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<u>Chairman</u>: Mr. PETRESKI (The Former Yugoslav Republic of Macedonia)

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ORGANIZATION OF WORK

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 95: SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (A/50/123-S/1995/228, A/50/254-S/1995/201, A/50/255-S/1995/504, A/50/400, A/50/407, A/50/425-S/1995/787, A/50/466-S/1995/817, A/50/475, A/50/487, A/50/518)

- (a) TRADE AND DEVELOPMENT (A/50/15 (Vols. I-IV), A/50/215-S/1995/475, A/50/341, A/50/439, A/50/486, A/50/740)
- (d) SCIENCE AND TECHNOLOGY FOR DEVELOPMENT (A/50/125-E/1995/19 and Add.1, A/50/649)
- (e) IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s (A/50/745, A/50/746)
- 1. Mr. ROSSIER (President of the Trade and Development Board) said that during the first part of its forty-second session, the Board had essentially focused on preparations for the ninth session of the United Nations Conference on Trade and Development (UNCTAD) which, on the offer of the South African Government, would be held in Midrand from 27 April to 11 May 1996. The Board had asked the Secretary-General of UNCTAD to make the necessary arrangements for the Conference and had approved a two-stage intergovernmental preparatory process: a special session of the Board to be held in December 1995 and a review of substantive issues in February and March 1996 for the purpose of preparing a draft text for the Conference. The Board had also recommended for the approval of the Second Committee a decision on the date and venue of the ninth session of the Conference.
- 2. At its most recent session, the Board, on the basis of the <u>Trade and Development Report, 1995</u>, had examined the international implications of macroeconomic policies and issues concerning interdependence. The delegations had commended the quality of the report, both in terms of its analysis and the willingness of its authors to address challenging issues from a fresh perspective. An informal exchange of views with a panel of eminent economists had contributed to an understanding of the problems of interdependence. The experts who had participated in the dialogue had, on the whole, been optimistic about long-term prospects for the world economy.
- 3. In the course of the deliberations, it was noted that short-term economic difficulties in some countries were curbing international economic growth during the current year. Some of those difficulties were due to turbulence in the financial markets while others were the result of specific economic policies at the national level.
- 4. Most of the participants commented on the recent rapid expansion of international financial markets. It was also recognized that while private capital flows to developing countries could make an important contribution to their growth and development, a large part of the flow was in the form of portfolio investments rather than direct investment in production and was overly volatile. It was also recognized that capital was being distributed unevenly

among developing countries and that it was precisely those countries most in need of capital which had the most difficulty in attracting it.

- 5. During the discussions it was agreed that the problem of unemployment in the industrialized countries was a very real one, which might eventually lead to doubts about the benefits of having a more open world economy. A number of delegations stressed the different nature of unemployment in developing countries and in developed countries. Delegations from countries with economies in transition noted that their unemployment rates were extraordinarily high.
- 6. The report concluded that an increased flow of manufactured exports from developing to industrialized countries was not the cause of labour market problems in the latter. That conclusion was broadly supported by the delegations, a number of which pointed out that exports to developing countries was, in fact, an important source of employment in the developed countries. Better commodity prices, increased development assistance and new measures for alleviating the debt burden would enhance the import capacity of the developing countries and, as a result, help reduce unemployment in the developed countries.
- 7. Many delegations from both developed and developing countries took the view that the liberalization of international trade was not the cause of the problem, and there was agreement that protectionist measures would be detrimental to economic growth world wide. While it was also generally agreed that improved economic growth would help reduce unemployment, delegations from the developed countries pointed out that any attempt to accelerate economic growth would have to be assessed in terms of its credibility for the financial markets and its effects on inflation.
- 8. The report's conclusions, in addition to findings by other international organizations, confirmed that the true causes of unemployment had to do with problems of supply and demand. It was generally recognized that a multi-faceted and prudent approach to the problem was needed in order to maintain the existing macro-economic balance and that it must be implemented in conjunction with measures to strengthen supply, such as better training, increased labour mobility and greater wage flexibility.
- 9. Most delegations viewed the recent experience of the Latin American countries as having relevance for other developing countries and many delegations noted with interest the report's analysis of the financial crisis in those countries. There was general acceptance of the conclusion that significant fluctuations in flow of short-term liquid capital and the instability of exchange rates might give rise to macroeconomic management problems in all countries, including the developed countries. The view was expressed that despite their short-term volatility, recent private capital flows might be more sustainable than the bank credits provided in the 1970s and that the difficulties experienced by some Latin American countries were temporary.
- 10. Some delegations did not agree with all aspects of the report's analysis of policy reforms. One delegation questioned some of the figures presented as well as the conclusions based thereon.

- 11. The Board also took note of the progress report by the UNCTAD secretariat on specific actions related to the particular needs and problems of land-locked developing countries and the report of the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions. The Board endorsed the conclusions and recommendations contained in the report of the Second Meeting of Governmental Experts, and had decided to transmit that report, as well as the progress report by the UNCTAD secretariat and the comments thereon, to the Second Committee.
- 12. The Board also took note of the report by the UNCTAD secretariat on developments in the economy of the occupied Palestinian territory and, in accordance with General Assembly resolution 47/445, decided to annex the summary of the discussions under that item to its report to the General Assembly.
- 13. UNCTAD was and would continue to be an organization critical to the development process. Its ninth session would provide a unique opportunity to ensure that all countries would benefit from the implementation of the concepts of globalization and liberalization. In the context of the major transformations resulting from the end of the cold war, UNCTAD had succeeded in meeting the challenge of change in the United Nations system; it understood the process of change, recognized its complexity and had started to prove its capacity to deal with it. That was why he was optimistic, and was sure that the forthcoming ninth session would offer an opportunity for UNCTAD to renovate its mechanisms and establish new forms of cooperation, particularly with the World Trade Organization.
- 14. Mr. RICUPERO (Secretary-General of the United Nations Conference on Trade and Development) said that in 1995, the Trade and Development Board of UNCTAD had decided to examine, in the context of its discussion of interdependence, the linkages between levels of economic activity and employment in the industrialized world, global financial instability, trade flows and relations, and their implications for the development prospects of developing countries.
- 15. With regard to the first item, namely, unemployment, he noted that the fall in the rate of growth of output in the industrialized countries would not be helpful to the efforts to solve the problem, which in many cases was very serious. At the same time, the notion was gaining ground in some quarters that unemployment was the result of the growth of imports of cheap, labour-intensive manufactures from developing countries, and that the solution was to impose trade barriers. Such a response would defeat the efforts of countries to step up development through integration in the world economy, and could lead to new trade conflicts, since it implied that unemployment in one country could only be reduced at the expense of its trading partners. Trade provided a superficial explanation for unemployment. The main reason for the phenomenon was the much lower level of growth and investment in the industrialized world. Thus, in tackling unemployment, the desirable approach should not be to interfere with trade, but to raise the tempo of investment and growth.
- 16. Over the past two decades, there had been a significant slow-down in capital formation in the industrialized countries. That was due to the macroeconomic environment, which had been shaped by restrictive monetary

policies accompanied by wide-ranging financial deregulation, and had pushed up capital costs to unprecedented levels. Financial deregulation had also had the undesirable side effect of increasing the volatility of interest rates and exchange rates. In consequence, consumption, along with export and import flows, had also become more unstable, and the resulting uncertainty about the evaluation of aggregate demand had discouraged private investment.

