result of the new market access opportunities and the certainty and predictability created by the new rules-based trade regime. This, regrettably, has not been the case as far as African countries are concerned.

40. The post-Uruguay Round experience of African countries highlights an imbalance tilted in favour of the obligations rather than the benefits that were expected from the multilateral trading system. One of Africa’s main objectives is to redress the imbalance in the context of the Uruguay Round agreements. This consideration should therefore compel African

countries to devise strategies aimed at maximizing the benefits from the international trading system by pursuing a proactive agenda in the forthcoming multilateral trade negotiations.

41. Enduring structural obstacles, particularly supply-side constraints, continue to dim Africa's trade prospects. These are more pronounced for the LDCs among them. To ameliorate the supply-side constraints which are fundamental to the integration of African countries into the world economy, the international community should therefore adopt innovative, concrete and result-oriented measures which would enhance their competitiveness through, inter-alia, commodity diversification in line with their dynamic comparative advantage, and through identifying niche markets infrastructure development and enhancing their capacity in human resources and institution building.

42. The unprecedented speed of globalization has continued to leave African countries, including those with small economies, and in particular the LDCs, outside the mainstream and has thus deepened their marginalization.

(a) Multilateral Trade Negotiations

(i) Introduction

43. Given Africa's objective economic weaknesses and constraints, it is crucial to have clearly defined negotiating objectives and strategies to achieve them. The most important objectives are: (1) to enhance trade benefits for Africa, including those arising from special schemes granted by developed countries; (2) to secure a balanced system of rights and obligations within WTO; (3) the upcoming multilateral trade negotiations should be conducted within a time frame commensurate with African countries' capacity to negotiate on all issues and the result of these negotiations should include early harvest and the concerns of African countries and LDCs; (4) to support efforts for the strengthening of supply capacities; (5) to provide flexibility in the use of appropriate policy instruments to enhance the process of structural transformation of their economies; (6) to improve market access for products and services of export interest to them; and (7) to advance their regional integration objectives. African countries should concentrate their scarce resources to cope sufficiently with the priority areas, and pool resources to cover reasonably, the areas which may not be of vital importance but where there are common interests at play.

44. The elaboration of substantive negotiation strategies for African countries should be carried out in close cooperation with the ECA, OAU/AEC and UNCTAD. The provision of technical assistance by UNCTAD to African countries for improving institutional capacity, as well as human resource development for analysis and negotiations, are critical in this respect.

45. The implementation of the existing WTO agreements has highlighted a number of imbalances. UNCTAD and other relevant international organizations should analyse the impact of these imbalances. The efforts by African countries to effectively implement their WTO commitments should be supported by adequate financial and technical resources, especially when such implementation must be made in tandem with other equally important obligations, such as ongoing structural adjustment programmes and regional integration processes.

(ii) General issues

46. One of the priority objectives of African countries should be the recognition and concrete implementation of the special and differential (S & D) treatment in favour of developing



countries, especially LDCs, as an integral part of all existing and future WTO agreements. The S & D provisions in the form of 'best endeavour' clauses, such as the general commitment to provide technical assistance, should be defined with greater clarity and specificity to make their implementation obligatory and measurable.

47. Supply-side constraints continue to hamper the effective participation of African countries in the international trading system, and technological advances are, to a large extent, bypassing them. The profound structural changes and diversification of export capacity, including the development of marketable and internationally competitive products and services, have to be supported by adequate financial and technical cooperation and assistance. Efficient and effective transfer of technology from the developed countries and relevant international organizations, including UNCTAD, the International Trade Centre (ITC) and WTO, is important in this respect. African countries are still at the initial stages of developing regulatory frameworks for their services. Concrete capacity-building measures to build their services sector and to provide benchmarks for imports should be pursued in parallel. Developed countries should undertake specific commitments to strengthen the services capacity and its efficiency and competitiveness in African countries, *inter alia*, through greater access to technology and improved access to distribution channels and networks.

