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Department of Foreign Affairs  
and International Trade



Ministère des Affaires étrangères  
et du Commerce international

CANADA

**INTERNATIONAL TRADE REFERENCE DOCUMENTS  
(1947-1999)**

**GATT/WTO/AND OTHER  
MULTILATERAL ECONOMIC FORA**

by

**Christine H. O'Connell**

Dept. of Foreign Affairs  
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**The Trade and Economic Analysis Division (EET)  
Department of Foreign Affairs and International Trade**

April 1999

Reference Document No. 9

16379612

**BACKGROUND REFERENCE DOCUMENTS FOR GATT/WTO NEGOTIATIONS****GATT/WTO: TRADE NEGOTIATIONS COMMITTEE & MINISTERIAL MEETINGS**

November 21, 1947	Havana Charter for International Trade Organization
May 1964-67	Kennedy Round - Launch and Completion
September 14, 1973 - May 1979	Tokyo Round - Launch and Completion
November 1982	GATT Ministerial
September 15-19, 1986	Punta del Este, Uruguay Round - Launch
December 5-8, 1988	Montreal Mid-Term Ministerial
April 5-7, 1989	Trade Negotiations Committee
December 3-7, 1990	Brussels Ministerial
December 15, 1993	Uruguay Round Negotiations Completed
April 15, 1994	Marrakesh Declaration - Uruguay Round Signing
December 13, 1996	Singapore Ministerial
May 18-19, 1998	Ministerial Declaration, Geneva, Switzerland
November 30-December 3, 1999	Seattle, USA (No document available)

**QUADRILATERAL TRADE MINISTERS (QUAD) - STATEMENTS**

May 3-5, 1995	26 <sup>th</sup> Quadrilateral Trade Ministers Meeting, Whistler, BC, Canada
October 20-21, 1995	27 <sup>th</sup> Quadrilateral Trade Ministers Meeting, Yorkshire, United Kingdom
April 19-21, 1996	28 <sup>th</sup> Quadrilateral Trade Ministers Meeting, Kobe, Japan
September 27-28, 1996	29 <sup>th</sup> Quadrilateral Trade Ministers Meeting, Seattle, Washington
April 30-May 2, 1997	30 <sup>th</sup> Quadrilateral Trade Ministers Meeting, Toronto, Canada
	31 <sup>st</sup> (Reference 32 <sup>nd</sup> Quadrilateral)
April 29-30, 1998	32 <sup>nd</sup> Quadrilateral Trade Ministers Meeting, Paris, France
May 11-12, 1999	33 <sup>rd</sup> Quadrilateral Trade Ministers Meeting, Tokyo, Japan

**INFORMAL MINISTERIAL MEETINGS**

November 23-24, 1995	Vancouver Informal Ministerial Meeting
July 1-2, 1996	Lausanne Informal Ministerial Meeting
November 20, 1998	Hong Kong Informal Ministerial Meeting
May 28, 1999	Budapest Informal Ministerial Meeting
October 25-26, 1999	Lausanne Informal Ministerial Meeting



## G7/8 MEETINGS - TRADE EXCERPTS

November 15-17, 1975	Rambouillet Economic Summit
June 27-28, 1976	Puerto Rico Economic Summit
May 6-8, 1977	London Economic Summit
June 16-17, 1978	Bonn Economic Summit
June 28-29, 1979	Tokyo Economic Summit
June 22-23, 1980	Venice Economic Summit
June 19-21, 1981	Ottawa Economic Summit
June 4-6, 1982	Versailles Economic Summit
May 28-30, 1983	Williamsburg Economic Summit
June 7-9, 1984	London Economic Summit
May 2-4, 1985	Bonn Economic Summit
May 4-6, 1986	Tokyo Economic Summit
June 8-10, 1987	Venice Economic Summit
June 19-21, 1988	Toronto Economic Summit
June 14-16, 1989	Paris Economic Summit
July 9-11, 1990	Houston Economic Summit
July 15-17, 1991	London Economic Summit
July 6-8, 1992	Munich Economic Summit
July 7-9, 1993	Tokyo Economic Summit
July 8-10, 1994	Naples Economic Summit
June 15-17, 1995	Halifax Economic Summit
June 28, 1996	Lyon Economic Summit
June 22, 1997	Denver Economic Summit
May 17, 1998	Birmingham Economic Summit
June 18-20, 1999	Koln Economic Summit
July 21-23, 2000	Okinawa Economic Summit
June/July 2001	Genoa Economic Summit

## G15 -THE SUMMIT LEVEL GROUP OF DEVELOPMENT COUNTRIES - JOINT COMMUNIQUE

June 1-3, 1990	First Summit Meeting, Kuala Lumpur, Malaysia
November 27-29, 1991	Second Summit Meeting, Caracas, Venezuela
November 21-23, 1992	Third Summit Meeting, Dakar, Senegal
March 28-30, 1994	Fourth Summit Meeting, New Delhi, India
November 5-7, 1995	Fifth Summit Meeting, Buenos Aires, Argentina
November 3-5, 1996	Sixth Summit Meeting, Harare, Zimbabwe
November 3-5, 1997	Seventh Summit Meeting, Kuala Lumpur, Malaysia
May 11-13, 1998	Eighth Summit Meeting, Cairo, Egypt
February 10-12, 1999	Ninth Summit Meeting, Montego Bay, Jamaica
June 19-20, 2000	Tenth Summit Meeting, Cairo, Egypt
2001	Eleventh Summit Meeting, Indonesia
2002	Twelfth Summit Meeting, Venezuela

**ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)**  
**COMMUNIQUE**

June 6-8, 1973	Meeting of the Council at Ministerial Level
May 29-30, 1974	Meeting of the Council at Ministerial Level
May 30, 1974	Meeting of the Council at Ministerial Level
May 28-29, 1975	Meeting of the Council at Ministerial Level
June 21-22, 1976	Meeting of the Council at Ministerial Level
June 23, 1977	Meeting of the Council at Ministerial Level
June 14-15, 1978	Meeting of the Council at Ministerial Level
June 13-14, 1979	Meeting of the Council at Ministerial Level
June 3-4, 1980	Meeting of the Council at Ministerial Level
June 16-17, 1981	Meeting of the Council at Ministerial Level
May 10-11, 1982	Meeting of the Council at Ministerial Level
May 9-10, 1983	Meeting of the Council at Ministerial Level
May 17-28, 1984	Meeting of the Council at Ministerial Level
April 11-12, 1985	Meeting of the Council at Ministerial Level
April 17-18, 1986	Meeting of the Council at Ministerial Level
May 12-13, 1987	Meeting of the Council at Ministerial Level
May 18-19 1988	Meeting of the Council at Ministerial Level
May 31-1 June 1989	Meeting of the Council at Ministerial Level
May 30-31, 1990	Meeting of the Council at Ministerial Level
June 4-5, 1991	Meeting of the Council at Ministerial Level
May 18-19, 1992	Meeting of the Council at Ministerial Level
June 2-3, 1993	Meeting of the Council at Ministerial Level
June 7-8, 1994	Meeting of the Council at Ministerial Level
May 23-24, 1995	Meeting of the Council at Ministerial Level
May 21-22, 1996	Meeting of the Council at Ministerial Level
May 26-27, 1997	Meeting of the Council at Ministerial Level
April 27-28, 1998	Meeting of the Council at Ministerial Level
May 26-27, 1999	Meeting of the Council at Ministerial Level
June 26-27, 2000	Meeting of the Council at Ministerial Level
May 16-17, 2001	Meeting of the Council at Ministerial Level

**APEC ECONOMIC LEADERS DECLARATIONS**

November 23, 1993	APEC Leaders Economic Vision Statement, Blake Island, Seattle
November 15, 1994	APEC Economic Leaders' Declaration of Common Resolve, Bogor, Indonesia
November 19, 1995	APEC Economic Leaders' Declaration of Common Resolve, Osaka, Japan
November 25, 1996	APEC Economic Leaders' Declaration: From Vision to Action, Subic, Philippines
November 25, 1997	APEC Economic Leaders' Declaration: Connecting The APEC Community, Vancouver, Canada

November 18, 1998	APEC Economic Leaders' Declaration: Strengthening the Foundations for Growth, Kuala Lumpur, Malaysia
September 12-13, 1999	APEC Economic Leaders' Declaration: The Auckland Challenge, Auckland, New Zealand
November 15-16, 2000	APEC Economic Leaders' Declaration: Delivering to the Community, Brunei
October 2001	APEC Economic Leaders' Declaration: Shanghai

### APEC MINISTERIAL MEETINGS: JOINT STATEMENT

November 6-7, 1989	First Ministerial, Canberra, Australia
July 29-31, 1990	Second Ministerial, Singapore, Singapore
November 12-14, 1991	Third Ministerial, Seoul, Korea
September 10-11, 1992	Fourth Ministerial, Bangkok, Thailand
November 17-19, 1993	Fifth Ministerial, Seattle, USA
November 11-12, 1994	Sixth Ministerial, Jakarta, Indonesia
November 16-17, 1995	Seventh Ministerial, Osaka, Japan
November 22-23, 1996	Eighth Ministerial, Manila, Philippines
November 21-22, 1997	Ninth Ministerial, Vancouver, Canada
November 14-15, 1998	Tenth Ministerial, Kuala Lumpur, Malaysia
September 9-10, 1999	Eleventh Ministerial, Auckland, New Zealand
November 12-13, 2000	Twelfth Ministerial, Brunei
October, 2001	Thirteenth Ministerial, Shanghai, China

### APEC TRADE MINISTERS

October 6, 1994	First Meeting of APEC Ministers in Charge of Trade, Joint Ministerial Statement, Jakarta, Indonesia
July 15-16, 1996	Second Meeting of APEC Ministers in Charge of Trade, Christ Church, New Zealand
May 8-10, 1997	Third Meeting of Ministers Responsible for Trade, Montreal, Canada
June 22-23, 1998	Fourth Meeting of Ministers Responsible for Trade, Kuching, Malaysia
June 28-30, 1999	Fifth Meeting of Ministers Responsible for Trade, Auckland, New Zealand
June 26-27, 2000	Sixth Meeting of Ministers Responsible for Trade, Darwin, Australia
June 6-7, 2001	Seventh Meeting of the Ministers Responsible for Trade, Shanghai, China

### THE CAIRNS GROUP MINISTERIAL MEETINGS

August 25-27, 1986	Ministerial Meeting, Cairns, Australia
May 21-23, 1987	Ministerial Meeting, Ottawa, Canada
February 23-26, 1988	Ministerial Meeting, Bariloche, Argentina
November 10-12, 1988	Ministerial Meeting, Budapest, Hungary

March 17-19, 1989	Ministerial Meeting, Waitangi, New Zealand
November 21-23, 1989	Ministerial Meeting, Chiangmai, Thailand
July 4-6, 1990	Ministerial Meeting, Santiago, Chile
November 5, 1990	Ministerial Meeting, Geneva, Switzerland
July 8-9, 1991	Ministerial Meeting, Manaus, Brazil
December 8-9, 1991	Ministerial Meeting, Geneva, Switzerland
June 27-28, 1992	Ministerial Meeting, Geneva, Switzerland
June 26-27, 1993	Ministerial Meeting, Bangkok, Thailand
October 17-18, 1993	Ministerial Meeting, Geneva, Switzerland
May 19-20, 1994	Ministerial Meeting, Montevideo, Uruguay
May 26-27, 1995	Ministerial Meeting, Manila, Philippines
June 13-14, 1996	Ministerial Meeting, Cartagena, Colombia
June 5-6, 1997	Ministerial Meeting, Rio de Janeiro, Brazil
April 1-3, 1998	Ministerial Meeting, Sydney, Australia
August 28-29, 1999	Ministerial Meeting, Mar del Plata, Argentina
November 29, 1999	Ministerial Meeting, Seattle, USA (Statement)
October 12, 2000	Ministerial Meeting, Banff, Canada
2001	Ministerial Meeting, Uruguay (tentative)

### **OTHER RELATED DOCUMENTS**

#### **Commonwealth Heads of Government Meetings**

October 18-24, 1989	Kuala Lumpur, Malaysia
October 16-21, 1991	Harare, South Africa
October 21-25, 1993	Limassol, Cyprus
November 10-13, 1995	Auckland, Australia
October 24-27, 1997	Communique - Edinburgh, England
November 12-15, 1999	Durban, South Africa
2001	Australia - Host

#### **La Francophonie Heads of Government Meetings**

February 17-19, 1986	Paris, France
September 2-4, 1987	Quebec, Canada
May 24-26, 1989	Dakar
November 19-21, 1991	Chaillot
October 16-18, 1993	Maurice
December 2-4, 1995	Cotonou, Benin
November 14-17, 1997	Hanoi, Vietnam
September 3-5, 1999	Moncton, NB, Canada
February 7-10, 2001	N'Djamina, Tchad

**International Labour Organization (ILO)**

June 18, 1998

Declaration on Fundamental Principles and Rights at Work

June 17, 1999

Recommendation Concerning the Prohibition and Immediate Action  
for the Elimination of the Worst Forms of Child Labour, Adopted by  
the Conference at its 87<sup>th</sup> Session, June 17, 1999

**UNCTAD X**

February 13, 2000

Ministerial Meeting of Least Developed Countries: Bangkok

## GATT/WTO CHRONOLOGY

**1947 The birth of GATT.** On 30 October 1947, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations - 12 developed and 11 developing economies - at the Palais des Nations in Geneva. The Agreement contained tariff concessions agreed to during the first multilateral trade negotiations and a set of rules designed to prevent these concessions from being frustrated by restrictive trade measures.

The genesis of GATT. In 1946, the newly-created Economic and Social Council of the United Nations called a conference to consider the creation of the International Trade Organization (ITO) which was envisaged as the final leg of a triad of post-War economic agencies (the other two were the International Monetary Fund and the International Bank for Reconstruction and Development - later the World Bank). A preparatory committee was established to draft the ITO charter.

During 1946-1947, the committee worked on the draft charter. However, independent of this official task under the UN mandate, the committee members conducted tariff-cutting negotiations among themselves in advance of the ITO. These negotiations resulted in about 45,000 tariff concessions affecting some US\$10 billion of world trade.

