

MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND

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Group of Negotiations on Goods (GATT)

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COMMUNICATION FROM THE UNITED NATIONS CONFERENCE  
ON TRADE AND DEVELOPMENT

At the request of the Trade and Development Board, the Secretary-General of UNCTAD has forwarded to the Director-General of GATT the summary report on the first part of the Board's thirty-fifth Session held in September/October 1988.

The Secretary-General of UNCTAD, asking that relevant parts of the report be made available to competent intergovernmental fora, has drawn particular attention to the attached Annexes IV and VI. Annex IV contains the summing-up by the President of the debate on the Board's Agenda item 3, "Interdependence of problems of trade, development, finance and the international monetary system"; Annex VI is the corresponding summing-up on Agenda item 4, "Debt and development problems of developing countries".

Annex IV

INTERDEPENDENCE OF PROBLEMS OF TRADE,  
DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM  
- INCLUDING DISCUSSION CALLED FOR UNDER PARAGRAPH 1  
OF GENERAL ASSEMBLY RESOLUTION 42/195 OF 11 DECEMBER 1987

Summing up by the President of the debate on agenda item 3 a/

1. The debate on Item 3 was, as usual, rich and detailed. It allowed members of the Board to take stock of the current world economic situation, its implications for developing countries and the likely outlook for the months ahead.

2. The world economy has recently been characterized by sharply divergent trends: in some respects performance of developed countries is evolving more favourably than had been apparent several months ago; in most developing countries the economic crisis has persisted and deepened.

3. The expansion of the developed market-economy countries during the current year will be relatively high, both reflecting and contributing to a rise in world trade. This expansion has occurred without serious threat to the relative price stability that has characterized those countries. Available information regarding output growth this year in socialist countries of Eastern Europe also indicates a more rapid expansion than in 1987.

4. Stronger growth in industrial countries has been one of the factors contributing to a strengthening in some commodity prices during the past year. On the whole, however, commodity price behaviour remain mixed, with real prices remaining at low levels and no clear overall upward tendencies emerging for commodities of export interest to developing countries.

5. Recent concerns in developed market-economy countries with the possible future acceleration of inflation together with the need to stimulate capital flows among those countries has given rise to a firming of interest rates in recent months. This would risk a deceleration of investment and raise significantly the debt-servicing burden of debtor countries.

6. Against this background the present economic performance and prospects of developing countries are a matter of great concern. Growth performance of developing countries remains wholly inadequate. Investment remains depressed and economic and social well-being has declined further. Although some countries may enjoy benefits from the recent vigorous growth of world trade and a firming of some commodity prices, for many countries these benefits tend to be offset by the recent rise in interest rates which will further enlarge the negative net transfer of resources. The record of expansion and its outlook have raised serious doubts as to whether improved growth performance in industrial countries would have a significant impact on prospects of debtor countries, at least in the short run. In this connection it was noted that many international institutions have forecast a slower rate of expansion in industrial countries in 1989 than in 1988.

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a/ Annexed by decision of the Board at the 741st meeting, on 30 September 1988.

7. It was felt that progress has been made in reversing the drift from multilateralism; however a revitalization and broadening of co-operation was necessary if improvement in the performance of the world economy was to be widespread and sustained.

8. High priority needs to be given to intensified co-operation designed to foster conditions in which the domestic policy efforts of debtor countries can be more effective. In this connection the many inter-relations between issues and policies in the areas of debt, international finance, trade and commodities need to be borne in mind. Progress in this area would not only relieve the immediate plight of debtor developing countries but also contribute more generally to world prosperity.

9. Many members underscored the role that debt reduction could play in reviving development and fostering world prosperity. The detailed exchange on this topic is dealt with in my summing-up of item 4 (see annex VI).

10. The Group of 77 saw a need to elucidate the impact of regional arrangements in developed countries on the trade and development of the developing countries.

11. A reference was made to the role that more extensive recourse to privatization could play in enhancing efficiency in resource use in developing countries, and hence in overcoming current problems.

12. Yet others pointed to the need for a broad expansion of financial flows - particularly on concessional terms - to developing countries to underpin the development process.

13. Attention was drawn by other members to the relationship between disarmament and development, including the use that could be made of resources released by disarmament in promoting development.

14. Attention was drawn by still other members to the importance of achieving ecologically sustainable growth and halting environmental degradation.

15. As regards relations among developed market-economy countries, international co-operation needs to be oriented toward reducing unsustainable external imbalances in a manner that is protective of world prosperity. In this connection further reduction in the United States budget deficit, promotion of stronger growth in demand in European surplus countries and other measures, including structural reforms, designed to ensure compatibility between vigorous growth, low interest rates and price stability are essential.

16. More generally, predictability and stability in international economic relations were recognized as desirable features and the need to manage the growing interdependence among participants in the world economy was recognised.

17. In the context of the interdependence of trade, finance and development problems, trade liberalization in areas of export interest to debtor countries and developing countries generally was seen as a way to relax foreign exchange constraints on growth and development and improve the debt-service capacity of these countries. The role of exports in solving the debt-service problems of developing countries was seen as requiring external adjustment and appropriate domestic supporting policies in industrial countries, as well as appropriate efforts on the part of debtor developing countries. Trade liberalization was seen as bringing benefits to both developed and developing countries. The need for studies and discussions on the impact of increasing East-South trade and other economic relationships on the trade and development of the developing countries was also stressed.