- 17. Businesses, in order to invest, needed improved demand expectations. If Governments and central banks set too low a ceiling for the growth of the economy, firms would not expand their capacity and, as a result, unemployment would mount. While a faster pace of demand expansion could raise the possibility of higher inflation, it seemed that a careful handling of macroeconomic policies could achieve higher levels of growth without jeopardizing the gains achieved by the countries belonging to the Organisation for Economic Cooperation and Development. Investors should be provided with lower capital costs and a more stable financial environment. Monetary policy should aim at establishing low and stable interest rates and stable exchange rates. Coordinated, intergovernmental measures to increase the cost of currency speculation could be one solution.
- 18. He pointed out that financial instability not only had an adverse impact on real economic activity and the scope for macroeconomic policies in the developed countries, but it also affected the performance of developing countries. The UNCTAD secretariat had raised that issue consistently over the past few years, and had warned that the surge of capital flows to Latin America had in several cases consisted of massive receipts from privatization and of liquid short-term capital attracted by high interest rates and real currency appreciation. At present, capital flows had resumed at more modest levels to several countries in Latin America; however, the fragility and volatility of those flows would continue to require careful monitoring by Governments.
- 19. Establishing a basis for sustained growth in developing countries required that policy reforms should succeed in improving competitiveness, raising the rate of private investment, and increasing infrastructure investment. The experience of several countries in Asia had shown that the introduction of capital controls to avoid speculative short-term flows unrelated to trade and investment could be an important tool for assuring a more stable macroeconomic environment.
- 20. With respect to preparations for the ninth session of UNCTAD, pre-conference intergovernmental deliberations had begun, with a view to building consensus around the main elements of the possible outcome of the session.
- 21. The main theme of the ninth session was grounded in the realization that the twin processes of globalization and liberalization offered great opportunities for development. At the same time, they represented multifaceted challenges for the international community and for the developing countries in particular. The Conference should therefore identify ways of maximizing the development impact of globalization and liberalization while minimizing the dangers of instability and marginalization.

- 22. The High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s had enabled member States to reaffirm the validity of the Programme of Action as well as the commitment of the international community to support the least developed countries through accelerated efforts. As regarded science and technology for development, the evolution that had occurred in recent years in the perception of technology issues had not made it possible to advance in the discussions on an international code of conduct on the transfer of technology. The General Assembly might therefore wish to suggest an examination of recent developments in order to reconcile past differences.
- 23. Introducing the report on economic measures as means of political and economic coercion against developing countries (A/50/439), he said that it reviewed the major conceptual issues as well as methods to prevent the use of coercive economic measures, and could provide a solid basis for action by the Committee.
- 24. Concerning the role of UNCTAD in the field of trade since the creation of the World Trade Organization (WTO), he said that the main functions of WTO were to facilitate the implementation, administration and operation of the Uruguay Round agreements, to administer the system for the settlement of disputes that might arise in connection with the disciplines introduced by the agreements, and to provide a forum for negotiations of further multilateral rules and disciplines in trade-related areas. For its part, UNCTAD could provide a universal forum where international trade policy could be analysed and discussed from a development perspective. Furthermore, UNCTAD and WTO could work together and complement each other in technical cooperation activities aimed at integrating developing countries and countries in transition into the international trading system. Action had already been taken to begin to make that complementarity a reality: every six months there would be meetings between UNCTAD and WTO chaired jointly by the two heads; working relationships at all levels between the two organizations would be strengthened in areas such as research, trade and investment, trade and competition, trade and the environment, and trade and development; greater complementarity would be sought in technical cooperation between WTO, UNCTAD and the International Trade Centre (ITC), and also with other agencies, with the aim of improving coordination across the board and making better use of resources; measures would be adopted to help the least developed countries, and African countries in particular, increase their export-oriented production and improve diversification of their export production and markets.
- 25. There was an increasingly recognized delineation of functions between UNCTAD and WTO and it was up to Governments to map out the responsibility of each institution in furthering international trade, a task which should also include the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the World Bank, the regional banks and many other agencies active in trade matters.
- 26. Mrs. KING-AKERELE (United Nations International Development Organization (UNIDO)), introducing the Secretary-General's report on implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002), recalled the resolutions which provided the legislative basis for the report,

including General Assembly resolution 49/107, which had reaffirmed the importance of industrialization as a dynamic instrument of growth essential to sustainable economic and social development of developing countries, particularly in Africa, and had recognized the need for increasing the integration of African industry in world manufacturing. In the same resolution, the Assembly had also called for the support of the international community in achieving the goals of the Second Decade and had called upon the African countries to continue to undertake appropriate measures to promote economic growth and sustainable development, including the promotion of a favourable climate for foreign investment. UNIDO had been requested to give full assistance to improving the competitiveness of the industrial sector in Africa, in the light of the results of the Uruguay Round.