48. Further improvements in market access for products of export interest to African countries should be pursued. Preferential market access to exports of African countries could be improved, for example, by providing duty-free in-quota rates and preferential allocation of tariff rates quota (TRQ) quantities. Tariff reductions should target the reduction of high tariffs on value-added products, and tariff escalation. A tariff reduction approach should be formulated which credits autonomous agricultural liberalization undertaken by African countries under structural adjustment programmes or unilateral trade liberalization. TRQ quantities should be expanded from the level at the final implementation year and should increase continuously afterwards. Guidelines or disciplines on simplified and transparent TRQ administration methods, are required to ensure that the full TRQ quantities are imported. Concerning the improvement of market access for LDCs, duty-free and quota-free access should be granted for all products of export interest to LDCs, and safeguards and anti-dumping actions should not be taken against them. In this regard, the expeditious implementation of the follow-up to the High-level Meeting on Integrated Initiatives for LDCs' Trade Development is necessary.

49. Regional economic cooperation and integration could also facilitate the creation of a regional infrastructural base, the development of productive capacities, further liberalization of trade and the harmonization of policies. African countries should be assisted in their efforts to strengthen regional economic organizations. UNCTAD is called upon to work closely with the OAU/AEC secretariat, and the ECA, to undertake studies on the workings of the Compensation Fund in terms of revenue loss in all the RECs and in the subregional organizations that have adopted such schemes. Joint collaboration is also needed to investigate the complementarities or contradictions in structuring tariff schedules of members as a result of the implementation of structural adjustment programmes and regional trade liberalization schedules, against the background of WTO disciplines, with a view to the harmonization of these schedules.

50. As African countries pursue trade liberalization policies within the context of their economic reform programmes and WTO, they attach great importance to complementarity and coherence in international economic policy-making as a valuable element in increasing the effectiveness of these policies at the national level. International institutions should pursue mutually supportive policies that contribute to the implementation of the WTO agreements in a manner that enables African countries to derive the maximum benefits enshrined in their rights

and obligations under those agreements. It is regrettable that, as a condition for structural adjustment loans, some African countries have undertaken liberalization measures beyond requirements stipulated in the WTO agreements. Credit should be accorded for such autonomous liberalization.

51. The first step towards the integration of African countries, especially LDCs, into the global economy and its international trading system is institutional integration. Taking into account the immense complexity of WTO accession negotiations, and the special requirements being demanded from acceding countries, this process should be facilitated and accelerated, particularly for LDCs. Newly acceding countries should not be put at a disadvantage to earlier members.

52. In the light of the above considerations, developing countries seeking accession should not be called upon to assume obligations beyond those applicable to other developing WTO members. The S & D treatment provisions stipulated in the respective WTO agreements should be automatically granted to acceding developing countries. Market access negotiations for these countries should be reasonable and realistic, and in line with their development policies and objectives.

(iii) Difficulties and concerns related to the ongoing work at WTO

53. Developing countries, including African countries, face serious problems caused by the abuse or misuse of contingency protection measures provided by the agreements on subsidies and countervailing measures, and on safeguards. Effective assistance should be provided to enable African countries to contest practices that are inconsistent with the provisions of the respective agreements.

54. Developed countries usually use non-actionable subsidies, whereas developing countries mostly apply actionable subsidies. Thus the African countries should consider what kinds of subsidies are most beneficial to them and negotiate their addition to the list of non-actionable subsidies. As regards the demand for total elimination of export subsidies by developed countries, the short term impacts of this kind of action should be assessed as regards, especially, the net-food-importing African countries and LDCs. As the Uruguay Round Agreements significantly reduced the use of tariffs as measures of protection, the application of non-tariff measures, including the sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) has considerably increased. SPS and TBT issues are closely linked to developing countries capacity problems. Therefore, the provision for technical assistance should be made contractual. The participation of African and other developing countries in international standard-setting bodies should be enhanced. WTO members should be discouraged from applying unilateral or national measures that are stricter than relevant international standards, guidelines and recommendations.