The committee members also agreed to protect the value of the tariff concessions by early acceptance of some of the trade rules of the draft ITO charter. Thus, tariff concessions and trade rules together became known as the General Agreement on Tariffs and Trade (GATT) which was signed on 30 October 1947 by 23 countries as an interim measure.

In November 1947, delegations from 56 countries met in Havana, Cuba, to consider the ITO draft as a whole. After long and difficult negotiations, some 53 countries signed the Final Act authenticating the text of the Havana Charter in March 1948. There was no commitment, however, from governments to ratification and, in the end, the ITO was stillborn, leaving GATT as the only international instrument governing the conduct of world trade.

**1948 Entry into force.** On 1 January 1948, GATT entered into force. The 23 founding members were: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, United Kingdom and the United States.

The first real business of the GATT was conducted by the First Session of Contracting Parties which began on 28 February 1948 and ended on 20 March 1948 in Havana, Cuba. The secretariat of the Interim Commission for the ITO, which served as the ad hoc secretariat of GATT, moved from Lake Placid, New York, to Geneva in 1948.

**1949 Second Round at Annecy.** During the second Round of trade negotiations, held from April to August at Annecy, France, the contracting parties exchanged some 5,000 tariff concessions. At their third Session, they also dealt with the accession of ten more countries.

**1950 Third Round at Torquay.** From September 1950 to April 1951, the contracting parties exchanged some 8,700 tariff concessions in the English town, yielding tariff reductions of about 25 per cent in relation to the 1948 level. Four more countries acceded to GATT. During the fifth Session of the Contracting Parties, the United States indicated that the ITO Charter would not be re-submitted to the US Congress; this, in effect, meant that ITO would not come into operation.

**1956 Fourth Round at Geneva.** The fourth Round was completed in May and produced some US\$2.5 billion worth of tariff reductions. At the beginning of the year, the GATT commercial policy course for officials of developing countries was inaugurated.

**1960 The Dillon Round.** The fifth Round opened in September and was divided into two phases: the first was concerned with negotiations with EEC member states for the creation of a single schedule of concessions for the Community based on its Common External Tariff; and the second was a further general round of tariff negotiations. Named in honour of US Under-Secretary of State Douglas Dillon who proposed the negotiations, the Round was concluded in July 1962 and resulted in about 4,400 tariff concessions covering US\$4.9 billion of trade.

**1961 The Short-Term Arrangement** covering cotton textiles was agreed as an exception to the GATT rules. The arrangement permitted the negotiation of quota restrictions affecting the exports of cotton-producing countries. In 1962 the "Short-term" Arrangement became the "Long-term" Arrangement, lasting until 1974 when the Multifibre Arrangement entered into force.

**1964 The Kennedy Round.** Meeting at Ministerial level, a Trade Negotiations Committee formally opened the Kennedy Round in May. In June 1967, the Round's Final Act was signed by some 50 participating countries which together accounted for 75 per cent of world trade. For the first time, negotiations departed from the product-by-product approach used in the previous Rounds to an across-the-board or linear method of cutting tariffs for industrial goods. The working hypothesis of a 50 per cent target cut in tariff levels was achieved in many areas. Concessions covered an estimated total value of trade of about US\$40 billion. Separate agreements were reached on grains, chemical products and a Code on Anti-Dumping.

**1965 A New Chapter.** The early 1960s marked the accession to the General Agreement of many newly-independent developing countries. In February, the Contracting Parties, meeting in a special session, adopted the text of Part IV on Trade and Development. The additional chapter to the GATT required developed countries to accord high priority to the reduction of trade barriers to products of developing countries. A Committee on Trade and Development was established to oversee the functioning of the new GATT provisions. In the preceding year,

GATT had established the International Trade Centre (ITC) to help developing countries in trade promotion and identification of potential markets. Since 1968, the ITC has been jointly operated by GATT (later the WTO) and the UN Conference on Trade and Development (UNCTAD).

**1973 The Tokyo Round.** The seventh Round was launched by Ministers in September at the Japanese capital. Some 99 countries participated in negotiating a comprehensive body of agreements covering both tariff and non-tariff matters. At the end of the Round in November 1979, participants exchanged tariff reductions and bindings which covered more than US\$300 billion of trade. As a result of these cuts, the weighted average tariff on manufactured goods in the world's nine major industrial markets declined from 7.0 to 4.7 per cent. Agreements were reached in the following areas: subsidies and countervailing measures, technical barriers to trade, import licensing procedures, government procurement, customs valuation, a revised anti-dumping code, trade in bovine meat, trade in dairy products and trade in civil aircraft. The first concrete result of the Round was the reduction of import duties and other trade barriers by industrial countries on tropical products exported by developing countries.

**1974 On 1 January 1974,** the Arrangement Regarding International Trade in Textiles, otherwise known as the **Multifibre Arrangement (MFA)**, entered into force. It superseded the arrangements that had been governing trade in cotton textiles since 1961. The MFA sought to promote the expansion and progressive liberalization of trade in textile products while at the same time avoiding disruptive effects in individual markets and lines of production. The MFA was extended in 1978, 1982, 1986, 1991 and 1992.

**1986 The Uruguay Round.** GATT Trade Ministers meeting at Punta del Este, Uruguay, launched the eighth Round of trade negotiations on 20 September. Envisaged to last four years, negotiations were held in Geneva, Switzerland, and continued for some seven and a half years covering the most wide-ranging and ambitious agenda of any Round so far.

**1993 Successful Conclusion of the Uruguay Round negotiations on 15 December 1993 in Geneva, Switzerland.**

**1994 The Final Act of the Uruguay Round signed by Ministers on 15 April 1994 in Marrakesh, Morocco.** Results included average tariff cuts of 40 per cent on industrial products; an average increase in the percentage of tariff bindings from 21 per cent to 73 per cent (for developing countries), from 78 per cent to 99 per cent (for developed countries), and from 73 per cent to 98 per cent (for transition economies); a comprehensive programme of agricultural reform, including liberalization commitments on tariffs, domestic support and export subsidies, and the replacement of all quantitative restrictions and other non-tariff measures by tariffs; a phase-out of export restrictions and enhanced market access for textiles and clothing; strengthened agreements on safeguards, technical barriers, customs valuation, import licensing, state-trading, subsidies, and anti-dumping and countervailing. The results also produced new agreements on such areas as trade in services intellectual property rights, sanitary and



phytosanitary measures, and trade-related investment measures. The Uruguay Round results also transformed the provisional multilateral trading system which had existed under the GATT into the permanent World Trade Organization with a significantly strengthened legal mechanism for resolving trade disputes multilaterally.

### **1995 Entry into force of the World Trade Organization on 1 January 1995.**

On 31 May 1995, WTO General Council approved the Headquarters Agreement with the Swiss Confederation, including the decision to locate the WTO in Geneva.

Financial services accord reached on 28 July 1995, with governments agreeing to negotiate further liberalization at the end of 1997.

**1996 Basic telecommunications negotiations** are suspended in May 1996 in spite of substantial offers. Governments participating agreed to preserve the offer and to re-examine them during a 30-day period beginning 15 January 1997.

**1996 Maritime transport services negotiations** suspended in July 1996. Members participating in the negotiations agreed to suspend the negotiations and to resume them, on the basis of existing or improved offers, at the time of the further round of comprehensive negotiations on trade in services mandated to begin in the year 2000.

**First WTO Ministerial Conference** held in Singapore, 9-13 December 1996. Among the major conclusions of the Conference was the establishment of three working groups, respectively, on trade and investment, trade and competition policy, and transparency in government procurement, plus a mandate to conduct a study on trade facilitation.

**1997 Successful conclusion of negotiations on basic telecommunications services** on 15 February 1997. Sixty-nine governments agreed to wide-ranging liberalization measures. Domestic and international revenue generated in the basic telecommunications sector roughly amounts to US\$600 billion annually. The agreement entered into force on 5 February 1998.

**1997** On 26 March 1997, forty governments agreed to cut customs duties on information technology products, beginning on 1 July 1997 and with the aim of eliminating all duties on these products by 2000. International trade in these products amounts to some US\$600 billion annually.

**1997 Successful conclusion of negotiations on financial services** on 12 December 1997. Seventy governments reached a multilateral agreement to open their financial services sectors, covering more than 95 per cent of trade in banking, insurance, securities and financial information. The agreement is expected to enter into force no later than 1 March 1999.

**GATT/WTO:**

**TRADE NEGOTIATIONS COMMITTEE & MINISTERIAL MEETINGS**

November 21, 1947	Havana Charter for International Trade Organization
May 1964-67	Kennedy Round - Launch and Completion
September 14, 1973 - May 1979	Tokyo Round - Launch and Completion
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May 18-19, 1998	Geneva, Switzerland
November 30-December 2, 1999	Seattle, USA

UNITED NATIONS CONFERENCE  
ON TRADE AND EMPLOYMENT

HELD AT

HAVANA, CUBA

FROM NOVEMBER 21, 1947, TO MARCH 24, 1948

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FINAL ACT  
AND  
RELATED DOCUMENTS



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WTO Records  
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Salle de documentation  
de l'OMC

HAVANA, CUBA

MARCH 1948

## FINAL ACT OF THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

The Economic and Social Council of the United Nations, by a resolution dated February 18, 1946, resolved to call an International Conference on Trade and Employment for the purpose of promoting the expansion of the production, exchange and consumption of goods.

The Conference, which met at Havana on November 21, 1947, and ended on March 24, 1948, drew up the Havana Charter for an International Trade Organization to be submitted to the Governments represented. The text of the Charter in the English and French languages is annexed hereto and is hereby authenticated. The authentic text of the Charter in the Chinese, Russian and Spanish languages will be established by the Interim Commission of the International Trade Organization, in accordance with the procedure approved by the Conference.

There are also annexed to this Final Act a resolution of the Conference establishing an Interim Commission of the International Trade Organization and the other resolutions of the Conference.

This Final Act and the documents annexed shall be deposited with the Secretary-General of the United Nations, who will send certified copies to each of the Governments represented at the Conference.

IN WITNESS WHEREOF, the duly authorized representatives of their Governments have subscribed their names below.

DONE at Havana, this twenty-fourth day of March, one thousand nine hundred and forty-eight, in a single copy in the Chinese, English, French, Russian and Spanish languages.

*For Afghanistan:*  
A. HOSAYN AZIZ

*For Australia:*  
H. C. COOMBS

*For the Republic of Austria:*  
MATSCH

*For the Kingdom of Belgium:*  
M. SUETENS

*For Bolivia:*  
G. GUTIÉRREZ V. M.

*For Brazil:*  
A. DE VILHENA FERREIRA BRAGA

*For the Union of Burma:*  
M. MYAT TUN

*For Canada:*  
L. D. WILGROSS

*For Ceylon:*  
B. MAHADEVA

*For Chile:*  
W. MÜLLER  
F. GARCÍA OLDINI

*For China:*  
WUNSZ KING

*For Colombia:*  
F. LEQUERIGA VÉLEZ

*For Costa Rica:*  
V. M. DE LA GUARDIA

*For Cuba:*  
GUSTAVO GUTIÉRREZ

*For Czechoslovakia:*  
Z. AUGENTHALER

*For Denmark:*  
E. WAFFRUM

*For the Dominican Republic:*  
LUIS JULIÁN P.

*For Ecuador:*  
E. CHIRIBOGA

*For Egypt:*  
ANIS AZER

*For El Salvador:*  
R. JIMÉNEZ C.

*For France:*  
PHILIPPE GROUSSET

*For Greece:*  
ATH. POLITIS

*For Guatemala:*  
DR. ANGEL ARTURO RIVERA

*For Haiti:*  
F. MORISSEAU LEROY

*For India:*  
HARDIT SINGH MALIK

*For the Republic of Indonesia:*  
A. K. GANI

*For Iran:*  
NASROLIAH ENTEZAM

*For Iraq:*  
S. HAIDER  
A. JADDOU

*For Ireland:*  
J. C. B. MACCARTHY

*For the Republic of Italy:*  
CARMELO LA ROSA

*For Lebanon:*  
GEORGES HARIM

*For Liberia:*  
JOHN A. DUNAWAY

*For the Grand Duchy of Luxembourg:*  
J. WOULBROUIN

*For Mexico:*  
R. BETETA  
C. NOVOA

*For the Kingdom of the Netherlands:*  
A. B. SPEERENBRINE

*For New Zealand:*  
W. NASH  
J. P. D. JOHNSEN

*For Nicaragua:*  
J. SÁNCHEZ R.

*For the Kingdom of Norway:*  
ERIK COLBAN

*For Pakistan:*  
A. H. ISPAHANI

*For Panama:*  
JUVENAL A. CASTRELLÓN

*For Peru:*  
RÓMULO F. FERRERO  
MANUEL B. LIOSA

*For the Philippine Republic:*  
URBANO A. ZAFRA

*For Portugal:*  
ALVARO D. L. MARQUES

*For Southern Rhodesia:*  
S. ROWE

*For Sweden:*  
R. KUMLIN

*For Switzerland:*  
FRITZ REAL

*For Syria:*  
HUMNI SAWWAF

*For Transjordan:*  
S. HAIDER  
A. JADDOU

*For the Union of South Africa:*  
H. T. ANDREWS

*For the United Kingdom of  
Great Britain and Northern Ireland:*  
STEPHEN L. HOLMES  
J. L. DODDS  
R. J. SHACKLE

*For the United States of America:*  
W. L. CLAYTON  
CLAIR WILCOX

*For Uruguay:*  
ARIOSTO D. GONZÁLEZ

*For Venezuela:*  
CARLOS A. D'ASCOLI

*For the United Nations:*  
A. D. K. OWEN  
for the Secretary-General

*For the United Nations Conference  
on Trade and Employment*  
ERIC WYNDHAM WHITE  
Executive Secretary

## HAVANA CHARTER

FOR AN  
INTERNATIONAL TRADE ORGANIZATION

**HAVANA CHARTER  
FOR AN INTERNATIONAL TRADE ORGANIZATION  
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## CHAPTER I

### PURPOSE AND OBJECTIVES

#### Article 1

RECOGNIZING the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations.

THE PARTIES to this Charter undertake in the fields of trade and employment to co-operate with one another and with the United Nations

#### For the Purpose of

REALIZING the aims set forth in the Charter of the United Nations, particularly the attainment of the higher standards of living, full employment and conditions of economic and social progress and development, envisaged in Article 55 of that Charter.