- 27. The First Industrial Development Decade for Africa (1980-1990), which had been extended for two years, had been based on certain fundamental ideas and principles: firstly, the will of the African people to change the deplorable situation in Africa and become equal partners in the international community; secondly, the reaffirmation that the goals of self-reliance and self-sustainment in the Lagos Plan of Action should be achieved through industrialization without detriment to agricultural growth and output or the environment; thirdly, the need for domestically based self-sustaining industrial development; and fourthly, the implementation of industrial policies by creating required infrastructure and promoting an enabling environment, with the participation of the private sector. The development strategies of the first Decade were based on State action and the use of the public sector as an instrument of development. However, its achievements had been meagre, as it had been hampered by the very unfavourable economic circumstances in the 1980s.
- 28. In contrast, the Second Industrial Development Decade for Africa (1993-2002), while having goals similar to the first Decade, was based on a strategic approach whereby each member country was involved in preparation of its own national programme on a realistic foundation. It was important to note that the Second Decade was taking place in a very different environment, where the private sector was expected to play a greater role as the engine of growth, and at a time when structural-adjustment programmes were under way in a number of African countries.
- 29. The next decade was expected to be a period of increasing interdependence of countries and markets, and industrial development would be accepted as an ongoing need. Accelerated industrialization of developing countries must remain an essential prerequisite of socio-economic transformation and a crucial tool for reducing tensions and political conflict in the global economy. Manufacturing value added was expected to grow at twice the rate of world gross domestic product, almost 7 per cent annually. That meant that the share of the developing countries in world manufacturing value added would increase to over 30 per cent by 2005. At the same time, the developing countries' share of world manufacturing exports would increase from 24 per cent in 1995 to over 35 per cent in 2005, but nearly all the increase would be accounted for by certain countries in Asia.
- 30. As a result of the Uruguay Round agreements, global trade would expand and global interdependence would increase. There would be considerable potential

for semi-industrialized developing countries to increase their share of world trade, but the African, Caribbean and Pacific countries would need to raise the efficiency and competitiveness of their manufacturing sector, particularly their small and medium-sized enterprises, if they were to compete in open markets. For the least developed countries and the African, Caribbean and Pacific countries with weak industrial bases, policy and institutional support would be needed to improve productivity, quality and standards, develop human resources and information and access to financing. The role of technology would be more and more crucial. All countries would have to formulate and implement national programmes on technological competitiveness, especially the developing countries, whose programmes must incorporate a national vision where technology was a determinant of competitiveness. At the same time, creation of new employment opportunities must continue to have the highest priority in growth programmes of most developing countries. The growth of manufacturing industry, especially at the level of small and medium-scale enterprises, had a crucial role to play in employment generation. It could be asked how Africa, with its weak industrial base, would cope with those demands. The basic structural transformation implied by the Second Decade was still some way off, because there continued to be a lack of industrial linkage in most African countries, which was evident from the fact that Africa's share of world manufacturing value added, after having risen from 0.7 per cent in 1970 to 1 per cent in 1982, fell to 0.8 per cent in 1994.

- 31. The joint report prepared by UNIDO and the Economic Commission for Africa (ECA) contained some responses to those problems and described their efforts to strengthen Africa's industrial infrastructure and base. In the area of private sector development, UNIDO and UNDP, in cooperation with ECA and the African Business Round Table, organized in Botswana in June 1995 the first forum on the private sector to address the main problems of industrial development and industrial competitiveness and the potential for private sector participation. UNIDO also undertook in the closing months of 1994 to review missions of programmes in the industrial sector in 14 African countries, with ECA participation in certain cases, for the purpose of assessing the status of industry and the priorities of the countries concerned in order to determine the services that UNIDO could provide in relation to the priorities of the Second Decade and the objectives of the Organization. Similar missions were currently under way in eight countries of Africa.
- 32. As for the implications of the Uruguay Round agreements for the industrial sector of Africa, UNIDO had prepared an analytical assessment which had been submitted at the international conference on the Uruguay Round of multilateral trade negotiations held at Tunis in October 1994. Further support in that area was planned in the coming year.
- 33. The Investment Promotion Programme which UNIDO had implemented in Africa had yielded some interesting results in the identification, formulation and promotion of investment projects, including the organization of investment forums. Such meetings had been organized for the Preferential Trade Area subregion, Madagascar, Zanzibar and Ghana. Those forums had promoted the creation of joint ventures and 36 investment projects, for a total value of \$2.5 billion.

- 34. During the period under review, ECA had organized five expert group meetings where high-level African experts had an opportunity to discuss and share experiences on specific topics and review technical publications prepared by ECA.
- 35. In conclusion, it was worth noting the recommendations regarding the programme for the Second Decade made at the OAU/United Nations System Cooperation Meeting held on 9 November in Addis Ababa; the organizations of the United Nations system should intensify their assistance to African countries and organizations in the implementation of the programme for the Second Decade; those organizations, including the World Trade Organization, should cooperate with the joint committee of OAU, ECA and UNIDO in studying the implications of the Uruguay Round on African industry; and United Nations agencies should assist OAU in strengthening its Industry Division.
- 36. At that meeting, UNIDO had been selected as one of the lead agencies in the organization of seminars to study the effects of the Uruguay Round agreements for the benefit of the African business community, chambers of commerce, manufacturers' associations and senior trade officials. UNIDO was also called upon to cooperate with OAU in the organization of an investors' forum during the seventh all-African Trade Fair, to be held in Nigeria in November 1996. ECA, the African Development Bank, UNEP and other relevant organizations were requested to intensify their assistance to African countries in carrying out environmental-impact assessments of industrial investment programmes.
- 37. Ms. NORDHEIM-LARSEN (Minister of Development Cooperation of Norway) said that, at the High-Level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, a declaration and a document (A/50/746) were adopted containing an assessment of the progress made in the implementation of the Programme of Action and recommendations to ensure that it would be more effectively implemented throughout the rest of the decade.
- 38. The participants in the Intergovernmental Meeting reaffirmed the commitment to support the least developed countries in their efforts to overcome their current difficulties, and to work cooperatively towards reactivating and accelerating their development and growth on a basis of shared responsibility and strengthened partnership. While it was noted that, as a group, the least developed countries had not been able to meet many of the objectives of the Programme of Action, it was encouraging to note that nearly one quarter of those countries had attained positive per capita income gains in the early 1990s.
- 39. The Meeting identified broad outlines of a domestic economic policy framework and emphasized the need for macroeconomic stabilization, which would require rationalization and sound management of public expenditure, properly planned monetary growth and maintenance of appropriate exchange rates to ensure a sustainable external balance.
- 40. High on the policy agenda was the need for strengthening incentives to promote and support the private sector and to formulate new policies where necessary, which should be complemented with public sector investment. It was recognized that the growth of a dynamic private enterprise sector required an

appropriate legal, economic and fiscal framework with stable and predictable policies, together with tax, monetary and trade policies that ensured adequate incentives for investment and a legal system that protected property rights and commercial contracts.