18. In its consideration of item 3 on interdependence in its entirety, the Board had a further opportunity to follow developments and issues in the Uruguay Round of particular interest to developing countries. Particular emphasis was placed on the importance of resisting protectionist pressures by implementing the "standstill" and "rollback" commitments. The Group of 77 welcomed the opportunity to contribute to the preparatory process leading to the mid-term review of the negotiations in Montréal in December 1988. To this end, they submitted a paper setting forth their views on developments and issues in the Uruguay Round (TD/B/1186). They expressed the view that the concerns and interests of the developing countries reflected in the paper would be taken into account during the negotiations leading up to the mid-term review. They also expressed the view, that as a result of the review and at the subsequent phase of the negotiations, issues of interest to the developing countries (such as tropical products, agriculture, textiles and clothing) should also begin to receive attention.

19. The inclusion of services in the Trade and Development Report 1988 was generally welcomed. A number of delegations suggested that Part II of the Trade and Development Report could also contribute to the discussion on this subject at the second part of the Trade and Development Board in March 1989. Many speakers commended the efforts made by the UNCTAD secretariat to assess and analyse the role of services in the economies of both developed and developing countries. In this connection, some members expressed interest in their continued collaboration with UNCTAD in the implementation of its work programme on services.

20. With respect to strengthening the Board's review of interdependence, as called for in paragraph 155 of the Final Act of UNCTAD VII, the Board has taken note of proposals made by the Secretary-General of UNCTAD (TD/B/1190) which are intended to sharpen the focus of the Board's review and enhance its substantive linkages with other discussions on related questions in UNCTAD and in other organizations. The objective of the measures proposed is to improve the substance of the Board's discussions and enhance their impact on policy makers and on public opinion. The Board also noted that these proposals would be put into effect at the earliest.

## Annex VI

### DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

#### Summing up by the President of the debate on agenda item 4

1. The Board's discussion on item 4 was an important and useful exercise. Both the formal and informal discussions succeeded in identifying areas in which views have further converged since the Final Act, as well as areas in which divergences remain.

2. Convergence was evident on a number of important points:

(a) External debt difficulties remain serious: domestic policy performance has registered improvements in many cases, but progress in achieving sustained growth and external financial viability had been disappointing.

(b) Positive developments have not been absent, especially as regards multilateral financing, bilateral official debts and liabilities to commercial banks.

(c) Debt problems remain closely connected with other issues, in particular trade and protectionism, commodities, and international monetary developments, as well as domestic policies.

(d) Debate in terms of "general" and "case-by-case" approaches is of limited usefulness, since it is necessary both to have a general framework with guidelines and principles, and to make due allowance for the specific characteristics of individual countries.

(e) Debt-reduction has begun to play a more important role, and will need to continue to do so in the future.

(f) It is necessary for the external environment to be made more stable and predictable through an intensification of efforts by the major market-economy countries aimed at the continued correction of external and fiscal imbalances in the context of non-inflationary growth, lowering real rates of interest and making exchange rates more stable and markets more accessible.

(g) Developed donor countries which have not yet done so should intensify their efforts to comply with the provisions of Board resolution 165 (S-IX) in respect of the ODA debt of the least developed and other poorer developing countries, particularly the least developed among them.

(h) Special attention should be paid to the least developed countries.

3. However, there remained considerable differences of view and/or of emphasis.

4. On one view, there has been little or no progress towards resolving the debt crisis, which is structural in nature, as evidenced by the slow pace of growth, reduction in living standards and the massive negative net transfer of resources. Action needs to be taken to lower interest rates and improve access to markets in creditor countries. Debt-reduction has become indispensable in order to achieve development and growth, and hence regain creditworthiness. Markets functioning on their own will be unable to provide debt-reduction on the scale needed to achieve in each case a revival of growth and external financial viability; concerted action involving developed creditor governments, commercial banks and multilateral financial institutions is therefore called for. Serious consideration should therefore be given to the various proposals that had been put forward with respect to different types of debt, including those contained in the Trade and Development Report, 1988, one of which estimates the need to reduce commercial bank debt at some 30 per cent.

5. With this in mind, the Group of 77 tabled a draft resolution entitled "Need for debt-reduction" (TD/B/L.838 reproduced in annex VII), which calls for concerted reduction of the stock of debt and/or lowering of interest rates in respect of debt owed to commercial banks, multilateral financial institutions and developed creditor Governments. It was reiterated that the existing commitments undertaken in the Final Act of UNCTAD VII and in General Assembly resolutions 41/202 and 42/198 should be fully implemented and improved upon.

6. On another view, it was concurred that no progress had been made in finding durable solutions to the debt crisis, since the strategy pursued had been designed essentially to accommodate creditors; this has resulted in large negative transfers and sizeable cuts in living standards. There is an urgent need to find mutually agreed solutions to the problems of both low-income and middle-income countries, including reduction in interest rates, limiting debt service and improving trading conditions. Interest was expressed in the proposals put forward in the Trade and Development Report. It was also stressed that disarmament would release resources for development.

7. On yet another view, much has already been done. Debt-reduction is not an objective but one of a number of possible means to achieve growth and creditworthiness. On this view, appropriate domestic policies are the key to reviving growth and creditworthiness: the debt strategy has made a positive contribution in bringing about the needed policy reforms.

8. Moreover, there is need to distinguish between low-income and middle-income countries with debt servicing difficulties. Important decisions have been taken at the Toronto Summit with respect to the official debts of heavily-indebted low-income countries following adjustment policies. Donor governments have also acted to reduce the commercial bank debts of some low-income countries. Voluntary agreements between creditors and debtors to reduce debt have also occurred, widening the "menu" of options. While this is an evolution to be encouraged, any reduction of the commercial bank debt of middle-income countries needs to be market-based.

9. The view was also expressed that the fundamental solution to the debt problems was in the creation of a more favourable international environment for the economic development of the debtor countries.