55. African countries, together with other developing countries, need more favourable transitional periods in the agreement on customs valuation and require intensified technical assistance for its implementation.

56. Concerning rules of origin, African countries share the concern raised by other developing countries, that completion of the work programme to harmonize non-preferential rules of origin was not within the three-year deadline. Rules of origin are also of crucial importance within the preferential trade arrangements in Africa. Thus, the rules of origin in unilateral preferential trading arrangements, especially in favour of LDCs, should be simplified

and harmonized. Rules of origin for products of export interest to them should be tailored to promote their participation in the global production chains and in marketing these products.

57. Concerning the Agreement on Textiles and Clothing, African countries have observed with concern that its implementation by developed countries was being undertaken in such a manner as to postpone market access for the most commercially meaningful products until the last three years of the 10-year programme for the liberalization of this sector. This trend prevents the expansion of exports and generates a negative impact on investment in the textile sector.

58. African countries support strongly the detailed proposals to improve the provisions of the Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement), among others, made within the WTO preparatory process for the Ministerial Conference and during the Sun City and Pretoria meetings. The acceptance of these proposals would alleviate major difficulties in modernizing the administrative and legal infrastructure, creating a culture for the protection of intellectual property, and achieving an appropriate framework for the promotion, transfer, research and development of technology.

59. African countries face serious resource and information gaps in using the dispute settlement mechanism. African countries put major emphasis on the availability of impartial technical and legal assistance and advice to the dispute settlement mechanism with adequate funding from the developed countries and relevant international organizations.

60. Considering the interrelated issues of trade, environment and development, African countries emphasize that the mainstreaming of trade and environment into the WTO agreements involves risks. In Africa, the trade of domestically prohibited goods deserves attention in relation to the protection of public health and environment. An environmental impact assessment of the TRIPS agreement is needed that takes into account the objectives of the Convention on Biological Diversity and the imperatives of access to, and use of, environmentally sound technologies by developing countries. Financial and technical assistance is needed by African countries for the adoption of environmentally preferable production processes and methods.

(iv) Future Work Programme of WTO

Negotiations on agriculture

61. One of the main interests of African countries is in the substantial and progressive reduction by developed countries of the very high levels of agricultural tariffs. Export subsidies in the agricultural sector are the most trade distorting and remain extremely high. In this context, the next round of agriculture negotiations should aim at balancing trade and non-trade concerns, with a particular emphasis on the socio-economic importance of the agricultural sector in developing countries, particularly in Africa. Restrictions should be removed from the use of domestic support and export subsidies by developing countries that could not record such measures in their schedules of commitments before the conclusion of the Marrakech Agreement Establishing the World Trade Organization. The full and effective implementation of the decision on net food importing developing countries, and the achievement of food security, are of major interest to African countries.

## Negotiations on services

62. The negotiations should be conducted within the existing architecture of the General Agreement on Trade in Services (GATS). The aim should be the effective achievement of the objectives of GATS Article IV and to reduce the current imbalance in commitments. African countries invite the developed countries to undertake specific commitments to strengthen developing countries' domestic services capacity and its efficiency and competitiveness, through concrete capacity-building measures and improved access to necessary technology and network, and through incentives for both private and public entities to facilitate this access.

## Electronic commerce

63. African countries would need to consider such important issues as technical and financial assistance to build up infrastructure and human resources, the development implications of electronic commerce, improving their understanding of relevant issues and the linkages between electronic commerce and GATS, TRIPS and other WTO rules, particularly trade facilitation. Issues such as technological neutrality and customs-free cyberspace in electronic commerce should be carefully studied before the consideration of proposals for bringing this issue into the WTO. African countries need a better understanding of these issues, and of how to benefit from the opportunities provided.