- 41. Although a large number of the least developed countries had adopted national regulatory frameworks conducive to foreign investment, the results had not yet become significant, and the Intergovernmental Meeting had urged the sources of foreign investment to support country measures in that area.
- 42. With respect to human resource development in the least developed countries, the broad guidelines for the recommended measures included intensifying efforts to raise education and training standards, promoting life-long learning, improving the health status of the population and strengthening the status of women by implementing appropriate policies in accordance with the provisions of the International Conference on Population and Development and the Fourth World Conference on Women. In specific terms, it had been agreed that the Governments of the least developed countries, in cooperation with international financial institutions and other international organizations, should protect basic social programmes and expenditure from budget reductions and further promote policies enabling small enterprises, cooperatives and other forms of micro-enterprises to develop their capacities for income generation and job creation.
- 43. With regard to external trade, the Intergovernmental Meeting undertook an in-depth assessment of the trade performance of the least developed countries, analysed the implications for them of the Final Act of the Uruguay Round and agreed on a series of supportive measures to help them to diversify their trade and exports.
- 44. The Meeting also called for concrete action, consistent with the Final Act, to implement fully and expeditiously the aspects of the Marrakesh Declaration relating to the least developed countries and the Ministerial decisions on those countries and on net food-importing countries. Consideration should be given to further improvements in Generalized Systems of Preferences schemes, flexible and supportive implementation, in the case of the least developed countries, of all the rules of the Final Act, including anti-dumping and countervailing measures, safeguards and rules of origin, and meaningful increases in opportunities for textile and clothing exports, services and trade with other developing countries.
- 45. Note was taken of the interest of the least developed countries in the establishment of a safety net to help them cope with any adverse effects resulting from the implementation of the Uruguay Round agreements, and priorities for technical assistance in implementing the Final Act were identified. The need to strengthen cooperation among UNCTAD, the World Trade Organization and the International Trade Centre was emphasized, with a view to avoiding duplication and making full use of the potential of those organizations.
- 46. The Intergovernmental Meeting urged donors to implement expeditiously the agreed menu of aid targets or commitments set out in the Programme of Action and

recognized the need to ensure adequate funding of multilateral institutions and programmes and to continue to give high priority to the least developed countries in the operational activities of the entire United Nations system.

- 47. The Intergovernmental Meeting agreed that the international debt strategy should include concrete measures to alleviate the debt burden and increase concessional financing. Donors were urged to adopt measures to reduce substantially the bilateral debt of the least developed countries and to implement fully resolution 165 (S-IX) of the Trade and Development Board. Creditors who were not members of the Paris Club were invited to take measures similar to the Naples terms. The Bretton Woods institutions were encouraged to develop a comprehensive approach to the multilateral debt of those countries, through the flexible implementation of existing instruments and new mechanisms where necessary. With respect to commercial debt, creditor countries, private banks and multilateral financial institutions were invited to consider continuing the initiatives undertaken, mobilize resources for the Debt Reduction Facility that could receive financing only from the International Development Association (IDA), and develop and implement techniques of debt conversion applied to social development programmes and projects.
- 48. The potential of economic and technical cooperation between the least developed countries and other developing countries was discussed at the Meeting, and the international community was called upon to help the former in establishing trade links and to support such trade at all levels. Such cooperation was seen as critical in complementing the actions taken by those countries and their development partners in attracting foreign investment.
- 49. The international community must rise to the challenge of the effective implementation of the outcome of the High-Level Intergovernmental Meeting, as well as the conclusions and recommendations relating to the least developed countries adopted by the major global conferences. For its part, the Government of Norway had offered to host a working group meeting on the 20/20 initiative formulated at the World Summit for Social Development in Copenhagen, with a view to making it more concrete and operational.
- 50. Mr. MANALO (Philippines), speaking also on behalf of the Group of 77 and China, said that in their view the heart of the issue of international trade and development was the urgent need for all States to show the requisite political will to ensure an open, rule-based, equitable, secure, non-discriminatory, transparent and predictable multilateral trading system. The fiftieth session of the General Assembly gave Member States an opportunity to reaffirm their commitment to trade liberalization, including the substantial reduction of tariff and non-tariff barriers, to eliminate discriminatory and protectionist practices and to improve the market access of all countries.
- 51. The Group of 77 and China also reiterated the need for full implementation of the Uruguay Round agreements and for full realization by all Member States, especially the developed nations, of the commitments agreed upon in the Final Act. Positive action was needed to help developing countries secure a share of international trade commensurate with their development needs, as was action to mitigate any adverse effects that the implementation of the agreements might have on them, including measures such as compensation, enhanced market access

and financial and technical assistance aimed at international economic transformation, especially in the case of the African countries.

- 52. The Group of 77 and China thus rejected unilateral protectionist actions, particularly any taken after the Marrakesh agreements, that were inconsistent with the multilateral trade agreements and with the provisions of General Assembly resolution 49/99. They further rejected the application of protectionist measures under the guise of new concepts that tried to establish links to national standards relating to the environment, labour law, human rights and other social issues through the application of arbitrary trade measures and bilateral pressures against developing countries. It was urgent to act effectively to eliminate the use of such unilateral coercive measures, which were not authorized by the competent United Nations organs and were inconsistent with the principles of the Charter.
- 53. The Group of 77 and China welcomed with appreciation the generous offer made by the Government of South Africa to host the ninth session of UNCTAD, which in their view would be a major intergovernmental economic and development event within the United Nations, with the potential for broadening the commitments made in Cartagena and advancing the development dialogue through the adoption of action-oriented measures and decisions. Member States were thus urged to participate at the highest political level. The ninth session would also be a means of strengthening UNCTAD as an institution and consolidating its role as a focal point and a forum for analysing and building consensus on trade and development, given the enhanced importance of UNCTAD since the establishment of the World Trade Organization. The recent appointment of the Secretary-General of UNCTAD had been a positive step in that direction.
- 54. UNCTAD should also closely monitor developments in the international trading system and their implications for developing countries, and should intensify its technical assistance, especially to the least developed countries, African countries, small island developing countries and land-locked and transit developing countries, to enable them to participate effectively in the international trading system. The UNCTAD and World Trade Organization secretariats should establish working relations in order to help developing countries implement the Uruguay Round agreements.
- 55. UNCTAD should be asked to continue playing a special role in the field of trade and the environment, with a view to ensuring transparency and coherence in the formulation of mutually supportive environmental and trade policies. In close cooperation with other competent bodies and with the Commission on Sustainable Development, UNCTAD should submit a report on the question to the substantive session of the Economic and Social Council in 1997.
- 56. The Group of 77 and China felt strongly that the General Assembly must at the current session clearly establish the mandate of UNCTAD, thereby making it a more effective instrument for promoting development.
- 57. They expressed their deep concern at the deteriorating social and economic condition of the least developed countries and asked that priority be given to fulfilling the many international commitments relating to them, especially those set out in the Paris Declaration. Action on the matter should take full account

of the assessment and recommendations adopted at the High-Level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s.