TO THIS END they pledge themselves, individually and collectively, to promote national and international action designed to attain the following objectives:

1. To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding world economy.

2. To foster and assist industrial and general economic development, particularly of those coun-

tries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment.

3. To further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

4. To promote on a reciprocal and mutually advantageous basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce.

5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress.

6. To facilitate through the promotion of mutual understanding, consultation and co-operation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

ACCORDINGLY they hereby establish the INTERNATIONAL TRADE ORGANIZATION through which they shall co-operate as Members to achieve the purpose and the objectives set forth in this Article.

**CHAPTER II**  
**EMPLOYMENT AND ECONOMIC ACTIVITY**

**Article 2**

*Importance of Employment, Production and Demand in relation to the Purpose of this Charter*

1. The Members recognize that the avoidance of unemployment or underemployment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the achievement of the general purpose and the objectives set forth in Article 1, including the expansion of international trade, and thus for the well-being of all other countries.

2. The Members recognize that, while the avoidance of unemployment or underemployment must depend primarily on internal measures taken by individual countries, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations in collaboration with the appropriate inter-governmental organizations, each of these bodies acting within its respective sphere and consistently with the terms and purposes of its basic instrument.

3. The Members recognize that the regular exchange of information and views among Members is indispensable for successful co-operation in the field of employment and economic activity and should be facilitated by the Organization.

**Article 3**

*Maintenance of Domestic Employment*

1. Each Member shall take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to its political, economic and social institutions.

2. Measures to sustain employment, production and demand shall be consistent with the other objectives and provisions of this Charter. Members shall seek to avoid measures which would have the effect of creating balance-of-payments difficulties for other countries.

**Article 4**

*Removal of Maladjustments within the Balance of Payments*

1. In the event that a persistent maladjustment within a Member's balance of payments is a major factor in a situation in which other Members are involved in balance-of-payments difficulties which

handicap them in carrying out the provisions of Article 3 without resort to trade restrictions, the Member shall make its full contribution, while appropriate action shall be taken by the other Members concerned, towards correcting the situation.

2. Action in accordance with this Article shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade.

**Article 5**

*Exchange of Information and Consultation*

1. The Members and the Organization shall participate in arrangements made or sponsored by the Economic and Social Council of the United Nations, including arrangements with appropriate inter-governmental organizations:

- (a) for the systematic collection, analysis and exchange of information on domestic employment problems, trends and policies, including as far as possible information relating to national income, demand and the balance of payments;
- (b) for studies, relevant to the purpose and objectives set forth in Article 1, concerning international aspects of population and employment problems;
- (c) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in order to promote employment and economic activity.

2. The Organization shall, if it considers that the urgency of the situation so requires, initiate consultations among Members with a view to their taking appropriate measures against the international spread of a decline in employment, production or demand.

**Article 6**

*Safeguards for Members subject to External Inflationary or Deflationary Pressure*

The Organization shall have regard, in the exercise of its functions under other Articles of this Charter, to the need of Members to take action within the provisions of this Charter to safeguard their economies against inflationary or deflationary pressure from abroad. In case of deflationary pressure special consideration shall be given to the consequences for any Member of a serious or abrupt decline in the effective demand of other countries.

**Article 7**

*Fair Labour Standards*

1. The Members recognize that measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labour standards related to productivity, and thus in the improvement of wages and working conditions as productivity may permit. The Members recognize that unfair labour conditions, particularly in pro-

duction for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.

2. Members which are also members of the International Labour Organisation shall co-operate with that organization in giving effect to this undertaking.

3. In all matters relating to labour standards that may be referred to the Organization in accordance with the provisions of Articles 94 or 95, it shall consult and co-operate with the International Labour Organisation.



## CHAPTER III

### ECONOMIC DEVELOPMENT AND RECONSTRUCTION

#### Article 8

##### *Importance of Economic Development and Reconstruction in Relation to the Purpose of this Charter*

The Members recognize that the productive use of the world's human and material resources is of concern to and will benefit all countries, and that the industrial and general economic development of all countries, particularly of those in which resources are as yet relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, will improve opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income.

#### Article 9

##### *Development of Domestic Resources and Productivity*

Members shall within their respective territories take action designed progressively to develop, and where necessary to reconstruct, industrial and other economic resources and to raise standards of productivity through measures not inconsistent with the other provisions of this Charter.

#### Article 10

##### *Co-operation for Economic Development and Reconstruction*

1. Members shall co-operate with one another, with the Economic and Social Council of the United Nations, with the Organization and with other appropriate inter-governmental organizations, in facilitating and promoting industrial and general economic development, as well as the reconstruction of those countries whose economies have been devastated by war.

2. With a view to facilitating and promoting industrial and general economic development and consequently higher standards of living, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, and subject to any arrangements which may be entered into between the Organization and the Economic and Social Council of the United Nations and appropriate inter-governmental organizations, the Organization shall, within its powers and resources, at the request of any Member:

(a) (i) study the Member's natural resources and potentialities for industrial and general economic development, and assist in the formulation of plans for such development;

(ii) furnish the Member with appropriate advice concerning its plans for economic development or reconstruction and the financing and carrying out of its programmes for economic development or reconstruction; or

(b) assist the Member to procure such advice or study.

These services shall be provided on terms to be agreed and in such collaboration with appropriate regional or other inter-governmental organizations as will use fully the competence of each of them. The Organization shall also, upon the same conditions, aid Members in procuring appropriate technical assistance.

3. With a view to facilitating and promoting industrial and general economic development, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, the Organization shall co-operate with the Economic and Social Council of the United Nations and appropriate inter-governmental organizations on all phases within their special competence, of such development and reconstruction, and, in particular, in respect of finance, equipment, technical assistance and managerial skills.

#### Article 11

##### *Means of Promoting Economic Development and Reconstruction*

1. Progressive industrial and general economic development, as well as reconstruction, requires among other things adequate supplies of capital funds, materials, modern equipment and technology and technical and managerial skills. Accordingly, in order to stimulate and assist in the provision and exchange of these facilities:

(a) Members shall co-operate, in accordance with Article 10, in providing or arranging for the provision of such facilities within the limits of their power, and Members shall not impose unreasonable or unjustifiable impediments that would prevent other Members from obtaining on equitable terms any such facilities for their economic development or, in the case of Member countries whose economies have been devastated by war, for their reconstruction;

(b) no Member shall take unreasonable or unjustifiable action within its territory injurious to the rights or interests of nationals of other Members in the enterprise, skills, capital, arts or technology which they have supplied.

2. The Organization may, in such collaboration with other inter-governmental organizations as may be appropriate:

(a) make recommendations for and promote bilateral or multilateral agreements on measures designed:

(i) to assure just and equitable treatment for the enterprise, skills, capital, arts and technology brought from one Member country to another;

(ii) to avoid international double taxation in order to stimulate foreign private investments;

(iii) to enlarge to the greatest possible extent the benefits to Members from the fulfilment of the obligations under this Article;

(b) make recommendations and promote agreements designed to facilitate an equitable distribution of skills, arts, technology, materials and equipment, with due regard to the needs of all Members;

(c) formulate and promote the adoption of a general agreement or statement of principles regarding the conduct, practices and treatment of foreign investment.

#### Article 12

##### *International Investment for Economic Development and Reconstruction*

1. The Members recognize that:

(a) international investment, both public and private, can be of great value in promoting economic development and reconstruction, and consequent social progress;

(b) the international flow of capital will be stimulated to the extent that Members afford nationals of other countries opportunities for investment and security for existing and future investments;

(c) without prejudice to existing international agreements to which Members are parties, a Member has the right:

(i) to take any appropriate safeguards necessary to ensure that foreign investment is not used as a basis for interference in its internal affairs or national policies;

(ii) to determine whether and to what extent and upon what terms it will allow future foreign investment;

(iii) to prescribe and give effect on just terms to requirements as to the ownership of existing and future investments;

(iv) to prescribe and give effect to other reasonable requirements with respect to existing and future investments;

(d) the interests of Members whose nationals are in a position to provide capital for international investment and of Members who desire to obtain the use of such capital to promote their economic development or reconstruction may be promoted if such Members enter into bilateral or multilateral agreements relating to the opportunities and security for investment which the Members are prepared to offer and any limitations which they are prepared to accept of the rights referred to in sub-paragraph (c).

2. Members therefore undertake:

(a) subject to the provisions of paragraph 1(c) and to any agreements entered into under paragraph 1(d),

(i) to provide reasonable opportunities for investments acceptable to them and adequate security for existing and future investments, and

(ii) to give due regard to the desirability of avoiding discrimination as between foreign investments;

(b) upon the request of any Member and without prejudice to existing international agreements to which Members are parties, to enter into consultation or to participate in negotiations directed to the conclusion, if mutually acceptable, of an agreement of the kind referred to in paragraph 1(d).

3. Members shall promote co-operation between national and foreign enterprises or investors for the purpose of fostering economic development or reconstruction in cases where such co-operation appears to the Members concerned to be appropriate.

#### Article 13

##### *Governmental Assistance to Economic Development and Reconstruction*

1. The Members recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The Organization and the Members concerned shall preserve the utmost secrecy in respect of matters arising under this Article.

—A—

3. If a Member, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favoured-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of Article 15, considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with an obligation which the Member has assumed in respect of any product through negotiations with any other Member or Members pursuant to Chapter IV but which would not conflict with that Chapter, such Member

(a) shall enter into direct negotiations with all the other Members which have contractual rights. The Members shall be free to proceed in accordance with the terms of any agreement resulting from such negotiations, provided that the Organization is informed thereof; or

(b) shall initially or may, in the event of failure to reach agreement under sub-paragraph (a), apply to the Organization. The Organization shall determine, from among Members which have contractual rights, the Member or Members materially affected by the proposed measure and shall sponsor negotiations between such Member or Members and the applicant Member with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the Members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant Member. The Members shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the Organization. At the request of a Member, the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant Member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the Members concerned.

4. (a) If as a result of action initiated under paragraph 3, there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry, or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this Charter can be found which seem likely to prove effective, the applicant Member may,

after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member initiated action under paragraph 3.

(b) The Organization shall determine, as soon as practicable, whether any such measure should be continued, discontinued or modified. It shall in any case be terminated as soon as the Organization determines that the negotiations are completed or discontinued.

(c) It is recognized that the contractual relationships referred to in paragraph 3 involve reciprocal advantages, and therefore any Member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of the applicant Member of substantially equivalent obligations or concessions under or pursuant to Chapter IV, provided that the Member concerned has consulted the Organization before taking such action and the Organization does not disapprove.

—B—

5. In the case of any non-discriminatory measure affecting imports which would conflict with Chapter IV and which would apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, the provisions of sub-paragraph (b) of paragraph 3 shall apply; *Provided* that before granting a release the Organization shall afford adequate opportunity for all Members which it determines to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

—C—

6. If a Member in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with Chapter IV, but which would not apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, such Member shall notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (a) On application by such Member the Organization shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant Member's need for economic development or reconstruction, it is established that the measure

(i) is designed to protect a particular industry, established between January 1, 1939 and the date of this Charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) is necessary, in view of the possibilities and resources of the applicant Member to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a by-product of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant Member's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant Member, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Charter, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economics of the industry or branch of agriculture concerned and to the applicant Member's need for economic development or reconstruction.

The foregoing provisions of this sub-paragraph are subject to the following conditions:

(1) any proposal by the applicant Member to to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) the Organization shall not concur in any measure under the provisions of (i), (ii) or (iii) above which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another Member country is largely dependent.

(b) The applicant Member shall apply any measure permitted under sub-paragraph (a) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under the provisions of Articles 8 and 9.

8. If the proposed measure does not fall within the provisions of paragraph 7, the Member

(a) may enter into direct consultations with the Member or Members which, in its judgment, would be materially affected by the measure. At the same time, the Member shall inform

the Organization of such consultations in order to afford it an opportunity to determine whether all materially affected Members are included within the consultations. Upon complete or substantial agreement being reached, the Member interested in taking the measure shall apply to the Organization. The Organization shall promptly examine the application to ascertain whether the interests of all the materially affected Members have been duly taken into account. If the Organization reaches this conclusion, with or without further consultations between the Members concerned, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as the Organization may impose; or

(b) may initially, or in the event of failure to reach complete or substantial agreement under sub-paragraph (a), apply to the Organization. The Organization shall promptly transmit the statement submitted under paragraph 6 to the Member or Members which are determined by the Organization to be materially affected by the proposed measure. Such Member or Members shall, within the time limits prescribed by the Organization, inform it whether, in the light of the anticipated effects of the proposed measure on the economy of such Member country or countries, there is any objection to the proposed measure. The Organization shall,

(i) if there is no objection to the proposed measure on the part of the affected Member or Members, immediately release the applicant Member from its obligations under the relevant provision of Chapter IV; or

(ii) if there is objection, promptly examine the proposed measure, having regard to the provisions of this Charter, to the considerations presented by the applicant Member and its need for economic development or reconstruction, to the views of the Member or Members determined to be materially affected, and to the effect which the proposed measure, with or without modification, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant Member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose.

9. If, in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, pending a decision by the Organization on the Member's application; *Provided* that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.

10. The Organization shall, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or sub-paragraphs (a) or (b) of paragraph 8, advise the applicant Member of the date by which it will be notified whether or not it is released from the relevant obligation. This shall be the earliest practicable date and not later than ninety days after receipt of such application; *Provided* that, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant Member. If the applicant Member is not so notified by the date set, it may, after informing the Organization, institute the proposed measure.

#### Article 14

##### *Transitional Measures*

1. Any Member may maintain any non-discriminatory protective measure affecting imports which has been imposed for the establishment, development or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this Charter, provided that notification has been given of such measure and of each product to which it relates:

(a) in the case of a Member signatory to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, not later than October 10, 1947, in respect of measures in force on September 1, 1947, subject to decisions made under paragraph 6 of Article XVIII of the General Agreement on Tariffs and Trade; except that if in special circumstances the CONTRACTING PARTIES to that Agreement agree to dates other than those specified in this sub-paragraph, such other dates shall apply;

(b) in the case of any other Member, not later than the day on which it deposits its instrument of acceptance of this Charter, in respect of measures in force on that day or on the day of the entry into force of the Charter, whichever is the earlier;

and provided further that notification has been given under sub-paragraph (a) to the other signatories to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and under sub-paragraph (b) to the Organization, or, if the Charter has not entered into force on the day of such notification, to the signatories to the Final Act of the United Nations Conference on Trade and Employment.