## Scope, structure and time frame of future negotiations

64. The scope, structure and time frame of future negotiations should be guided by the following considerations:

- Developed countries should have realistic expectations.
- Development concerns must be taken fully into account.
- The flexibility to pursue development policy objectives should not be affected by future negotiations.
- Developing countries should receive credit for autonomous liberalization.
- Technical assistance for negotiating capacity should be increased.

## (v) Role of UNCTAD

65. UNCTAD has undertaken a wide range of activities in favour of Africa. These activities, highly valued by African countries, should be sustained and strengthened.

66. The Positive Agenda for African States, as contained in the Report of the First Meeting of African Ministers of Trade, held in Harare from 8 to 9 April 1998, are of continuing relevance to the preparations for future multilateral trade negotiations. UNCTAD can provide a comprehensive input to this agenda by assisting African countries examine issues of interest to them, and in the examination and evaluation of policy options for negotiation. Also of relevance are the conclusions of the recent UNCTAD meetings, held in Sun City and Pretoria, in preparation for future multilateral trade negotiations. UNCTAD's

work could also contribute to elaborating reasonable common negotiation objectives and creating negotiation coalitions. Specific areas of assistance for African countries include:

- Country studies on the implementation of the Uruguay Round agreements.
- Sectoral and product studies, taking into account measures for addressing supply capacity and strategies to enhance market access.
- Negotiating capacity and institutional capacity-building.
- Analytical work on ongoing and future work in WTO.
- Work on statistics and databases to assist in negotiations.
- Strengthening of the CAPAS programme and ensuring its extension to all African countries to enable them improve their services sector.
- Maintaining and strengthening ongoing efforts to assist developing countries in developing a positive trade agenda.

(vi) Role of other Organizations

67. The United Nations Development Programme (UNDP) and other relevant international institutions should continue to strengthen their activities in support of the efforts of African countries to enhance their trade performance and effective integration into the multilateral trading system. UNCTAD and other relevant international organizations and agencies should work in cooperation with African regional organizations, particularly the OAU/AEC, ECA, ADB and the various subregional economic communities to enhance Africa's trade fortunes and general economic development.

(b) Commodities

68. African countries depend heavily on commodities for their export revenues. However, African countries have been losing market share in commodity exports in which they enjoyed comparative advantage. UNCTAD's work in this area should therefore be oriented towards the identification of measures to rejuvenate the commodities sector in African countries to enable them regain lost market shares.

69. As many African countries are essentially commodity-dependent, urgent international action is required to address the continued fluctuation of commodity market prices and their current depressed levels. To this end UNCTAD should accord a more focused treatment to commodities and undertake a study on the possibility and utility of establishing supply management mechanisms aimed at stable prices at remunerative levels.

70. The lack of interest by consuming countries in producer/consumer cooperation, as manifested, for example, in the withdrawal of several important countries from the Common Fund for Commodities, is causing much dismay in African countries. The activities of producer/consumer commodity bodies are crucial, particularly in respect of market transparency and information. Their activities should be expanded and their effectiveness should be improved. Increased funding, including through the Second Account of the Common Fund for Commodities, is needed to finance research and development and extension services on African commodities, and adaptive research on production, processing

and marketing aimed at small holders and small and medium-sized enterprises. In this connection, the Common Fund for Commodities is called upon to provide assistance to African countries, to speed up diversification and structural transformation of their commodity sectors.

71. African countries should familiarize themselves with the financing facilities of the Common Fund for Commodities and make full use of them. Cooperation between UNCTAD and the Common Fund should be strengthened.

72. African countries' need to diversify their export base from the primary sector to semi-processed and processed goods has been clearly recognized at both the national and international levels. This can be achieved by resorting to domestic resource mobilization measures as well as policies to attract FDI to this sector. UNCTAD should therefore identify investment opportunities in the sector and contribute to policy formulation by African Governments to achieve this diversification goal.