- 58. The international community must give priority to the following: the immediate fulfilment of the official development assistance target of 0.15 per cent of the gross national product of donor countries; the application of the decisions taken at the Marrakesh Ministerial Meeting of the Trade Negotiations Committee on behalf of the least developed countries and the creation of a safety net to enable them to overcome the adverse impact of implementing the Uruguay Round agreements; and the application and effective implementation of support measures for the least developed countries, as provided by the United Nations Conference on Environment and Development, the International Conference on Population and Development and other major international conferences and agreements.
- 59. The Group of 77 and China also underscored the need for developing countries to participate in the rapid advances in science and technology, and benefit from them. The international community must help them to do so, bearing in mind that the transfer of technology should not be left solely in the hands of the private sector or depend solely on market prices and should be directed towards enhancing the productivity and competitiveness of the developing countries in the world market and improving their quality of life. It should also be emphasized that their access to environmentally sound technology needed to be financed and such technology needed to be transferred on concessional and preferential terms. In addition, national information centres should be established or strengthened in the developing countries and there should be an exchange of information among them at the subregional, regional and global levels.
- 60. Lastly, the Group of 77 and China stressed the urgent need to strengthen the coordinating role of the United Nations in international cooperation, technical assessment, monitoring and forecasting in the area of science and technology.
- 61. Mr. GÓMEZ-ACEBO (Spain), speaking on behalf of the European Union on agenda item 95 (e), said that the High-Level Meeting held in September and October to conduct the mid-term review of the Programme of Action adopted at the Second United Nations Conference on the Least Developed Countries held in Paris in 1990 had succeeded in focusing attention on the situation of those countries. A document adopted at the Meeting contained various recommendations on trade, external financing and foreign debt, which if implemented could help their situation to continue to improve.
- 62. Despite the differences between them, the least developed countries as a whole had rates of economic growth that were encouraging. Since 1992, they had managed to increase their foreign trade by a third, owing in part to higher prices for commodities other than petroleum. Nevertheless, despite efforts to improve social conditions, the results had been uneven and little headway had been made in overcoming structural deficiencies and problems connected with the development of human and institutional resources.

- 63. While many of those countries had progressed towards democracy, in some of them civil conflicts, political instability and natural disasters had given rise to emergencies and human tragedies. Political stability, the establishment of democratic systems, the promotion of and respect for human rights and fundamental freedoms and transparency and responsibility on the part of Government were prerequisites for sustainable development, as was the participation of all sectors of society, particularly women.
- 64. Convincing reasons existed for supporting the structural adjustment programmes undertaken by many of those countries in the 1980s, although their effectiveness had on occasion been undermined by structural weaknesses and a low level of development of human resources. The processes of reform needed to focus on the specific capacity, the needs and the individual social conditions of each country. The reform of agriculture, a sector which accounted for 40 per cent of the average gross domestic product of those countries, and investment in transport and communications were vital for improving productivity and expanding the basic social sectors.
- 65. The full implementation of the programmes of action adopted during the recent round of international conferences would also contribute to improving the current situation. The effective implementation of the recommendations contained in the Copenhagen Programme of Action, for example, should gradually help to reduce poverty.
- 66. In the context of the follow-up activities to the Beijing Platform for Action, stress should be laid on the eradication of poverty among women and the adoption of measures to guarantee respect for the human rights of women.
- 67. Support must also be given to the least developed countries in their efforts to improve their food security programmes and strategies by increasing productivity and sustainable agricultural output, preventing environmental deterioration and reducing instability in export earnings.
- 68. The European Union and its member States were among the chief donors to the least developed countries. In 1993, their combined contributions had accounted for 58 per cent of the total aid donated by OECD countries and 0.12 per cent of the average GDP. At the start of 1995, agreement had been reached on revising the Fourth Lomé Convention for the African, Caribbean and Pacific States, and would take the form of \$19 billion in aid, or an increase of 22 per cent compared with the past five years.
- 69. The European Union reaffirmed its commitment to the objective of earmarking 0.7 per cent of GNP for official development assistance (ODA) and of endeavouring to raise that proportion to 0.15 per cent of GNP, and, in the case of donor countries which had already met that target, of reaching 0.20 per cent of GNP by the year 2000. That assistance should go as a matter of priority to the poorest countries and the poorest sectors of society.
- 70. Mr. ISAKOV (Russian Federation) shared the view that the completion of the Uruguay Round of GATT and the establishment of the World Trade Organization (WTO) had opened up favourable prospects for the liberalization of international trade and the strengthening of its stability and predictability. Despite the

difficulties of the transitional period, the Russian Federation had made considerable progress in liberalizing its foreign trade. Quantitative import restrictions had been removed, and customs tariffs were the only means of regulation, while a preferential regime had been introduced for the developing and the least developed countries.

- 71. The Russian Federation's full participation in WTO was one of the key elements of its strategic policy for integration into the world economy. It continued to be concerned, however, about the remaining and, in some cases, growing protectionism in respect of its own exports and those of other economies in transition which were substantially jeopardizing efforts to reform the economy and democratize society. It did not seek special privileges but only wished to compete with other countries on an equal footing.
- 72. His delegation, like the representatives of other countries with economies in transition, believed that it was necessary to reflect that situation in the resolution on international trade which would supplement the relevant provisions of the resolution on the same subject adopted at the forty-ninth session of the General Assembly.
- 73. With the entry into force of the Uruguay Round agreements on 1 January 1995 and the establishment of WTO, the lengthy and complicated process of establishing a universal multilateral trade system had been completed. The establishment of WTO, however, should not undermine the activities of other United Nations agencies, especially UNCTAD, where supplemental activities based on comparative advantages were concerned. The agreement reached in November 1995 between the Secretary-General of UNCTAD and the Director-General of WTO on the coordination of measures on the part of both organizations was encouraging. UNCTAD occupied its own niche in multilateral efforts to develop international trade. In particular, its technical assistance to Member States in areas as diverse as strengthening export potential and increasing trade efficiency, for example, was extremely valuable.
- 74. With reference to the extension of the scope of WTO activities compared with those of GATT, the significance of the analytical activities of UNCTAD in the search for new trade and economic opportunities for various groups of countries stemming from the Uruguay Round agreements was becoming more apparent. UNCTAD had also proved that it was a unique forum for raising new multisectoral issues and working out common approaches for solving them.
- 75. Although his delegation generally considered that the work of the Commission on Science and Technology for Development (CSTD) could be evaluated positively, it was of the opinion that its activities should be updated so as to take better account of the main trends in international development.
- 76. The inclusion in the agenda of the third session of the Commission of an item on information technologies and their effects on development was timely. Particular importance should be attached to the creation of a global information network and the establishment of a CSTD database on the Internet on national science and technology policies and strategies, stable and ecologically sound energy systems and other matters. It was important to ensure access by all interested countries to the Internet to provide them with the necessary

technical assistance in accordance with Economic and Social Council resolution 1995/4.