2. Any Member maintaining any such measure, other than a measure approved by the CONTRACTING PARTIES to the General Agreement under paragraph 6 of Article XVIII of that Agreement, shall, within one month of becoming a Member of the Organization, submit to it a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The Organization shall, as soon as possible, but in any case within twelve months of such Member becoming a Member of the Organization, examine and give a decision concerning the measure as if it had been submitted to the Organization for its concurrence under Article 13.

3. Any measure, approved in accordance with the provisions of Article XVIII of the General Agreement, and which is in effect at the time this Charter enters into force, may remain in effect thereafter, subject to the conditions of any such approval and, if the Organization so decides, to review by the Organization.

4. This Article shall not apply to any measure relating to a product in respect of which the Member has assumed an obligation through negotiations pursuant to Chapter IV.

5. In cases where the Organization decides that a measure should be modified or withdrawn by a specified date, it shall have regard to the possible need of a Member for a period of time in which to make such modification or withdrawal.

#### Article 15

##### *Preferential Agreements for Economic Development and Reconstruction*

1. The Members recognize that special circumstances, including the need for economic development or reconstruction, may justify new preferential agreements between two or more countries in the interest of the programmes of economic development or reconstruction of one or more of them.

2. Any Member contemplating the conclusion of such an agreement shall communicate its intention to the Organization and provide it with the relevant information to enable it to examine the proposed agreement. The Organization shall promptly communicate such information to all Members.

3. The Organization shall examine the proposal and, by a two-thirds majority of the Members present and voting, may grant, subject to such conditions as it may impose, an exception to the provisions of Article 16 to permit the proposed agreement to become effective.

4. Notwithstanding the provisions of paragraph 3, the Organization shall authorize, in accordance with the provisions of paragraphs 5 and 6, the necessary departure from the provisions of Article 16 in respect of a proposed agreement between Members for the establishment of tariff preferences which it determines to fulfil the following conditions and requirements:

(a) the territories of the parties to the agreement are contiguous one with another, or all parties belong to the same economic region;

(b) any preference provided for in the agreement is necessary to ensure a sound and adequate market for a particular industry or branch of agriculture which is being, or is to be, created or reconstructed or substantially developed or substantially modernized;

(c) the parties to the agreement undertake to grant free entry for the products of the industry or branch of agriculture referred to in sub-paragraph (b) or to apply customs duties to such products sufficiently low to ensure that the objectives set forth in that sub-paragraph will be achieved;

(d) any compensation granted to the other parties by the party receiving preferential treatment shall, if it is a preferential concession, conform with the provisions of this paragraph;

(e) the agreement contains provisions permitting, on terms and conditions to be determined by negotiation with the parties to the agreement, the adherence of other Members, which are able to qualify as parties to the agreement under the provisions of this paragraph, in the interest of their programmes of economic development or reconstruction. The provisions of Chapter VIII may be invoked by such a Member in this respect only on the ground that it has been unjustifiably excluded from participation in such an agreement;

(f) the agreement contains provisions for its termination within a period necessary for the fulfilment of its purposes but, in any case, not later than at the end of ten years; any renewal shall be subject to the approval of the Organization and no renewal shall be for a longer period than five years.

5. When the Organization, upon the application of a Member and in accordance with the provisions of paragraph 6, approves a margin of preference as an exception to Article 16 in respect of the products covered by the proposed agreement, it may, as a condition of its approval, require a reduction in an unbound most-favoured-nation rate of duty proposed by the Member in respect of any product so covered. If in the light of the representations of any affected Member it considers that rate excessive,

6. (a) If the Organization finds that the proposed agreement fulfils the conditions and requirements set forth in paragraph 4 and that the conclusion of the agreement is not likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall within two months authorize the parties to the agreement to depart from the provisions of Article 16, as regards the products covered by the agreement. If the Organization does not give a ruling within the specified period, its authorization shall be regarded as having been automatically granted.

(b) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall inform interested Members of its findings and shall require the Members contemplating the conclusion of the agreement to enter into negotiations with that Member. When agreement is reached in the negotiations, the Organization shall authorize the Members contemplating the conclusion of the preferential agreement to depart from the provisions of Article 16 as regards the products covered by the preferential agreement. If, at the end of two months from the date on which the Organization suggested such negotiations, the negotiations have not been completed and the Organization considers that the injured Member is unreasonably preventing the conclusion of the negotiations, it shall authorize the necessary departure from the provisions of Article 16 and at the same time shall fix a fair compensation to be granted by the parties to the agreement to the injured Member or, if this is not possible or reasonable, prescribe such modification of the agreement as will give such Member fair treatment. The provisions of Chapter VIII may be invoked by such Member only if it does not accept the decision of the Organization regarding such compensation.

(c) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to jeopardize the economic position of a Member in world trade, it shall not authorize any departure from the provisions of Article 16 unless the parties to the agreement have reached a mutually satisfactory understanding with that Member.

(d) If the Organization finds that the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement, the Organization shall, without prejudice to the conditions governing the recognition of such right, grant the authorization provided for in paragraph 5 and in sub-paragraph (a) of this paragraph, provided that the conditions and requirements set out in sub-paragraphs (a), (e) and (f) of paragraph 4 are fulfilled. Nevertheless, if the Organization finds that the external trade of one or more Member countries, which have not recognized this right to depart from most-favoured-nation treatment, is threatened with substantial injury, it shall invite the parties to the agreement to enter into negotiations with the injured Member, and the provisions of sub-paragraph (b) of this paragraph shall apply.

CHAPTER IV  
COMMERCIAL POLICY

SECTION A — TARIFFS, PREFERENCES, AND INTERNAL TAXATION AND REGULATION

Article 16

*General Most-favoured-nation Treatment*

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

- (a) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set forth therein;
- (b) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E;
- (c) preferences in force exclusively between the United States of America and the Republic of Cuba;
- (d) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;
- (e) preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J.

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfill the applicable requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (a) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (b) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

Article 17

*Reduction of Tariffs and Elimination of Preferences*

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

- (a) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

- (b) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(c) In negotiations relating to any specific product with respect to which a preference applies,

- (i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

- (ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

- (iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

- (iv) no margin of preference shall be increased.

(d) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(e) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement

shall nevertheless conform to the requirements of paragraph 2 (e).

4. (a) The provisions of Article 16 shall not prevent the operation of paragraph 5 (b) of Article XXV of the General Agreement on Tariffs and Trade, as amended at the First Session of the CONTRACTING PARTIES.

(b) If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application to the trade of such Member country of the concessions granted. In the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; *Provided* that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(c) If a Member which is a contracting party to the General Agreement proposes to withhold tariff concessions from the trade of a Member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected Member. The latter Member may request the Organization to require the continuance of such concessions, and if such a request has been made the tariff concessions shall not be withheld pending a decision by the Organization under the provisions of sub-paragraph (b) of this paragraph.

(d) In any determination whether a Member has been unreasonably prevented from becoming a contracting party to the General Agreement, and in any determination under the provisions of Chapter VIII whether a Member has failed without sufficient justification to fulfil its obligations under paragraph 1 of this Article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal structures, of the Member countries concerned and to the provisions of the Charter as a whole.

(e) If such concessions are in fact withheld, so as to result in the application to the trade of a Member country of duties higher than would otherwise have been applicable, such Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

*National Treatment on Internal Taxation and Regulation*

1. The Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any Member country imported into any other Member country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no Member shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the Member imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No Member shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no Member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any Member country on July 1, 1939, April 10, 1947 or on the date of this Charter, at the option of that Member; *Provided* that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiation and shall accordingly be treated as a customs duty for the purposes of Article 17.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (a) The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(b) The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

9. The Members recognize that internal maximum price control measures, even though conforming to the other provisions of this Article, can have effects prejudicial to the interests of Member countries supplying imported products. Accordingly, Members applying such measures shall take account of the interests of exporting Member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

Article 19

*Special Provisions relating to Cinematograph Films*

The provisions of Article 18 shall not prevent any Member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:

(a) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof.

(b) With the exception of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply.

(c) Notwithstanding the provisions of sub-paragraph (b) any Member may maintain screen quotas conforming to the require-

ments of sub-paragraph (a) which reserve a minimum proportion of screen time for films of a specified origin other than that of the Member imposing such screen quotas; *Provided* that such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(d) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of Article 17.

SECTION B—QUANTITATIVE RESTRICTIONS AND RELATED EXCHANGE MATTERS

Article 20

*General Elimination of Quantitative Restrictions*

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 shall not extend to the following:

(a) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organization, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organization may request the Member to revise the standards or regulations; *Provided* that it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of Article 39;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is

no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

3. With regard to import restrictions applied under the provisions of paragraph 2 (c):

(a) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (c) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(b) any Member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (d) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(c) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(4) any restrictions applied under paragraph 3 (c) (i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

4. Throughout this Section the terms "import restrictions" and "export restrictions" include restrictions made effective through state-trading operations.

#### Article 21

##### *Restrictions to safeguard the Balance of Payments*

1. The Members recognize that:

(a) it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments;

(b) an adverse balance of payments of one Member country may have important effects on the trade and balance of payments of other Member countries, if it results in, or may lead to, the imposition by the Member of restrictions affecting international trade;

(c) the balance of payments of each Member country is of concern to other Members, and therefore it is desirable that the Organization should promote consultations among Members and, where possible, agreed action consistent with this Charter for the purpose of correcting a maladjustment in the balance of payments; and

(d) action taken to restore stable equilibrium in the balance of payments should, so far as the Member or Members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of Article 20, any Member, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the

provisions of the following paragraphs of this Article.

3. (a) No Member shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) A Member applying restrictions under sub-paragraph (a) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that sub-paragraph, as its external financial position improves. This provision shall not be interpreted to mean that a Member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under sub-paragraph (a).

(c) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade mark, copyright or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 8 and 9.

4. (a) The Members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 23, take full account of the difficulties of post-war adjustment and of the need which a Member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(b) The Members recognize that, as a result of domestic policies directed toward the fulfillment of a Member's obligations under Article 3 relating to the achievement and maintenance of full and productive employment and large and steadily growing demand, or its obligations under Article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a Member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this Article. Accordingly,

(i) no Member shall be required to withdraw or modify restrictions which it is applying under this Article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any Member applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(c) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (a) Any Member which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other Members. No Member shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(b) The Organization may at any time invite any Member which is applying import restrictions under this Article to enter into such consultations with it, and shall invite any Member substantially intensifying such restrictions to consult within thirty days. A Member thus invited shall participate in the consultations. The Organization may invite any other Member to take part in the consultations. Not later than two years from the day on which this Charter enters into force, the Organization shall review all restrictions existing

on that day and still applied under this Article at the time of the review.

(c) Any Member may consult with the Organization with a view to obtaining the prior approval of the Organization for restrictions which the Member proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the Organization may approve in advance the maintenance, intensification or institution of restrictions by the Member in question in so far as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the Member applying the restrictions shall not be open to challenge under sub-paragraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of sub-paragraphs (a) and (b) of paragraph 3.

(d) Any Member which considers that another Member is applying restrictions under this Article inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23) may bring the matter to the Organization for discussion; and the Member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the Member initiating the procedure, it appears to the Organization that the trade of that Member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, the Organization may release any Member from specified obligations or concessions under or pursuant to this Charter towards the Member applying the restrictions.

(e) In consultations between a Member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the Member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restrictions under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

6. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those Members whose balances of payments are under pressure or by those Members whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, Members shall participate in such discussions.

#### Article 22

##### *Non-discriminatory Administration of Quantitative Restrictions*

1. No prohibition or restriction shall be applied by any Member on the importation of any product of any other Member country or on the exportation of any product destined for any other Member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, Members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various Member countries might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

- (a) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (b);
- (b) in cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;
- (c) Members shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (d) of this paragraph, require that import licences or permits be utilized for the importation of the product concerned from a particular country or source;
- (d) in cases in which a quota is allocated among supplying countries, the Member applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other Members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the Member concerned shall allot to Member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product based upon

the proportions supplied by such Member countries during a previous representative period, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any Member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In the case of import restrictions involving the granting of import licences, the Member applying the restrictions shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries; *Provided* that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas, the Member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; *Provided* that they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods, and *Provided further* that if any Member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(c) In the case of quotas allocated among supplying countries, the Member applying the restrictions shall promptly inform all other Members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(d) If the Organization finds, upon the request of a Member, that the interests of that Member would be seriously prejudiced by giving, in regard to certain products, the public notice required under sub-paragraphs (b) and (c) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by non-Member countries, the Organization shall release the Member from compliance with the obligations in question to the extent and for such time as it finds necessary to prevent such prejudice. Any request made by a Member pursuant to this sub-paragraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (d) of this Article or under the provisions of paragraph 2 (c) of Article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member applying the restrictions; *Provided* that such Member shall, upon the request of any other Member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other Member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected, or for the re-appraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any Member and, in so far as applicable, the principles of this Article shall also extend to export restrictions.

#### Article 23

##### *Exceptions to the Rule of Non-discrimination*

1. (a) The Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(b) A Member which applies restrictions under Article 21 may, in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that Member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article 24.

(c) A Member which is applying restrictions under Article 21 and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been authorized on that date by sub-paragraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any Member which before July 1, 1948 has signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of Annex K of this Charter, which embodies such principles, in lieu of the provisions of sub-paragraphs (b) and (c) of this paragraph. The provisions of sub-paragraphs (b) and (c) shall not be applicable to Members which have so elected to be governed by the provisions of Annex K; and conversely, the provisions of Annex K shall not be applicable to Members which have not so elected.

(e) The policies applied in the use of import restrictions under sub-paragraphs (b) and (c) or under Annex K in the post-war transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of Article 21 or to transitional exchange arrangements.

(f) A Member may deviate from the provisions of Article 22, pursuant to sub-paragraphs (b) or (c) of this paragraph or pursuant to Annex K, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article 24.