73. UNCTAD's work should, as a basis, identify both horizontal and vertical diversification potential. In this respect, UNCTAD should assist African countries in adding value to their commodity exports by highlighting diversification and processing potential and factors hampering its achievement such as tariff peaks, tariff escalation and the agricultural support policies of developed countries, and to seek remedial measures through a positive agenda. Similarly, UNCTAD should, under the Cartagena commitment in which governments recognized the importance of exploring new approaches, provide technical assistance and policy advice on mechanisms including financial risk management instruments to producers and users of oil and gas, given the volatility of oil prices and their negative impact on the economies of both exporting and importing developing countries.

74. In recognizing that trade-related finance will assist member States in expanding their participation in the international markets and promote intra-community trade in goods and services, UNCTAD, in collaboration with the OAU/AEC secretariat, the ECA, RECs, AFREXIMBANK, PTA Bank and other similar institutions, should support national efforts to develop policy and institutional frameworks conducive to the use of modern financial instruments by farmers, traders and manufacturers.

75. Trade in the commodity sector has consistently been subject to adverse terms of trade. Falling commodity prices have been noted as a major factor in African countries not meeting their growth potential. UNCTAD should therefore continue to address measures to mitigate the negative impacts felt by producers and traders from volatility in prices by devising risk management instruments and assisting in their use. Structured finance could contribute to the generation of resources for use by the commodity sector.

76. Trade in the commodity sector has been controlled by a few multinational companies from consumer countries. This has therefore tilted the bargaining power towards consumers and away from producers. In order to address this asymmetry in bargaining power, UNCTAD needs to conduct a study on possible producer associations and thus enhance South-South cooperation. Moreover, the need for competition policy is evident and thus UNCTAD's work in this area should be oriented towards identifying measures to address the oligopolistic and oligoposonistic tendencies in the commodity sector.

77. The withdrawal of marketing boards from the commodity sector has created a void in many African countries. This void is felt particularly by those dealing with large buyers of

commodities and those providing support services such as quality control, research and development, warehousing, transport, financing, price risk management, and market intelligence, as well as in the supply of inputs, basic technology and extension. While some of these functions have been taken up by the private sector, there is a crucial need to improve them, fill the gaps that exist, and prepare the private sector to carry out these functions effectively and efficiently.

(c) Trade Preferences

78. Many preferential schemes introduced in the past few decades by developed countries were meant to assist African countries in integrating into the global economy. However, utilization of these schemes has not been encouraging. UNCTAD should continue its analytical and research work on factors leading to the poor utilization of preferential schemes by African countries with a view to maximizing the benefits they can expect from these schemes. It has been recognized that the post-Uruguay Round global trade regime, especially the most-favoured-nation (MFN) clause, may adversely affect benefits from preferential schemes. UNCTAD should continue to identify measures to address the loss of competitiveness emanating from the erosion of preferences.

79. The special and differential measures in favour of African countries contained in the Final Act of the Uruguay Round, especially in the Marrakech Declaration and Ministerial Decisions, should be implemented fully and as a matter of priority. Special measures for LDCs should also be enhanced, including through the provision of duty-free and quota-free access for all products of export interest to these countries.

80. UNCTAD should monitor, and analyse the impact of all conditionalities attached to GSP and other preferential schemes on the trade of African countries with a view to ensuring that the preferences are not rendered ineffective. It should also continue to assist preference-receiving countries in meeting genuine requirements for the enjoyment of preferences.

81. GSP schemes should be improved through the elimination of tariffs, widening of product coverage, reduced procedural complexity, relaxation of graduation criteria and further simplification and relaxation of rules of origin. Reducing tariff peaks and tariff escalation as well as the tariffication of non-tariff measures, which have severely constrained the manufacturing sector and trade in processed commodities of African countries, especially LDCs, need to be given adequate emphasis. The growing non-trade barriers and market access conditionalities should also be eased and gradually removed. Safeguards and anti-dumping actions should not be taken against the exports of LDCs.

82. In view of the small market size of many African countries, measures should be intensified to enhance regional cooperation and integration among African countries. The various subregional and regional integration processes in Africa should be strengthened to enable African countries realize the benefits of economies of scale.