- 77. His delegation specifically wished to propose the study of the feasibility of the following projects in the promising area of the development of the scientific and technical aspects of conversion: study of international experience in organizing and managing the conversion process in military research and development and in the use of dual-purpose technologies, particularly with a view to developing ecologically sound technologies; study of the possibilities of using conversion technologies for creating a global information network; creation of an international database of research institutions and conversion experts in accordance with Economic and Social Council resolution 1995/4 and General Assembly resolutions 49/67 and 49/68.
- 78. Lastly, the notion of global economic, food and environmental safety was inseparable from that of safety in international science and technology. Achieving that objective must be one of the main goals of the future work of CSTD.
- 79. Mr. RONNEBERG (Marshall Islands) said that his delegation endorsed the statement made by the Group of 77. His country was a member of the United Nations Commission on Science and Technology for Development and had actively participated in the work of the sessions of that body. The Commission was performing as expected, but some comments were in order on its future work. Firstly, as was stated in the report by the Secretary-General contained in document A/50/649, the Commission needed to redefine its methods of work, since the excessively vague instructions given to it in the past had tended to result in long debates on procedural issues. His delegation endorsed the new methods of work and hoped that they would prove useful.
- 80. Secondly, the Commission on Science and Technology for Development had yet to carry out an evaluation of the technologies which were available to the developing countries. In his delegation's view, that task was a fundamental part of its mandate. The Commission should foster cooperation and facilitate contacts to that end.
- 81. Furthermore, the Commission should be given clear and unequivocal instructions. His delegation would do its utmost to ensure that that was done. In the future national delegations should be in a position to pose specific questions of a scientific and technical nature and to receive replies that were more than merely theoretical.
- 82. $\underline{\text{Mr. RAHMAN}}$ (Bangladesh) said that his delegation fully endorsed the statements made by Spain on behalf of the European Union and by the Philippines on behalf of the Group of 77.
- 83. The Meeting held from 26 September to 6 October 1995 on the Mid-Term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s had provided an opportunity to assess the successes and failures of the measures adopted by the international community for the benefit of the least developed countries.

- 84. Although the world economy was on its way to a broad-based recovery, only a few among the least developed countries had managed to make progress. The Meeting had endeavoured to determine why the reforms introduced by the least developed countries had not succeeded. The least developed countries were convinced that they would have achieved more if support from the international community had been commensurate with their needs. As a group, the least developed countries had been unable to achieve the objectives of the Programme of Action and their socio-economic situation had continued to deteriorate. Slow economic growth, stagnating resource flows, scarce foreign investment, deteriorating terms of trade, a decrease in export earnings and increased debt continued to impede their development efforts. Periodic natural disasters aggravated the situation.
- 85. The mid-term global review had concluded with a pledge of cooperation between the least developed countries and donor countries, with a view to promoting socio-economic progress in the least developed countries. It was to be hoped that steps would be taken promptly to implement the recommendations of the Meeting, in particular with regard to reaching aid targets, alleviating the debt burden and devising new ways to help the least developed countries adjust to the new trading environment.
- 86. The ninth session of UNCTAD would provide an important forum for the consideration of the special problems of the least developed countries, including foreign direct investment flows and the establishment of safety nets in order better to integrate the least developed countries in the globalization process under way.
- 87. With regard to the current session of the General Assembly, a draft resolution was being prepared for submission to the Second Committee. All delegations would be asked fully to support its adoption.
- 88. His delegation was pleased that the Secretary-General had been invited to the Group of Seven Summit to be held at Lyon. The Secretary-General would be asked to drawn the attention of the leaders of the Group of Seven to the outcome of the mid-term review and the follow-up action to be taken by the international community. As the Prime Minister of Bangladesh had proposed at the World Summit for Social Development, there should be an exchange of views between the leaders of the Group of Seven and some of the leaders of the least developed countries on issues such as poverty eradication, environmental conservation and the implementation of provisions relating to the least developed countries formulated at world conferences.
- 89. The least developed countries hoped that the United Nations system would continue to play an important role in the implementation of the Programme of Action. In that regard, the secretariat of UNCTAD played a fundamental role as the focal point at the global level for the review, appraisal and follow-up of the Programme. In its resolution 49/98, the General Assembly had invited the Secretary-General to make recommendations at the fiftieth session, with a view to ensuring the effective follow-up of the outcome of the mid-term global review and to follow up the conclusions and recommendations relating to the least developed countries adopted by major conferences. His delegation called upon the Secretary-General, in implementing that resolution, to take fully into

account the need to ensure that the Division for the Least Developed Countries of UNCTAD, which was the only unit in the United Nations system dealing exclusively with the least developed countries, was fully equipped to carry out its mandate.