(g) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the Organization shall report on any action still being taken by Members under sub-paragraphs (b) and (c) of this paragraph or under Annex K. In March 1952, and in each year thereafter, any Member still entitled to take action under the provisions of sub-paragraph (c) or of Annex K shall consult the Organization as to any deviations from Article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the Member's circumstances.



(A) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any Member entitled to take action under the provisions of sub-paragraph (c) that conditions are favourable for the termination of any particular deviation from the provisions of Article 22, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any Member entitled to take action under Annex K. The Member shall be given a suitable time to reply to such representations. If the Organization finds that the Member persists in unjustifiable deviation from the provisions of Article 22, the Member shall, within sixty days, limit or terminate such deviations as the Organization may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (f), a Member which is applying import restrictions under Article 21 may, with the consent of the Organization, temporarily deviate from the provisions of Article 22 in respect of a small part of its external trade where the benefits to the Member or Members concerned substantially outweigh any injury which may result to the trade of other Members.

3. The provisions of Article 22 shall not preclude restrictions in accordance with the provisions of Article 21 which either

(a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article 22, or

(b) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article 22, another country whose economy has been disrupted by war.

4. A Member applying import restrictions under Article 21 shall not be precluded by this Section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article 22.

5. A Member shall not be precluded by this Section from applying quantitative restrictions

(a) having equivalent effect to exchange restrictions authorized under Section 3 (b) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(b) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.

## Article 24

### *Relationship with the International Monetary Fund and Exchange Arrangements*

1. The Organization shall seek co-operation with the International Monetary Fund to the end that the Organization and the Fund may pursue a co-ordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balance of payments, and shall accept the determination of the Fund whether action by a Member with respect to exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that Member and the Organization pursuant to paragraph 6 of this Article.

When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of Article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (a) of that Article, it shall accept the determination of the Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the Conference.

4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a manner inconsistent with the provisions of this Section with respect to quantitative restrictions, it shall report thereon to the Fund.

6. (a) Any Member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund or, failing that, enter into a special exchange agreement with the Organization. A Member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a Member under this sub-paragraph shall thereupon become part of its obligations under this Charter.

(b) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this Charter will not be frustrated as a result of action with respect to exchange matters by the Member in question.

(c) Any such agreement shall not impose obligations on the Member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

(d) No Member shall be required to enter into any such agreement so long as it uses solely the currency of another Member and so long as neither the Member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement

may be permitting action which tends to frustrate the purposes of any of the provisions of this Charter, it may require the Member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A Member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.

7. A Member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this Charter.

8. Nothing in this Section shall preclude:

(a) the use by a Member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that Member's special exchange agreement with the Organization, or

(b) the use by a Member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects permitted under Articles 20, 21, 22 and 23, is to make effective such exchange controls or exchange restrictions.

## SECTION C — SUBSIDIES

### Article 25

#### *Subsidies in General*

If any Member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into, its territory, the Member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

### Article 26

#### *Additional Provisions on Export Subsidies*

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product

for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.



## Article 29

*Non-discriminatory Treatment*

1. (a) Each Member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Charter for governmental measures affecting imports or exports by private traders.

(b) The provisions of sub-paragraph (a) shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(c) No Member shall prevent any enterprise (whether or not an enterprise described in sub-paragraph (a)) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (a) and (b).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (a) of Article 18, each Member shall accord to the trade of the other Members fair and equitable treatment.

## Article 30

*Marketing Organizations*

If a Member establishes or maintains a marketing board, commission or similar organization, the Member shall be subject:

(a) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of Article 29;

(b) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this Charter.

## Article 31

*Expansion of Trade*

1. If a Member establishes, maintains or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the Member shall, upon the request of any other Member or Members having a substantial interest in trade with it in the product concerned, negotiate with such other Member or Members in the manner provided for under Article 17 in respect of tariffs, and subject to all the provisions of this Charter with respect to such tariff negotiations, with the object of achieving:

(a) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

(b) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this Charter.

2. In order to satisfy the requirements of paragraph 1 (b), the Member establishing, maintaining or authorizing a monopoly shall negotiate:

(a) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

(b) for any other mutually satisfactory arrangement consistent with the provisions of this Charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under sub-paragraph (a) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of paragraph 1; any Member entering into negotiations under this sub-paragraph shall afford to other interested Members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (a), the Member establishing, maintaining or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

## Article 28

*Undertaking regarding Stimulation of Exports of Primary Commodities*

1. Any Member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. As required under the provisions of Article 26, the Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the Member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned, and shall have particular regard to:

(a) the Member country's share of world trade in the commodity during a previous representative period;

(b) whether the Member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(c) the degree of importance of the external trade in the commodity to the economy of the Member country granting, and to the economies of the Member countries materially affected by, the subsidy;

(d) the existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27;

(e) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

4. Notwithstanding the provisions of paragraph 1, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member's exports of the product. However, the Member shall, upon the request of the Organization or of any other Member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that Member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

## Article 27

*Special Treatment of Primary Commodities*

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

(a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

2. Any Member granting a subsidy in respect of a primary commodity shall co-operate at all times in efforts to negotiate agreements, under the procedures set forth in Chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an inter-governmental control agreement for the commodity concerned unless the Organization concurs, in which case such new or additional subsidy shall be subject to the provisions of Article 28.

5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed,

4. The import duty negotiated under paragraph 3, or made public or notified to the Organisation under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed cost; *Provided* that regard may be had to average landed costs and selling prices over recent periods; and *Provided further* that, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

5. With regard to any product to which the provisions of this Article apply, the monopoly shall, wherever this principle can be effectively applied and subject to the other provisions of this Charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

6. In applying the provisions of this Article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

## SECTION E — GENERAL COMMERCIAL PROVISIONS

### Article 33

#### *Freedom of Transit*

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a Member country, when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Member country across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through each Member country, via the routes most convenient for international transit, for traffic in transit to or from other Member countries. No distinction shall

7. This Article shall not limit the use by Members of any form of assistance to domestic producers permitted by other provisions of this Charter.

### Article 32

#### *Liquidation of Non-commercial Stocks*

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such Member shall:

- (a) give not less than four months public notice of its intention to liquidate such stocks; or
- (b) give not less than four months prior notice to the Organization of such intention.

3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any Member may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this Article. Members shall co-operate with each other directly and through the Organization to this end.

7. Each Member shall accord to goods which have been in transit through any other Member country treatment no less favourable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other Member country. Any Member shall, however, be free to maintain its requirements of direct consignment existing on the date of this Charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for customs purposes.

8. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

### Article 34

#### *Anti-dumping and Countervailing Duties*

1. The Members recognise that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another

- (a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,
- (b) in the absence of such domestic price, is less than either

- (1) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

- (2) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a Member may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of any Member country imported into another Member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of any Member country imported into any other Member country shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of any Member country imported into any other Member country shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No Member shall levy any anti-dumping or countervailing duty on the importation of any product of another Member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Organization may waive the requirements of this paragraph so as to permit a Member to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another Member country exporting the product concerned to the importing Member country.

7. A system for the stabilisation of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Members substantially interested in the commodity concerned that:

- (a) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and
- (b) the system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

#### Article 35

##### *Valuation for Customs Purposes*

1. The Members shall work toward the standardisation, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering co-operation to this end, the Organization may study and recommend to Members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The Members recognize the validity of the general principles of valuation set forth in paragraphs 4 and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another Member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this Article.

3. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation

of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with sub-paragraph (b), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (a) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a Member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article 24 of this Charter.

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(c) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by Members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any Member may apply such rules in respect of such foreign currencies for the purposes of paragraph 3 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any Member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this Article shall be construed to require any Member to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

#### Article 36

##### *Formalities connected with Importation and Exportation*

1. The Members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The Members also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The Members shall take action in accordance with the principles and objectives of paragraph 1 at the earliest practicable date. Moreover, they shall, upon request by another Member directly affected, review the operation of any of their laws and regulations in the light of these principles. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

- (a) consular transactions, such as those relating to consular invoices and certificates;
- (b) quantitative restrictions;
- (c) licensing;
- (d) exchange control;
- (e) statistical services;
- (f) documents, documentation and certification;
- (g) analysis and inspection; and
- (h) quarantine, sanitation and fumigation.

4. The Organization may study and recommend to Members specific measures for the simplification and standardization of customs formalities and techniques and for the elimination of unnecessary cus-

tom requirements, including those relating to advertising matter and samples for use only in taking orders for merchandise.

5. No Member shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

6. The Members recognize that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries. Accordingly, the Members shall co-operate with each other directly and through the Organization with a view to eliminating at the earliest practicable date practices which are inconsistent with this principle.

#### Article 37

##### *Marks of Origin*

1. The Members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, Members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of Members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The Members agree to work in co-operation through the Organization towards the early elimination of unnecessary marking requirements. The Organization may study and recommend to Members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any Member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The Members shall co-operate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a Member country which are protected by the legislation of such country. Each Member shall accord full and sympathetic consideration to such requests or representations as may be made by any other Member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other Member. The Organization may recommend a conference of interested Members on this subject.

#### Article 38

##### *Publication and Administration of Trade Regulations*

1. Laws, regulations, judicial decisions and administrative rulings of general application made effective by any Member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any Member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any Member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any Member effecting an advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition

on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (a) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(b) Each Member shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; *Provided* that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(c) The provisions of sub-paragraph (b) shall not require the elimination or substitution of procedures in force in a Member country on the date of this Charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any Member employing such procedures shall, upon request, furnish the Organization with full information thereon in order that the Organization may determine whether such procedures conform to the requirements of this sub-paragraph.

#### Article 39

##### *Information, Statistics and Trade Terminology*

1. The Members shall communicate to the Organization, or to such agency as may be designated for the purpose by the Organization, as promptly and in as much detail as is reasonably practicable:

(a) statistics of their external trade in goods (imports, exports and, where applicable, re-exports, transit and trans-shipment and goods in warehouse or in bond);

(b) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, in so far as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The Members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The Members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The Members shall make available to the Organization, at its request and in so far as is reasonably practicable, such other statistical information as the Organization may deem necessary to enable it to fulfil its functions, provided that such information is not being furnished to other inter-

#### SECTION F—SPECIAL PROVISIONS

##### Article 40

##### *Emergency Action on Imports of Particular Products*

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a Member under or pursuant to this Chapter, including tariff concessions, any product is being imported into the territory of that Member in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the Member shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product which is the subject of a concession with respect to a preference is being imported into the territory of a Member in the circumstances set forth in sub-paragraph (a), so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a Member which receives or received such preference, the importing Member shall be free, if that other Member so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

governmental organizations from which the Organization can obtain it.

6. The Organization shall act as a centre for the collection, exchange and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analysing and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

7. The Organization, in co-operation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms and forms to be used in international trade and in the official documents and statistics of Members relating thereto, and may recommend the general acceptance by Members of such standards, nomenclatures, terms and forms.

2. Before any Member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization and those Members having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in regard to a concession relating to a preference, the notice shall name the Member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested Members with respect to the action is not reached, the Member which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected Members shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the Member taking such action, or, in the case envisaged in paragraph 1 (b), to the trade of the Member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this Chapter the suspension of which the Organization does not disapprove.

(b) Notwithstanding the provisions of sub-paragraph (a), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a Member to the domestic producers of products affected by the action, that Member shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

4. Nothing in this Article shall be construed

(a) to require any Member, in connection with the withdrawal or modification by such Member of any concession negotiated pursuant to Article 17, to consult with or obtain the agreement of Members other than those Members which are contracting parties to the General Agreement on Tariffs and Trade, or

(b) to authorize any Member which is not a contracting party to that Agreement, to withdraw from or suspend obligations under this Charter by reason of the withdrawal or modification of such concession.

#### Article 41

##### *Consultation*

Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regulations and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this Chapter.

#### Article 42

##### *Territorial Application of Chapter IV*

1. The provisions of Chapter IV shall apply to the metropolitan customs territories of the Members and to any other customs territories in respect of which this Charter has been accepted in accordance with the provisions of Article 104. Each such customs territory shall, exclusively for the purposes of the territorial application of Chapter IV, be treated as though it were a Member; *Provided* that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Charter has been accepted by a single Member.

2. For the purposes of this Chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

#### Article 43

##### *Frontier Traffic*

The provisions of this Chapter shall not be construed to prevent:

(a) advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic;

(b) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

#### Article 44

##### *Customs Unions and Free-Trade Areas*

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other Member countries with such parties.

2. Accordingly, the provisions of this Chapter shall not prevent, as between the territories of Members, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; *Provided* that:

(a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with Member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of Member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(c) any interim agreement referred to in sub-paragraphs (a) or (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

3. (a) Any Member deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the Organization and shall make available to it such information regarding the proposed union or area as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.

(b) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 2 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (a), the Organization finds that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the Organization shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(c) Any substantial change in the plan or schedule referred to in paragraph 2 (c) shall be communicated to the Organization, which may request the Members concerned to consult with it if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

4. For the purposes of this Charter:

(a) a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary,

those permitted under Section B of Chapter IV and under Article 45) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) a free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with Members affected. This procedure of negotiations with affected Members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4 (a) (i) and paragraph 4 (b).

6. The Organization may, by a two-thirds majority of the Members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or of a free-trade area in the sense of this Article.

#### Article 45

##### *General Exceptions to Chapter IV*

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between Member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Chapter shall be construed to prevent the adoption or enforcement by any Member of measures

(a) (i) necessary to protect public morals;

(ii) necessary to the enforcement of laws and regulations relating to public safety;

(iii) necessary to protect human, animal or plant life or health;

- (iv) relating to the importation or exportation of gold or silver;
- (v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Chapter, including those relating to customs enforcement, the enforcement of monopolies operated under Section D of this Chapter, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;
- (vi) relating to the products of prison labour;
- (vii) imposed for the protection of national treasures of artistic, historic or archaeological value;
- (viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;
- (ix) taken in pursuance of intergovernmental commodity agreements concluded in accordance with the provisions of Chapter VI;
- (x) taken in pursuance of any intergovernmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the requirements of paragraph 1 (d) of Article 70; or
- (xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilisation plan; *Provided* that such restrictions shall not operate

to increase the exports of or the protection afforded to such domestic industry and shall not depart from the provisions of this Chapter relating to non-discrimination;

- (b) (i) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with any general inter-governmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all Members are entitled to an equitable share of the international supply of such products;
- (ii) essential to the control of prices by a Member country experiencing shortages subsequent to the Second World War; or
- (iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country, or of industries developed in any Member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions; *Provided* that such measures shall not be instituted by any Member except after consultation with other interested Members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (b) which are inconsistent with the other provisions of this Chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than a date to be specified by the Organization; *Provided* that such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by Members in respect of particular products.