83. Discussions on the successor agreement to the Lomé Convention are ongoing. The European Union's post-Lomé arrangement, in the form of regional partnership agreements (REPAs) and free trade areas (FTAs), would lead to the eventual removal of trade preferences enjoyed by ACP countries and substantial revenue loss arising from MFN/liberalization of ACP markets to European Union exports. The advent of REPAs and FTAs is capable of

making Africa lose ownership of its regional integration processes. Consequently, ACP countries, particularly African countries, should adopt a positive agenda in the context of the negotiations of the successor agreement to the Lomé Convention, drawing upon the experiences and lessons from similar FTA negotiations with the European Union.

84. Within the context of these negotiations, ACP countries should aim at securing adequate resources and flexibility to meet their restructuring needs and to improve their capacities. They should also strive for the retention and improvement of trade preferences as well as the removal of asymmetry in trade liberalization by developed countries. It is important that as the ACP-European Union relationship had been a development cooperation arrangement, the post-Lomé arrangement should go beyond mere market access considerations. To this end, trade and infrastructure development and improved competitiveness of ACP exports should be ensured. It is imperative for African countries to ensure that the new relationship is based on existing African regional integration processes, so as not to lose their momentum and ownership.

85. UNCTAD should undertake in-depth analysis on the prospects and challenges of the proposed arrangement, and assist the ACP countries in the negotiations, as part of its mandate in the development of a positive agenda in support of developing countries in their international trade negotiations.

#### (d) Trade and Environment

86. Discussions on the relationship between trade and environment are ongoing in various forums. UNCTAD should therefore enhance policy dialogue between the trade and environment communities both at the national and international levels with a view to ensuring that the development dimension permeates these discussions.

87. UNCTAD X could recommend a broad programme on strengthening capacities of developing countries to deal with trade-related environmental and environment-related trade issues. This programme could focus on issues such as: market access; trading opportunities for environmentally preferable products; promoting sustainable natural resource management; the use of economic instruments and market-based instruments to address issues of global concern; TRIPs and sustainable development; trade, environment and investment; restrictions of export and use of domestically prohibited goods; conducive policies for the diffusion of environmentally sound technologies and promoting trade and environment integration in the context of regional cooperation.

88. The programme should be implemented through policy-oriented studies for UNCTAD's intergovernmental machinery and a series of global, regional and country-specific projects. Activities should consist of policy-oriented studies, the compilation and analysis of statistical information, seminars, training, and the promotion of consultative mechanisms. To the extent possible, technical assistance projects should link analytical work with the resolution of specific problems at the interface of trade, environment and sustainable development, at country or regional level.

89. The potential for environmental standards being used for protectionist purposes has clearly alarmed many African Governments. UNCTAD should analyse the impact of the use of these measures on the trade prospects of Africa.



90. In environmental protection and in “mainstreaming sustainability”, positive measures should be first considered before accommodation is sought for the use of trade-restrictive measures in the implementation of multilateral environmental agreements. These positive measures include, inter alia, capacity building, and financial and technical assistance.

#### (d) Competition Issues

91. The improving investment climate and liberalized trade regimes in African countries within the context of the Uruguay Round agreements have not been complemented by a proportionate establishment and development of competition authorities, on the one hand, and the development and implementation of competition laws and policies, in these countries. on the other. This is important as the introduction of market forces alone is not sufficient condition for the achievement of economic growth and development, unless they are regulated and supervised by competition regimes.

92. Despite the progress achieved in some African countries towards this end over the last few years, further support is necessary to create and strengthen competition authorities and to implement competition laws and policies. This support should include the training of human resources, facilitating the regional exchange of experiences and providing information on restrictive business practices.

93. There is a need to define and analyse the development dimension of any possible multilateral rules on competition, as well as the feasibility of introducing competition provisions in different multilateral trading agreements.