- 90. Moreover, given the financial situation of the United Nations and the need to avoid overlapping and duplication, it was important that the Secretary-General reinstate the mechanism for regular inter-agency consultation on the implementation of the Programme of Action for the Least Developed Countries for the 1990s. It was also necessary for the task forces established by the Administrative Committee on Coordination to promote follow-up to the recent global conferences by the United Nations agencies to take the concerns of the least developed countries fully into account in their work.
- 91. In its opening statement at the Meeting on the Mid-term Global Review, his delegation had expressed its support for the convening of a third United Nations conference on the least developed countries. All concerned should undertake the preparatory work during the coming few years. His delegation sincerely hoped that the efforts of the least developed countries would be supported by the international community and that the commitments made would be honoured.
- 92. Mr. ERDENECHULUUN (Mongolia), speaking on behalf of the land-locked developing countries, endorsed the statement made by the Philippines on behalf of the Group of 77 and China and commended the substantive report of the Secretary-General of UNCTAD on the progress in the implementation of specific actions related to the particular needs and problems of land-locked developing countries. He also underscored the increasingly important role that UNCTAD was playing in focusing attention on those countries and mobilizing and coordinating the support of the international community on their behalf. The activities of UNCTAD in that context related to the improvement of their transit transport situation, including the provision of technical assistance, the preparation of studies on their special needs and problems and the regular assessment of the implementation of internationally agreed measures and specific action relating to the challenges faced by that group of countries.
- 93. The increase in membership of the Group had been followed by an increase in the number of problems that the land-locked developing countries were called upon to address. As developing nations handicapped by their geographical location, those countries were doubly disadvantaged when it came to participating in the globalization of the world economy and international trade. Their land-locked status had tended to erode their competitive edge and to isolate them from the world trading system, causing structural deficiencies, imbalances and greater difficulties in their socio-economic development. Therefore, the overall development efforts of those countries required greater attention and increased support from the international community, as reflected in the final documents of the World Summit for Social Development and the Eleventh Conference of Heads of State or Government of Non-Aligned Countries and in the Ministers for Foreign Affairs Declaration of the Group of 77.
- 94. Development of a cost-effective and efficient transit system was of crucial importance for the land-locked developing countries. Over the years, meaningful programmes of cooperation had been instituted among such countries and their

transit neighbours, in both bilateral and multilateral contexts, with a view to removing policy and physical barriers to transit transportation. In resolving transit problems, the trend towards a regional approach, coupled with a viable monitoring and enforcement machinery, should be further encouraged. In that respect, he drew attention to the support and assistance provided by the regional development banks and economic organizations with a view to developing an effective legal and regulatory framework to govern the improvement of transport and communications infrastructure.

- 95. In addition to bilateral and subregional arrangements, an efficient and reliable transit transport system could be promoted through implementation of the relevant international agreements. It was regrettable to note that, for various reasons, a number of international agreements related to transit transport operations had not attracted broader support. The main reasons were, first, lack of knowledge regarding the benefits accruing from the agreements and, second, the fact that some agreements were specifically tailored to the economic and technical circumstances of the developed countries, with the result that there might be a need for additional instruments tailored to the particular needs of developing land-locked countries. Due consideration should be given to the possibility of drawing up such an instrument, which would stipulate the minimum safeguards requirements for land-locked developing countries.
- 96. The Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives from Donor Countries and Financial and Development Institutions, first convened in 1993, had brought together all the main parties whose participation was essential for promoting cooperative efforts in dealing with the special problems of land-locked developing countries. The Meeting had been an important step towards building common positions shared by land-locked and transit developing countries, and that had had beneficial effects on transit transport cooperation. The second tripartite meeting which had been held in New York in June 1995, had resulted in the adoption of the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community. The Global Framework was the most comprehensive document prepared to date and it was aimed at fostering cooperation at both the international and national levels for the development of transit transport systems in land-locked and transit developing countries. In that regard, Mongolia was confident that the Global Framework would be adopted during the current session of the General Assembly and would serve as a sound basis for future activities.
- 97. Mr. CAMARA (Food and Agriculture Organization of the United Nations (FAO)) said that despite advances in the spheres of food and agriculture over the last 50 years, and the fact that current supplies were sufficient to feed the present world population, the situation in many developing countries remained serious. There were major differences between different parts of the world; there was over-abundance in the advanced countries of the north and shortages in much of the developing world, particularly in sub-Saharan Africa where the situation had deteriorated over the last 25 years. There were also great inequalities within countries, and even the richest nations had millions of undernourished children.
- 98. On the occasion of the fiftieth anniversary of FAO, Member States had reaffirmed their commitment to the principles on which FAO was based, by

adopting the Declaration on Food and Agriculture whose main objectives were to: promote agriculture, forestry and fisheries as the key sectors contributing to sustainable economic development; empower producers and consumers; use natural resources in a sustainable manner so as to achieve development; establish a world partnership to promote sustainable development.

- 99. Following the United Nations Conference on Environment and Development, FAO had decided to introduce an International Cooperative Framework Programme for Sustainable Agriculture and Rural Development, incorporating the Conference's main recommendations regarding sustainable agriculture and rural development as contained in Agenda 21, and those of the Action Plan emerging from the International Conference on Nutrition, jointly sponsored by FAO and the World Health Organization, held in December 1992. The International Cooperative Programme Framework emphasized the cross-sectoral aspects of sustainable development, providing a strategic framework for mobilizing the support of the international community and offering the main mechanisms necessary to create change and build the required capacity for Governments to adopt measures designed to achieve sustainable development. The intention was to translate the programmes of poverty, food security and deterioration of natural resources into strategies for promoting sustainable agriculture and rural development.
- 100. The continuing deterioration of the natural resource base due to over-exploitation of land, water, fisheries and forest resources or degradation of the environment in a number of climatic zones, represented a threat to future food production. As the population grew and urban areas expanded, per capita availability of arable land would decrease even further, thus heightening the demand for food and the pressure on natural resources. To secure the very substantial expansion of food supplies needed in the coming decades, past degradation would need to be rehabilitated and incentives found to promote sustainable agricultural development.
- 101. Currently, a large proportion of the world's undernourished lived in the poorest countries. Almost 800 million people in developing countries suffered chronic under-nutrition, while some 200 million children under the age of 5 suffered from acute protein and energy deficiencies. Eighty-eight nations fell into the category of low-income, food-deficit countries: 42 in sub-Saharan Africa, 19 in Asia and the Pacific, 9 in Latin America and the Caribbean, 6 in the Near-East/North Africa and 12 in Europe/Commonwealth of Independent States. Unless determined action was taken, the number of undernourished might still be as high as 730 million in the year 2010, of whom 300 million would be in sub-Saharan Africa.
- 102. The goal of the World Food Conference had been to eradicate hunger, food insecurity and malnutrition within a decade; 20 years had now elapsed, yet despite the large number of conferences held to address those issues, that objective had still to be achieved. Consequently, after consulting a large number of heads of State and Government, and delegations from all regions, the Director-General of FAO had proposed that a World Food Summit should be convened in November 1996 in Rome, in order to renew the commitment to achieving food security for all and agree upon effective policies and strategies dealing with the root causes of hunger and malnutrition in the 1990s and beyond the year 2000.