## CHAPTER V

### RESTRICTIVE BUSINESS PRACTICES

#### Article 46

##### *General Policy towards Restrictive Business Practices*

1. Each Member shall take appropriate measures and shall co-operate with the Organization to prevent, on the part of private or public commercial enterprises, business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control, whenever such practices have harmful effects on the expansion of production or trade and interfere with the achievement of any of the other objectives set forth in Article 1.

2. In order that the Organization may decide in a particular instance whether a practice has or is about to have the effect indicated in paragraph 1, the Members agree, without limiting paragraph 1, that complaints regarding any of the practices listed in paragraph 3 shall be subject to investigation in accordance with the procedure regarding complaints provided for in Articles 48 and 50, whenever

- (a) such a complaint is presented to the Organization, and
  - (b) the practice is engaged in, or made effective, by one or more private or public commercial enterprises or by any combination, agreement or other arrangement between any such enterprises, and
  - (c) such commercial enterprises, individually or collectively, possess effective control of trade among a number of countries in one or more products.
3. The practices referred to in paragraph 2 are the following:
- (a) fixing prices, terms or conditions to be observed in dealing with others in the purchase, sale or lease of any product;
  - (b) excluding enterprises from, or allocating or dividing, any territorial market or field of business activity, or allocating customers, or fixing sales quotas or purchase quotas;
  - (c) discriminating against particular enterprises;
  - (d) limiting production or fixing production quotas;
  - (e) preventing by agreement the development or application of technology or invention whether patented or unpatented;

- (f) extending the use of rights under patents, trade marks or copyrights granted by any Member to matters which, according to its laws and regulations, are not within the scope of such grants, or to products or conditions of production, use or sale which are likewise not the subjects of such grants;
- (g) any similar practices which the Organization may declare, by a majority of two-thirds of the Members present and voting, to be restrictive business practices.

#### Article 47

##### *Consultation Procedure*

Any affected Member which considers that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46 may consult other Members directly or request the Organization to arrange for consultation with particular Members with a view to reaching mutually satisfactory conclusions. If requested by the Member and if it considers such action to be justified, the Organization shall arrange for and assist in such consultation. Action under this Article shall be without prejudice to the procedure provided for in Article 48.

#### Article 48

##### *Investigation Procedure*

1. In accordance with paragraphs 2 and 3 of Article 46, any affected Member on its own behalf or any Member on behalf of any affected person, enterprise or organization within that Member's jurisdiction, may present a written complaint to the Organization that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46; *Provided* that in the case of complaints against a public commercial enterprise acting independently of any other enterprise, such complaints may be presented only by a Member on its own behalf and only after the Member has resorted to the procedure of Article 47.

2. The Organization shall prescribe the minimum information to be included in complaints under this Article. This information shall give substantial indication of the nature and harmful effects of the practices.

3. The Organization shall consider each complaint presented in accordance with paragraph 1. If the Organization deems it appropriate, it shall request Members concerned to furnish supplementary information, for example, information from commercial enterprises within their jurisdiction. After reviewing the relevant information, the Organization shall decide whether an investigation is justified.

4. If the Organization decides that an investigation is justified, it shall inform all Members of the complaint, request any Member to furnish such additional information relevant to the complaint as the Organization may deem necessary, and shall conduct or arrange for hearings on the complaint. Any Member, and any person, enterprise or organization on whose behalf the complaint has been made, as well as the commercial enterprises alleged to have engaged in the practice complained of, shall be afforded reasonable opportunity to be heard.

5. The Organization shall review all information available and decide whether the conditions specified in paragraphs 2 and 3 of Article 46 are present and the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article.

6. The Organization shall inform all Members of its decision and the reasons therefor.

7. If the Organization decides that in any particular case the conditions specified in paragraphs 2 and 3 of Article 46 are present and that the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article, it shall request each Member concerned to take every possible remedial action, and may also recommend to the Members concerned remedial measures to be carried out in accordance with their respective laws and procedures.

8. The Organization may request any Member concerned to report fully on the remedial action it has taken in any particular case.

9. As soon as possible after its proceedings in respect of any complaint under this Article have been provisionally or finally closed, the Organization shall prepare and publish a report showing fully the decisions reached, the reasons therefor and any measures recommended to the Members concerned. The Organization shall not, if a Member so requests, disclose confidential information furnished by that Member, which if disclosed would substantially damage the legitimate business interests of a commercial enterprise.

10. The Organization shall report to all Members and make public the remedial action which has been taken by the Members concerned in any particular case.

#### Article 49

##### *Studies relating to Restrictive Business Practices*

###### 1. The Organization is authorized:

(a) to conduct studies, either on its own initiative or at the request of any Member or of any organ of the United Nations or of any other inter-governmental organization, relating to

(i) general aspects of restrictive business practices affecting international trade;

(ii) conventions, laws and procedures concerning, for example, incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade marks, copyrights, patents and the exchange and development of technology in so far as they are relevant to restrictive business practices affecting international trade; and

(iii) the registration of restrictive business agreements and other arrangements affecting international trade; and

(b) to request information from Members in connection with such studies.

###### 2. The Organization is authorized:

(a) to make recommendations to Members concerning such conventions, laws and procedures as are relevant to their obligations under this Chapter; and

(b) to arrange for conferences of Members to discuss any matters relating to restrictive business practices affecting international trade.

#### Article 50

##### *Obligations of Members*

1. Each Member shall take all possible measures by legislation or otherwise, in accordance with its constitution or system of law and economic organization, to ensure, within its jurisdiction, that private and public commercial enterprises do not engage in practices which are as specified in paragraphs 2 and 3 of Article 46 and have the effect indicated in paragraph 1 of that Article, and it shall assist the Organization in preventing these practices.

2. Each Member shall make adequate arrangements for presenting complaints, conducting investigations and preparing information and reports requested by the Organization.

3. Each Member shall furnish to the Organization, as promptly and as fully as possible, such information as is requested by the Organization for its consideration and investigation of complaints and for its conduct of studies under this Chapter; *Provided* that any Member on notification to the Organization, may withhold information which the Member considers is not essential to the Organization in conducting an adequate investigation and which, if disclosed, would substantially damage the legitimate business interests of a commercial enterprise. In notifying the Organization that it is withholding information pursuant to this clause, the Member shall indicate the general character of the information withheld and the reason why it considers it not essential.

4. Each Member shall take full account of each request, decision and recommendation of the Organization under Article 48 and, in accordance with its constitution or system of law and economic organization, take in the particular case the action it considers appropriate having regard to its obligations under this Chapter.

5. Each Member shall report fully any action taken, independently or in concert with other Members, to comply with the requests and carry out the recommendations of the Organization and, when no action has been taken, inform the Organization of the reasons therefor and discuss the matter further with the Organization if it so requests.

6. Each Member shall, at the request of the Organization, take part in consultations and conferences provided for in this Chapter with a view to reaching mutually satisfactory conclusions.

#### Article 51

##### *Co-operative Remedial Arrangements*

1. Members may co-operate with each other for the purpose of making more effective within their respective jurisdictions any remedial measures taken in furtherance of the objectives of this Chapter and consistent with their obligations under other provisions of this Charter.

2. Members shall keep the Organization informed of any decision to participate in any such co-operative action and of any measures taken.

#### Article 52

##### *Domestic Measures against Restrictive Business Practices*

No act or omission to act on the part of the Organization shall preclude any Member from enforcing any national statute or decree directed towards preventing monopoly or restraint of trade.

#### Article 53

##### *Special Procedures with respect to Services*

1. The Members recognize that certain services, such as transportation, telecommunications, insurance and the commercial services of banks, are

substantial elements of international trade and that any restrictive business practices by enterprises engaged in these activities in international trade may have harmful effects similar to those indicated in paragraph 1 of Article 46. Such practices shall be dealt with in accordance with the following paragraphs of this Article.

2. If any Member considers that there exist restrictive business practices in relation to a service referred to in paragraph 1 which have or are about to have such harmful effects, and that its interests are thereby seriously prejudiced, the Member may submit a written statement explaining the situation to the Member or Members whose private or public enterprises are engaged in the services in question. The Member or Members concerned shall give sympathetic consideration to the statement and to such proposals as may be made and shall afford adequate opportunities for consultation, with a view to effecting a satisfactory adjustment.

3. If no adjustment can be effected in accordance with the provisions of paragraph 2, and if the matter is referred to the Organization, it shall be transferred to the appropriate inter-governmental organization, if one exists, with such observations as the Organization may wish to make. If no such inter-governmental organization exists, and if Members so request, the Organization may, in accordance with the provisions of paragraph 1 (c) of Article 72, make recommendations for, and promote international agreement on, measures designed to remedy the particular situation so far as it comes within the scope of this Charter.

4. The Organization shall, in accordance with paragraph 1 of Article 87, co-operate with other inter-governmental organizations in connection with restrictive business practices affecting any field coming within the scope of this Charter and those organizations shall be entitled to consult the Organization, to seek advice, and to ask that a study of a particular problem be made.

#### Article 54

##### *Interpretation and Definition*

1. The provisions of this Chapter shall be construed with due regard for the rights and obligations of Members set forth elsewhere in this Charter and shall not therefore be so interpreted as to prevent the adoption and enforcement of any measures in so far as they are specifically permitted under other Chapters of this Charter. The Organization may, however, make recommendations to Members or to any appropriate inter-governmental organization concerning any features of these measures which may have the effect indicated in paragraph 1 of Article 46.

2. For the purposes of this Chapter

(a) the term "business practice" shall not be so construed as to include an individual contract between two parties as seller and buyer, lessor and lessee, or principal and agent, provided that such contract is not used to restrain competition, limit access to markets or foster monopolistic control;

(b) the term "public commercial enterprises" means

(i) agencies of governments in so far as they are engaged in trade, and

(ii) trading enterprises mainly or wholly owned by public authority, provided the Member concerned declares that for the purposes of this Chapter it has effective control over or assumes responsibility for the enterprises;

(c) the term "private commercial enterprises" means all commercial enterprises other than public commercial enterprises;

(d) the terms "decide" and "decision" as used in Articles 46, 48 (except in paragraphs 3 and 4) and 50 do not determine the obligations of Members, but mean only that the Organization reaches a conclusion.

## CHAPTER VI

### INTER-GOVERNMENTAL COMMODITY AGREEMENTS

#### SECTION A — INTRODUCTORY CONSIDERATIONS

##### Article 55

###### *Difficulties relating to Primary Commodities*

The Members recognize that the conditions under which some primary commodities are produced, exchanged and consumed are such that international trade in these commodities may be affected by special difficulties such as the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices. These special difficulties may have serious adverse effects on the interests of producers and consumers, as well as widespread repercussions jeopardizing the general policy of economic expansion. The Members recognize that such difficulties may, at times, necessitate special treatment of the international trade in such commodities through inter-governmental agreement.

##### Article 56

###### *Primary and Related Commodities*

1. For the purposes of this Charter, the term "primary commodity" means any product of farm, forest or fishery or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade.

2. The term shall also, for the purposes of this Chapter, cover a group of commodities, of which one is a primary commodity as defined in paragraph 1 and the others are commodities, which are so closely related, as regards conditions of production or utilization, to the other commodities in the group, that it is appropriate to deal with them in a single agreement.

3. If, in exceptional circumstances, the Organization finds that the conditions set forth in Article 52 exist in the case of a commodity which does not fall precisely under paragraphs 1 or 2 of this Article, the Organization may decide that the provisions of this Chapter, together with any other requirements it may establish, shall apply to inter-governmental agreements regarding that commodity.

##### Article 57

###### *Objectives of Inter-governmental Commodity Agreements*

The Members recognize that inter-governmental commodity agreements are appropriate for the achievement of the following objectives:

- (a) to prevent or alleviate the serious economic difficulties which may arise when adjustments between production and consumption cannot be effected by normal market forces alone as rapidly as the circumstances require;
- (b) to provide, during the period which may be necessary, a framework for the consideration and development of measures which have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and man-power out of over-expanded industries into new and productive occupations, including as far as possible in appropriate cases, the development of secondary industries based upon domestic production of primary commodities;
- (c) to prevent or moderate pronounced fluctuations in the price of a primary commodity with a view to achieving a reasonable degree of stability on a basis of such prices as are fair to consumers and provide a reasonable return to producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand;
- (d) to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion;
- (e) to provide for the expansion of the production of a primary commodity where this can be accomplished with advantage to consumers and producers, including in appropriate cases the distribution of basic foods at special prices;
- (f) to assure the equitable distribution of a primary commodity in short supply.

#### SECTION B — INTER-GOVERNMENTAL COMMODITY AGREEMENTS IN GENERAL

##### Article 58

###### *Commodity Studies*

1. Any Member which considers itself substantially interested in the production or consumption of, or trade in, a particular primary commodity, and which considers that international trade in that commodity is, or is likely to be, affected by special difficulties, shall be entitled to ask that a study of the commodity be made.

2. Unless the Organization decides that the case put forward in support of the request does not warrant such action, it shall promptly invite each Member to appoint representatives to a study group for the commodity, if the Member considers itself substantially interested in the production or consumption of, or trade in, the commodity. Non-Members may also be invited.



3. The study group shall promptly investigate the production, consumption and trade situation in regard to the commodity, and shall report to the participating governments and to the Organization its findings and its recommendations as to how best to deal with any special difficulties which exist or may be expected to arise. The Organization shall promptly transmit to the Members these findings and recommendations.

#### Article 59

##### *Commodity Conferences*

1. The Organization shall promptly convene an inter-governmental conference to discuss measures designed to meet the special difficulties which exist or are expected to arise concerning a particular primary commodity:

- (a) on the basis of the recommendations of a study group, or
- (b) at the request of Members whose interests represent a significant part of world production or consumption of, or trade in, that commodity, or
- (c) at the request of Members which consider that their economies are dependent to an important extent on that commodity, unless the Organization considers that no useful purpose could be achieved by convening the conference, or
- (d) on its own initiative, on the basis of information agreed to be adequate by the Members substantially interested in the production or consumption of, or trade in, that commodity.