94. The relationship between competition and competitiveness should be studied, while assessing the impact of globalization and liberalization on developing countries' capacity to compete in the international market.

### **B. Other Development Issues**

#### (a) New Information and Service-Based forms of Economic Activity

95. It is extremely important for African countries to use electronic commerce in their commodity- and labour-intensive services sector. An assessment of the economic, financial and development implications of electronic commerce for African countries, highlighting the opportunities and challenges, should be undertaken. African countries should be well positioned to benefit from global electronic commerce, and should be assisted in identifying trade-related aspects of global electronic commerce as they relate to the existing framework for trade in goods and trade in services in WTO.

96. African countries need to improve and enhance their competitiveness through improved access to global information networks, particularly through developing their telecommunications infrastructure and strengthening their domestic capacity. Given their severe lack of information and communication technologies, particularly telecommunications infrastructure and computer-based technologies, African countries' efforts to develop and expand these elements in Africa should be supported by the international community. Ways and means should also be explored to assist African countries in strengthening their domestic

telecommunications infrastructure and services capacity, through, *inter alia*, transfer of technology, training and human resource development in telecommunications and computer-based technologies (access to physical networks). As a major channel for world services trade, the Global Information Infrastructure (GII) should have a development dimension and ways and means should be found to facilitate African countries' access to, and use of, public telecommunications networks, including satellites and low-orbit systems and information banks in developed countries (access to services).

(b) Trade facilitation and trade efficiency

97. Trade facilitation and trade efficiency concepts should have a development dimension so that they can contribute to the trade promotion efforts of African countries.

98. Analytical work on the simplification of trade procedures, and the challenges and opportunities facing African countries in these areas should be pursued.

99. A transport and communications infrastructure that facilitates trade of African countries, especially LDCs, island, landlocked and transit developing countries, must be developed through adequate financial and technical assistance.

100. In implementing the recommendations adopted by the United Nations International Symposium on Trade Efficiency (UNISTE, 1994) in the areas of transport, customs, transit, Trade Points, banking and insurance, the critical needs of African countries should be fully taken into consideration in order to ensure access to both physical networks and services of these countries.

101. The need for human resource development of African countries must be given adequate emphasis in this regard, in order to enable these countries take full advantage of market opportunities.

102. The new information- and services-based forms of economic activity, especially those resulting from advances in electronics and information technology, have assisted economic recovery, growth and development in some developing countries. However, in the case of African countries and LDCs, such advances, although capable of accelerating the pace of development, have tended to exacerbate their marginalization. African countries, and more so the LDCs among them, have not yet been equipped to harness the potentials unleashed by information technologies.

(c) **Enterprise Development, Competitiveness and Transfer of Technology**

103. Despite the opportunities created by the process of globalization and liberalization, the development of the enterprise sector in African countries has been constrained by difficult challenges concerning the financing of its development, marketing activities, access to international markets, the introduction of advanced technologies, the promotion of managerial skills, quality and production, etc.

104. Ways and means should be explored to create a dynamic enterprise sector in Africa and enhance the competitiveness of African enterprises. It is important to promote the enterprise

sector in Africa, because of its social, political and economic importance in African economies. To this end, the EMPRETEC Programme of UNCTAD must be strengthened, expanded and deepened in order to promote the culture of entrepreneurship in African countries.

105. In the area of technology transfer, the following elements should be given careful consideration:

- ◆ Creating a mechanism for sharing knowledge among research and development institutions at the national, regional and international levels;
- ◆ Promoting a culture of research and awareness in the area of science and technology;
- ◆ Improving access to technology;
- ◆ Promoting endogenous innovation and invention;
- ◆ Searching for viable technological partnerships and consolidating the existing ones;
- ◆ Scanning alternatives for technology transfer and blending;
- ◆ Devising strategies for technology dissemination and diffusion and for technology "leapfrogging";
- ◆ Transferring environmentally sound technologies and other horizontal technologies that may develop a solid and viable technological base, such as technology for quality control;
- ◆ Allowing subsidies for the transfer of technology to developing countries which would be eligible for non-actionability under the Agreement on Subsidies and Countervailing Measures.
- ◆ Compulsory licensing for WTO listed essential drugs.
- ◆ Transferring technology developed from publicly funded research and development by developed countries.