- 103. In view of the growing support for the Summit expressed in numerous international and regional forums, at its twenty-eighth session the FAO Conference had adopted resolution 2/95, whereby it decided unanimously to convene, under article VI.5 of the FAO Constitution, a World Food Summit at the level of Heads of State or Government in Rome from 13 to 17 November 1996. It had also decided that the objectives of the Summit would be to provide a forum at the highest possible level to promote the global consensus and commitment needed to remedy the basic problem facing mankind, that of food insecurity; to raise global awareness of the food security problem and promote the search for solutions; to take stock of recent developments and prospects for the world food situation, including consideration of regional variations and trade in agricultural products; and to establish a policy framework and to adopt a plan of action for implementation by Governments, international institutions and all sectors of civil society.
- 104. The Summit was not intended to be a pledging conference, nor was it expected to create new financial mechanisms and institutions; rather, it was intended that each participating nation should consider independently the contribution it might wish to make to the policies and strategies arising from the Summit.
- 105. Mr. PEREZ OTERMIN (Uruguay), speaking on behalf of the States members of the Common Market of the Southern Cone (MERCOSUR), described the process begun in the mid-1980s whereby Argentina, Brazil, Paraguay and Uruguay, in the light of international developments and with a view to speeding up economic and social development in the region by means of integration, had embarked on an initiative which had culminated in the signing of the Treaty of Asunción on 26 March 1991, and the entry into force of MERCOSUR on 29 November 1991. After a short but positive period of development, on 17 December 1994 the Presidents of the four States Parties had signed the Ouro Preto Protocol (A/50/91), establishing the institutional structure of MERCOSUR. On 31 December 1994 tariffs, which had initially been reduced by 47 per cent, were removed altogether; that lowering of trade barriers was a major factor in the increased trade between the countries of MERCOSUR; it had risen from \$2,000 million in 1994 to over \$10,000 million at the current time.
- 106. In August 1994 the Council of the Common Market, the highest political organ of MERCOSUR, agreed to allow a certain amount of time to facilitate the adaptation of certain products to the new conditions of intraregional trade, on the basis of a limited country-by-country list of products and had set a timetable for the linear and automatic reduction of tariffs until their complete elimination. Likewise, the establishment of the Customs Union within a period of three years was a milestone for the four countries in the integration process.
- 107. It was worth pointing out that the purpose of MERCOSUR was not to close off markets, but, on the contrary to improve the position of its members within a dynamic economic situation and to extend the principle of open regionalism. The common external tariff corresponded to the objective of opening up the economies of MERCOSUR; it was based on the application of lower levels of protection to raw materials and minimally processed products, intermediate tariff levels to semi-manufactured industrial products and those used as inputs on other

production lines, and the highest degree of protection to finished consumer goods. The weighted average of the common external tariff was lower than that applied individually by the member countries before the signing of the Treaty of Asunción, and also lower than that which had been applied in the three-year period before the common external tariff came into operation. The tariff levels which had been established varied between 0 per cent and 20 per cent, and the various member countries had currently defined between 300 and 399 exceptions, which would move in a linear and automatic fashion and converge in the common external tariff within a period of a few years. Besides those general exceptions, the four States had agreed on exceptions to the agreed common external tariff, under the headings of capital goods (14 per cent) and telecommunications and information technology (16 per cent). It was anticipated that the four States, moving in a linear and automatic fashion, would converge at those levels by the year 2006 at the latest. Consequently, as of 1 February 1995 there were no longer different national tariffs in the four countries, apart from the agreed exceptions.

- 108. Macroeconomic policy coordination within the scope of MERCOSUR was considered a gradual process, not an objective to be reached by a fixed date, and priority was given to the mechanisms most directly linked to trade. Intensive efforts were also being made in various sectors of the economy to coordinate sectoral policies in response to the dynamics of the integration process. Information on the macroeconomic policies of each member State was exchanged at the twice-yearly meetings of the Council of the Common Market and at the meetings of the Ministers of Economic Affairs and Presidents of the Central Banks of the four States Parties.
- 109. One of the objectives of the economic policy of the countries of MERCOSUR was to maintain equilibrium in the key macroeconomic areas of fiscal, monetary and exchange matters.
- 110. In institutional terms, with the entry into force of the Ouro Preto Protocol, MERCOSUR would have taken an important step towards forming a common market which was the ultimate aim of the Treaty of Asunción, fully ratified in the new text. With the entry into force of the Protocol, MERCOSUR would formally have legal personality under international law. The legal personality of MERCOSUR was exercised by the Council of Ministers; it could by specific mandate delegate the power to negotiate and sign agreements.
- 111. The system for the settlement of disputes remained that established in the Brasilia Protocol of 17 December 1991, adapted to take account of the new system of rules and complemented by a preliminary procedure at the level of the Trade Commission. However, the States Parties had agreed that before the process of convergence of the common external tariff was complete, a permanent system for the settlement of disputes would be adopted.
- 112. The negotiations with Chile and Bolivia to expand integration in the Southern Cone, the initiative to extend the free trade area in South America and the ongoing dialogue with the Andean Pact clearly reflected MERCOSUR's desire for greater integration.

- 113. Furthermore, on 15 December 1995 the Interregional Framework Agreement on Trade and Economic Cooperation between the European Union and MERCOSUR would be signed in Madrid. That agreement would strengthen cooperation through regular political dialogue, preparations for the gradual and mutual liberalization of trade and support for integration. The agreement also acted as a guarantee of the democratic principles on which cooperation and respect for human rights should be based, since any violation of those would nullify the agreement, in accordance with its democratic clause.
- 114. MERCOSUR's area of influence covered 200 million inhabitants, or, to put it differently, approximately 70 per cent of South America's gross domestic product, making it one of the largest economic blocs in the world.
- 115. Integration, by increasing the size of the market, made it possible to carry on the process of division and specialization of labour so as to improve productivity and stimulate investment and technological development. It was also consistent with the objectives of an open international and multidisciplinary trading system such as that resulting from the Uruguay Round. Those assumptions lay behind the very creation of MERCOSUR, and its development was essential if the region was to fully enjoy the benefits of growth, trade and the global economy.

ORGANIZATION OF WORK

- 116. The CHAIRMAN suggested that the new sub-item, (k), on "Food and sustainable agricultural development", added to agenda item 95, of the current session by the General Assembly on 10 November 1995 and allocated to the Second Committee, should be included in the third cluster of questions relating to agenda item 95, which the Committee would take up on on Thursday, 16 November 1995.
- 117. It was so decided.

The meeting rose at 6.10 p.m.