2. Each Member which considers itself substantially interested in the production or consumption of, or trade in, the commodity concerned, shall be invited to participate in such a conference. Non-Members may also be invited to participate.

#### Article 60

##### *General Principles governing Commodity Agreements*

1. The Members shall observe the following principles in the conclusion and operation of all types of inter-governmental commodity agreements:

- (a) Such agreements shall be open to participation, initially by any Member on terms no less favourable than those accorded to any other country, and thereafter in accordance with such procedure and upon such terms as may be established in the agreement, subject to approval by the Organization.
- (b) Non-Members may be invited by the Organization to participate in such agreements and the provisions of sub-paragraph (a) applying to Members shall also apply to any non-Member so invited.

(c) Under such agreements there shall be equitable treatment as between participating countries and non-participating Members, and the treatment accorded by participating countries to non-participating Members shall be no less favourable than that accorded to any non-participating non-Member, due consideration being given in each case to policies adopted by non-participants in relation to obligations assumed and advantages conferred under the agreement.

(d) Such agreements shall include provision for adequate participation of countries substantially interested in the importation or consumption of the commodity as well as those substantially interested in its exportation or production.

(e) Full publicity shall be given to any inter-governmental commodity agreement proposed or concluded, to the statements of considerations and objectives advanced by the proposing Members, to the nature and development of measures adopted to correct the underlying situation which gave rise to the agreement and, periodically, to the operation of the agreement.

3. The Members, including Members not parties to a particular commodity agreement, shall give favourable consideration to any recommendation made under the agreement for expanding consumption of the commodity in question.

#### Article 61

##### *Types of Agreements*

1. For the purposes of this Chapter, there are two types of inter-governmental commodity agreements:

- (a) commodity control agreements as defined in this Article; and
- (b) other inter-governmental commodity agreements.

2. Subject to the provisions of paragraph 5, a commodity control agreement is an inter-governmental agreement which involves:

- (a) the regulation of production or the quantitative control of exports or imports of a primary commodity and which has the purpose or might have the effect of reducing, or preventing an increase in, the production of, or trade in, that commodity; or
- (b) the regulation of prices.

3. The Organization shall, at the request of a Member, a study group or a commodity conference, decide whether an existing or proposed inter-governmental agreement is a commodity control agreement within the meaning of paragraph 2.

4. (a) Commodity control agreements shall be subject to all the provisions of this Chapter.

(b) Other inter-governmental commodity agreements shall be subject to the provisions of this Chapter other than those of Section C. If, however, the Organization decides that an agreement which involves the regulation of production or the quantitative control of exports or imports is not a commodity control agreement within the meaning of paragraph 2, it shall prescribe the provisions of Section C, if any, to which that agreement shall conform.

5. An existing or proposed inter-governmental agreement the purpose of which is to secure the co-ordinated expansion of aggregate world production and consumption of a primary commodity may be treated by the Organization as not being a commodity control agreement, even though the agreement provides for the future application of price provisions, provided that

- (a) at the time the agreement is entered into, a commodity conference finds that the con-

ditions contemplated are in accordance with the provisions of Article 62, and

(b) from the date on which the price provisions become operative, the agreement shall conform to all the provisions of Section C, except that no further finding will be required under Article 62.

6. Members shall enter into any new commodity control agreement only through a conference called in accordance with the provisions of Article 59 and after an appropriate finding has been made under Article 62. If, in an exceptional case, there has been unreasonable delay in the convening or in the proceedings of the study group or of the commodity conference, Members which consider themselves substantially interested in the production or consumption of, or trade in, a particular primary commodity, may proceed by direct negotiation to the conclusion of an agreement, provided that the situation is one contemplated in Article 62 (a) or (b) and that the agreement conforms to the other provisions of this Chapter.

### SECTION C—INTER-GOVERNMENTAL COMMODITY CONTROL AGREEMENTS

#### Article 62

##### *Circumstances governing the Use of Commodity Control Agreements*

The Members agree that commodity control agreements may be entered into only when a finding has been made through a commodity conference or through the Organization by consultation and general agreement among Members substantially interested in the commodity, that:

- (a) a burdensome surplus of a primary commodity has developed or is expected to develop, which, in the absence of specific governmental action, would cause serious hardship to producers among whom are small producers who account for a substantial portion of the total output, and that these conditions could not be corrected by normal market forces in time to prevent such hardship, because, characteristically in the case of the primary commodity concerned, a substantial reduction in price does not readily lead to a significant increase in consumption or to a significant decrease in production; or
- (b) widespread unemployment or under-employment in connection with a primary commodity, arising out of difficulties of the kind referred to in Article 55, has developed or is expected to develop, which, in the absence of specific governmental action, would not be corrected by normal market forces in time to prevent widespread and undue hardship to workers because, characteristically in the case of the industry concerned, a substantial reduction in price does not readily lead to a significant increase in consumption but to a reduction of employ-

ment, and because areas in which the commodity is produced in substantial quantity do not afford alternative employment opportunities for the workers involved.

#### Article 63

##### *Additional Principles governing Commodity Control Agreements*

The Members shall observe the following principles governing the conclusion and operation of commodity control agreements, in addition to those stated in Article 60:

- (a) Such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at prices which are in keeping with the provisions of Article 57 (c), and, when practicable, shall provide for measures designed to expand world consumption of the commodity.
- (b) Under such agreements, participating countries which are mainly interested in imports of the commodity concerned shall, in decisions on substantive matters, have together a number of votes equal to that of those mainly interested in obtaining export markets for the commodity. Any participating country, which is interested in the commodity but which does not fall precisely under either of the above classes, shall have an appropriate voice within such classes.
- (c) Such agreements shall make appropriate provision to afford increasing opportunities for satisfying national consumption and world market requirements from sources from which such requirements can be supplied in the most effective and economic manner, due regard being had to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities.

- (d) Participating countries shall formulate and adopt programmes of internal economic adjustment believed to be adequate to ensure as much progress as practicable within the duration of the agreement towards solution of the commodity problem involved.

#### Article 64

##### Administration of Commodity Control Agreements

1. Each commodity control agreement shall provide for the establishment of a governing body, herein referred to as a Commodity Council, which shall operate in conformity with the provisions of this Article.
2. Each participating country shall be entitled to have one representative on the Commodity Council. The voting power of the representatives shall be determined in conformity with the provisions of Article 63 (b).
3. The Organization shall be entitled to appoint a non-voting representative to each Commodity Council and may invite any competent inter-governmental organization to nominate a non-voting representative for appointment to a Commodity Council.
4. Each Commodity Council shall appoint a non-voting chairman who, if the Council so requests, may be nominated by the Organization.
5. The Secretariat of each Commodity Council shall be appointed by the Council after consultation with the Organization.
6. Each Commodity Council shall adopt appropriate rules of procedure and regulations regarding its activities. The Organization may at any time require their amendment if it considers that they are inconsistent with the provisions of this Chapter.
7. Each Commodity Council shall make periodic reports to the Organization on the operation of the agreement which it administers. It shall also make such special reports as the Organization may require or as the Council itself considers to be of value to the Organization.
8. The expenses of a Commodity Council shall be borne by the participating countries.

#### SECTION D — MISCELLANEOUS PROVISIONS

#### Article 67

##### Relations with Inter-governmental Organizations

With the object of ensuring appropriate co-operation in matters relating to inter-governmental commodity agreements, any inter-governmental organization which is deemed to be competent by the Organization, such as the Food and Agriculture Organization, shall be entitled:

- (a) to attend any study group or commodity conference;
- (b) to ask that a study of a primary commodity be made;
- (c) to submit to the Organization any relevant study of a primary commodity, and to recommend to the Organization that further study of the commodity be made or that a commodity conference be convened.

9. When an agreement is terminated, the Organization shall take charge of the archives and statistical material of the Commodity Council.

#### Article 65

##### Initial Term, Renewal and Review of Commodity Control Agreements

1. Commodity control agreements shall be concluded for a period of not more than five years. Any renewal of a commodity control agreement, including agreements referred to in paragraph 1 of Article 63, shall be for a period not exceeding five years. The provisions of such renewed agreements shall conform to the provisions of this Chapter.
2. The Organization shall prepare and publish periodically, at intervals not greater than three years, a review of the operation of each agreement in the light of the principles set forth in this Chapter.
3. Each commodity control agreement shall provide that, if the Organization finds that its operation has failed substantially to conform to the principles laid down in this Chapter, participating countries shall either revise the agreement to conform to the principles or terminate it.
4. Commodity control agreements shall include provisions relating to withdrawal of any party.

#### Article 66

##### Settlement of Disputes

Each commodity control agreement shall provide that:

- (a) any question or difference concerning the interpretation of the provisions of the agreement or arising out of its operation shall be discussed originally by the Commodity Council; and
- (b) if the question or difference cannot be resolved by the Council in accordance with the terms of the agreement, it shall be referred by the Council to the Organization, which shall apply the procedure set forth in Chapter VIII with appropriate adjustments to cover the case of non-Members.

#### Article 68

##### Obligations of Members regarding Existing and Proposed Commodity Agreements

1. Members shall transmit to the Organization the full text of each inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization, together with appropriate information regarding the formulation, provisions and operation of any such agreement. If, after review, the Organization finds that any such agreement is inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure promptly the adjustment of the agreement to bring it into conformity with the provisions of this Chapter.

2. Members shall transmit to the Organization appropriate information regarding any negotiations for the conclusion of an inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization. If, after review, the Organization finds that any such negotiations are inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure prompt action with regard to their participation in such negotiations. The Organization may waive the requirement of a study group or a commodity conference, if it finds it unnecessary in the light of the negotiations.

#### Article 69

##### Territorial Application

For the purposes of this Chapter, the terms "Member" and "non-Member" shall include the dependent territories of a Member and non-Member of the Organization respectively. If a Member or non-Member and its dependent territories form a group, of which one or more units are mainly interested in the export of a commodity and one or more in the import of the commodity, there may be either joint representation for all the territories within the group or, where the Member or non-Member so wishes, separate representation for the territories mainly interested in exportation and separate representation for the territories mainly interested in importation.

#### Article 70

##### Exceptions to Chapter VI

1. The provisions of this Chapter shall not apply:
  - (a) to any bilateral inter-governmental agreement relating to the purchase and sale of a commodity falling under Section D of Chapter IV;
  - (b) to any inter-governmental commodity agreement involving no more than one exporting country and no more than one importing

country and not covered by sub-paragraph (a) above; *Provided* that if, upon complaint by a non-participating Member, the Organization finds that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe;

- (c) to those provisions of any inter-governmental commodity agreement which are necessary for the protection of public morals or of human, animal or plant life or health, provided that such agreement is not used to accomplish results inconsistent with the objectives of Chapter V or Chapter VI;
- (d) to any inter-governmental agreement relating solely to the conservation of fisheries resources, migratory birds or wild animals, provided that such agreement is not used to accomplish results inconsistent with the objectives of this Chapter or the purpose and objectives set forth in Article 1 and is given full publicity in accordance with the provisions of paragraph 1 (e) of Article 60; if the Organization finds, upon complaint by a non-participating Member, that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe.

2. The provisions of Articles 53 and 59 and of Section C of this Chapter shall not apply to inter-governmental commodity agreements found by the Organization to relate solely to the equitable distribution of commodities in short supply.

3. The provisions of Section C of this Chapter shall not apply to commodity control agreements found by the Organization to relate solely to the conservation of exhaustible natural resources.

## CHAPTER VII

### THE INTERNATIONAL TRADE ORGANIZATION

#### SECTION A — STRUCTURE AND FUNCTIONS

##### Article 71

###### Membership

1. The original Members of the Organization shall be:

(a) those States invited to the United Nations Conference on Trade and Employment whose governments accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, by September 30, 1949 or, if the Charter shall not have entered into force by that date, those States whose governments agree to bring the Charter into force in accordance with the provisions of paragraph 2 (b) of Article 103;

(b) those separate customs territories invited to the United Nations Conference on Trade and Employment on whose behalf the competent Member accepts this Charter, in accordance with the provisions of Article 104, by September 30, 1949 or, if the Charter shall not have entered into force by that date, such separate customs territories which agree to bring the Charter into force in accordance with the provisions of paragraph 2 (b) of Article 103 and on whose behalf the competent Member accepts the Charter in accordance with the provisions of Article 104. If any of these customs territories shall have become fully responsible for the formal conduct of its diplomatic relations by the time it wishes to deposit an instrument of acceptance, it shall proceed in the manner set forth in sub-paragraph (a) of this paragraph.

2. Any other State whose membership has been approved by the Conference shall become a Member of the Organization upon its acceptance, in accordance with the provisions of paragraph 1 of Article 103, of the Charter as amended up to the date of such acceptance.

3. Any separate customs territory not invited to the United Nations Conference on Trade and Employment, proposed by the competent Member having responsibility for the formal conduct of its diplomatic relations and which is autonomous in the conduct of its external commercial relations and of the other matters provided for in this Charter and whose admission is approved by the Conference, shall become a Member upon acceptance of the Charter on its behalf by the competent Member in accordance with the provisions of Article 104 or, in the case of a territory in respect of which the Charter has already been accepted under that Article, upon such approval by the Conference after it has acquired such autonomy.

4. The Conference shall determine, by a two-thirds majority of the Members present and voting, the conditions upon which, in each individual case, membership rights and obligations shall be extended to:

- (a) the Free Territory of Trieste;
- (b) any Trust Territory administered by the United Nations; and
- (c) any other special regime established by the United Nations.

5. The Conference, on application by the competent authorities, shall determine the conditions upon which rights and obligations under this Charter shall apply to such authorities in respect of territories under military occupation and shall determine the extent of such rights and obligations.