### **(e) Regional Economic Cooperation**

106. Regional economic cooperation and integration in Africa could create opportunities for the expansion of intraregional and interregional trade. Africa is determined to build on the Abuja Treaty Establishing the African Economic Community as a cornerstone for regional integration. While the process of strengthening the RECs continues, the implementation of the Treaty has entered into its second phase, which focuses on trade liberalization within the RECs, including the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), the Arab Maghreb Union (AMU), the Economic Community of Central African States (ECCAS), the Intergovernmental Authority on Drought and Development (IGAD), and the Economic Community of the Great Lakes Countries (CEPGL), and others. In this connection, UNCTAD is called upon to provide assistance to build the capacity of the RECs.

107. Regional economic cooperation and integration could also facilitate the creation of a regional infrastructural base, the development of productive capacities, further liberalization of trade and the harmonization of policies. African countries should be assisted in the

strengthening of regional economic organizations. UNCTAD is called upon to work closely with the joint secretariat of OAU/ECA/ADB to undertake studies on the workings of the Compensation Fund in terms of revenue loss in all the RECs and in the subregional organizations that have adopted such schemes. Joint collaboration is also needed to investigate the complementarities or contradiction in structuring the tariff schedules of selected member States as a result of the implementation of structural adjustment programmes and regional trade liberalization schedules, bearing in mind the requirements of the WTO rules with a view to harmonizing these schedules.

## **(f) South South Cooperation**

### ECDC and TCDC

108. Economic cooperation among developing countries (ECDC) has gained added importance in the light of improved policy conditions and the market-related reforms undertaken by most developing countries. The growth experience in a number of developing countries has created opportunities for trade in the light of strengthened markets and increased potential for investment among developing countries, as well as new opportunities arising from regional and subregional economic groups which are creating enlarged economic spaces. There is a great deal of untapped potential therefore for increasing interregional trade among developing countries as well as outward investment among developing countries themselves. The possibilities for multi-sectoral cooperation combining tools for trade expansion and cooperation, trade information, trade financing, investment, services, transport and communications and customs facilitation, which can enhance the economic cooperation among developing countries, should be fully explored. In addition, there is scope for higher levels of technical cooperation among developing countries (TCDC) as a result of higher levels of technology and know-how having been attained in a number of developing countries. These opportunities can be enhanced not only through formal agreements among developing countries, but also through policy approaches which would enhance enterprise cooperation between them.

109. The second round of the GSTP negotiations has now been concluded. Consideration should be given to the further deepening and expansion of the GSTP in order to enhance its effects and ways and means should be explored to rationalize the process of negotiations for a third round of negotiations.

110. Bearing in mind the above potentials, the South Summit to be held in Havana, Cuba, in the year 2000 can serve as a platform to enhance the objectives of ECDC-TCDC as an indispensable element of a broader strategy of international development cooperation.

111. In the context of the substantive preparatory process for UNCTAD X, African Ministers wish to mandate the African Group in Geneva to enter into negotiations with other regional groups and countries with a view to advancing the interests of the African region and agreeing upon a common purpose. These negotiations should also ensure the emergence of a consensus on a new development paradigm that would truly make globalization an effective instrument for the development of all countries and all people.

112. The Ministers trust that UNCTAD X will provide an exceptional opportunity to inject new life into the dialogue on development and international cooperation. In this regard, all relevant international organizations, including UNCTAD, ECA and OAU/AEC, should cooperate closely to promote the integration of African countries in the new global economy.

The new millennium should be a “millennium of development”. To this end, multilateral cooperation for development should be founded on the basis of a renewed genuine partnership and community of interest in a rapidly globalizing world economy.

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