##### Article 72

###### Functions

1. The Organization shall perform the functions attributed to it elsewhere in this Charter. In addition, the Organization shall have the following functions:

- (a) to collect, analyze and publish information relating to international trade, including information relating to commercial policy, business practices, commodity problems and industrial and general economic development;
- (b) to encourage and facilitate consultation among Members on all questions relating to the provisions of this Charter;
- (c) to undertake studies, and, having due regard to the objectives of this Charter and the constitutional and legal systems of Members, make recommendations, and promote bilateral or multilateral agreements concerning, measures designed

(i) to assure just and equitable treatment for foreign nationals and enterprises;

(ii) to expand the volume and to improve the bases of international trade, including measures designed to facilitate commercial arbitration and the avoidance of double taxation;

(iii) to carry out, on a regional or other basis, having due regard to the activities of existing regional or other inter-governmental organizations, the functions specified in paragraph 2 of Article 10;

(iv) to promote and encourage establishments for the technical training that is necessary for progressive industrial and economic development; and,

(v) generally, to achieve any of the objectives set forth in Article 1;

(d) in collaboration with the Economic and Social Council of the United Nations and with such inter-governmental organizations as may be appropriate, to undertake studies on the relationship between world prices of primary commodities and manufactured products, to consider and, where appropriate, to recommend international agreements on, measures designed to reduce progressively any unwarranted disparity in those prices;

(e) generally, to consult with and make recommendations to the Members and, as necessary, furnish advice and assistance to

them regarding any matter relating to the operation of this Charter, and to take any other action necessary and appropriate to carry out the provisions of the Charter;

(f) to co-operate with the United Nations and other inter-governmental organizations in furthering the achievement of the economic and social objectives of the United Nations and the maintenance or restoration of international peace and security.

2. In the exercise of its functions the Organization shall have due regard to the economic circumstances of Members, to the factors affecting these circumstances and to the consequences of its determinations upon the interests of the Member or Members concerned.

##### Article 73

###### Structure

The Organization shall have a Conference, an Executive Board, Commissions as established under Article 82, and such other organs as may be required. There shall also be a Director-General and Staff.

#### SECTION B — THE CONFERENCE

##### Article 74

###### Composition

1. The Conference shall consist of all the Members of the Organization.

2. Each Member shall have one representative in the Conference and may appoint alternates and advisers to its representative.

##### Article 75

###### Voting

1. Each Member shall have one vote in the Conference.

2. Except as otherwise provided in this Charter, decisions of the Conference shall be taken by a majority of the Members present and voting; *Provided* that the rules of procedure of the Conference may permit a Member to request a second vote if the number of votes cast is less than half the number of the Members, in which case the decision reached on the second vote shall be final whether or not the total of the votes cast comprises more than half the number of the Members.

##### Article 76

###### Sessions, Rules of Procedure and Officers

1. The Conference shall meet at the seat of the Organization in regular annual session and in such special sessions as may be convoked by the Director-General at the request of the Executive Board or

of one-third of the Members. In exceptional circumstances, the Executive Board may decide that the Conference shall be held at a place other than the seat of the Organization.

2. The Conference shall establish rules of procedure which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. It shall annually elect its President and other officers.

##### Article 77

###### Powers and Duties

1. The powers and duties attributed to the Organization by this Charter and the final authority to determine the policies of the Organization shall be vested in the Conference.

2. The Conference may, by a vote of a majority of the Members, assign to the Executive Board any power or duty of the Organization except such specific powers and duties as are expressly conferred or imposed upon the Conference by this Charter.

3. In exceptional circumstances not elsewhere provided for in this Charter, the Conference may waive an obligation imposed upon a Member by the Charter; *Provided* that any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the Members. The Conference may also by such a vote define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations.

4. The Conference may prepare or sponsor agreements with respect to any matter within the scope of this Charter and, by a two-thirds majority of the Members present and voting, recommend such agreements for acceptance. Each Member shall within a period specified by the Conference, notify the Director-General of its acceptance or non-acceptance. In the case of non-acceptance, a statement of the reasons therefor shall be forwarded with the notification.

5. The Conference may make recommendations to inter-governmental organizations on any subject within the scope of this Charter.

#### SECTION C — THE EXECUTIVE BOARD

##### Article 78

###### *Composition of the Executive Board*

1. The Executive Board shall consist of eighteen Members of the Organization selected by the Conference.

2. (a) The Executive Board shall be representative of the broad geographical areas to which the Members of the Organization belong.

(b) A customs union, as defined in paragraph 4 of Article 44, shall be considered eligible for selection as a member of the Executive Board on the same basis as a single Member of the Organization if all of the members of the customs union are Members of the Organization and if all its members desire to be represented as a unit.

(c) In selecting the members of the Executive Board, the Conference shall have regard to the objective of ensuring that the Board includes Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade, and that it is representative of the different types of economies or degrees of economic development to be found within the membership of the Organization.

3. (a) At intervals of three years the Conference shall determine, by a two-thirds majority of the Members present and voting, the eight Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade. The Members so determined shall be declared members of the Executive Board.

(b) The other members of the Executive Board shall be elected by the Conference by a two-thirds majority of the Members present and voting.

(c) If on two consecutive ballots no member is elected, the remainder of the election shall be decided by a majority of the Members present and voting.

4. Subject to the provisions of Annex L, the term of office of a member of the Executive Board shall be three years, and any vacancy in the membership of the Board may be filled by the Conference for the unexpired term of the vacancy.

5. The Conference shall establish rules for giving effect to this Article.

6. The Conference shall approve the budget of the Organization and shall apportion the expenditures of the Organization among the Members in accordance with a scale of contributions to be fixed from time to time by the Conference following such principles as may be applied by the United Nations. If a maximum limit is established on the contribution of a single Member with respect to the budget of the United Nations, such limit shall also be applied with respect to contributions to the Organization.

7. The Conference shall determine the seat of the Organization and shall establish such branch offices as it may consider desirable.

##### Article 79

###### *Voting*

1. Each member of the Executive Board shall have one vote.

2. Decisions of the Executive Board shall be made by a majority of the votes cast.

##### Article 80

###### *Sessions, Rules of Procedure and Officers*

1. The Executive Board shall adopt rules of procedure, which shall include rules for the convening of its sessions, and which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. The rules of procedure shall be subject to confirmation by the Conference.

2. The Executive Board shall annually elect its Chairman and other officers, who shall be eligible for re-election.

3. The Chairman of the Executive Board shall be entitled *ex officio* to participate, without the right to vote, in the deliberations of the Conference.

4. Any Member of the Organization which is not a member of the Executive Board shall be invited to participate in the discussion by the Board of any matter of particular and substantial concern to that Member and shall, for the purpose of such discussion, have all the rights of a member of the Board, except the right to vote.

##### Article 81

###### *Powers and Duties*

1. The Executive Board shall be responsible for the execution of the policies of the Organization and shall exercise the powers and perform the duties assigned to it by the Conference. It shall supervise the activities of the Commissions and shall take such action upon their recommendations as it may deem appropriate.

2. The Executive Board may make recommendations to the Conference, or to inter-governmental organizations, on any subject within the scope of this Charter.

#### SECTION D — THE COMMISSIONS

##### Article 82

###### *Establishment and Functions*

The Conference shall establish such Commissions as may be required for the performance of the functions of the Organization. The Commissions shall have such functions as the Conference may decide. They shall report to the Executive Board and shall perform such tasks as the Board may assign to them. They shall consult each other as necessary for the exercise of their functions.

##### Article 83

###### *Composition and Rules of Procedure*

1. The Commissions shall be composed of persons whose appointment, unless the Conference decides otherwise, shall be made by the Executive Board. In all cases, these persons shall be qualified by training and experience to carry out the

functions of the Commission to which they are appointed.

2. The number of members, which for each Commission shall normally not exceed seven, and the conditions of service of such members shall be determined in accordance with regulations prescribed by the Conference.

3. Each Commission shall elect a Chairman. It shall adopt rules of procedure which shall be subject to approval by the Executive Board.

4. The rules of procedure of the Conference and of the Executive Board shall provide as appropriate for the participation in their deliberations, without the right to vote, of the chairmen of Commissions.

5. The Organization shall arrange for representatives of the United Nations and of other inter-governmental organizations which are considered by the Organization to have a special competence in the field of activity of any of the Commissions, to participate in the work of such Commission.

#### SECTION E — THE DIRECTOR-GENERAL AND STAFF

##### Article 84

###### *The Director-General*

1. The chief administrative officer of the Organization shall be the Director-General. He shall be appointed by the Conference upon the recommendation of the Executive Board, and shall be subject to the general supervision of the Board. The powers, duties, conditions of service and terms of office of the Director-General shall conform to regulations approved by the Conference.

2. The Director-General or his representative shall be entitled to participate, without the right to vote, in all meetings of any organ of the Organization.

3. The Director-General shall present to the Conference an annual report on the work of the Organization, and the annual budget estimates and financial statements of the Organization.

##### Article 85

###### *The Staff*

1. The Director-General, having first consulted with and having obtained the agreement of the

Executive Board, shall have authority to appoint Deputy Directors-General in accordance with regulations approved by the Conference. The Director-General shall also appoint such additional members of the Staff as may be required and shall fix the duties and conditions of service of the members of the Staff, in accordance with regulations approved by the Conference.

2. The selection of the members of the Staff, including the appointment of the Deputy Directors-General, shall as far as possible be made on a wide geographical basis and with due regard to the various types of economy represented by Member countries. The paramount consideration in the selection of candidates and in determining the conditions of service of the Staff shall be the necessity of securing the highest standards of efficiency, competence, impartiality and integrity.

3. The regulations concerning the conditions of service of members of the Staff, such as those governing qualifications, salary, tenures and retirement, shall be fixed, so far as practicable, in conformity with those for members of the Secretariat of the United Nations and of specialised agencies.

#### SECTION F — OTHER ORGANIZATIONAL PROVISIONS

##### Article 86

###### *Relations with the United Nations*

1. The Organization shall be brought into relationship with the United Nations as soon as practicable as one of the specialized agencies referred to in Article 57 of the Charter of the United Nations.

This relationship shall be effected by agreement approved by the Conference.

2. Any such agreement shall, subject to the provisions of this Charter, provide for effective co-operation and the avoidance of unnecessary duplication in the activities of these organizations, and for co-operation in furthering the maintenance or restoration of international peace and security.

3. The Members recognize that the Organization should not attempt to take action which would involve passing judgment in any way on essentially political matters. Accordingly, and in order to avoid conflict of responsibility between the United Nations and the Organization with respect to such matters, any measure taken by a Member directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter shall be deemed to fall within the scope of the United Nations, and shall not be subject to the provisions of this Charter.

4. No action, taken by a Member in pursuance of its obligations under the United Nations Charter for the maintenance or restoration of international peace and security, shall be deemed to conflict with the provisions of this Charter.

#### Article 87

##### *Relations with other Organizations*

1. The Organization shall make arrangements with other inter-governmental organizations, which have related responsibilities, to provide for effective co-operation and the avoidance of unnecessary duplication in the activities of these organizations. The Organization may for this purpose arrange for joint committees, reciprocal representation at meetings and establish such other working relationships as may be necessary.

2. The Organization may make suitable arrangements for consultation and co-operation with non-governmental organizations concerned with matters within the scope of this Charter.

3. Whenever the Conference and the competent authorities of any inter-governmental organization whose purposes and functions lie within the scope of this Charter deem it desirable

- (a) to incorporate such inter-governmental organization into the Organization, or
- (b) to transfer all or part of its functions and resources to the Organization, or
- (c) to bring it under the supervision or authority of the Organization,

the Director-General, subject to the approval of the Conference, may enter into an appropriate agreement. The Members shall, in conformity with their international obligations, take the action necessary to give effect to any such agreement.

#### Article 88

##### *International Character of the Responsibilities of the Director-General, Staff and Members of Commissions*

1. The responsibilities of the Director-General and of the members of the Staff shall be exclusively

international in character. In the discharge of their duties, they shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials.

2. The provisions of paragraph 1 shall also apply to the members of the Commissions.

3. The Members shall respect the international character of the responsibilities of these persons and shall not seek to influence them in the discharge of their duties.

#### Article 89

##### *International Legal Status of the Organization*

The Organization shall have legal personality and shall enjoy such legal capacity as may be necessary for the exercise of its functions.

#### Article 90

##### *Status of the Organization in the Territory of Members*

1. The Organization shall enjoy in the territory of each of its Members such legal capacity, privileges and immunities as may be necessary for the exercise of its functions.

2. The representatives of Members and the officials of the Organization shall similarly enjoy such privileges and immunities as may be necessary for the independent exercise of their functions in connection with the Organization.

3. When the Organization has been brought into relationship with the United Nations as provided for in paragraph 1 of Article 86, the legal capacity of the Organization and the privileges and immunities provided for in the preceding paragraphs shall be defined by the General Convention on Privileges and Immunities of the Specialized Agencies, adopted by the General Assembly of the United Nations, as from time to time amended, and as supplemented by an annex relating to the International Trade Organization.

#### Article 91

##### *Contributions*

Each Member shall contribute promptly to the Organization its share of the expenditure of the Organization as apportioned by the Conference. A Member which is in arrears in the payment of its contributions shall have no vote in the organs of the Organization, if the amount of its arrears equals or exceeds the amount of the contributions due from it in respect of the preceding two complete years. The Conference may, nevertheless, permit such a Member to vote, if it is satisfied that the failure to pay is due to circumstances beyond the control of the Member.

## CHAPTER VIII

### SETTLEMENT OF DIFFERENCES

#### Article 92

##### *Reliance on the Procedures of the Charter*

1. The Members undertake that they will not have recourse, in relation to other Members and to the Organization, to any procedure other than the procedures envisaged in this Charter for complaints and the settlement of differences arising out of its operation.

2. The Members also undertake, without prejudice to any other international agreement, that they will not have recourse to unilateral economic measures of any kind contrary to the provisions of this Charter.

#### Article 93

##### *Consultation and Arbitration*

1. If any Member considers that any benefit accruing to it directly or indirectly, implicitly or explicitly, under any of the provisions of this Charter other than Article 1, is being nullified or impaired as a result of

- (a) a breach by a Member of an obligation under this Charter by action or failure to act, or
- (b) the application by a Member of a measure not conflicting with the provisions of this Charter, or
- (c) the existence of any other situation

the Member may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to such other Member or Members as it considers to be concerned, and the Members receiving them shall give sympathetic consideration thereto.

2. The Members concerned may submit the matter arising under paragraph 1 to arbitration upon terms agreed between them; *Provided* that the decision of the arbitrator shall not be binding for any purpose upon the Organization or upon any Member other than the Members participating in the arbitration.

3. The Members concerned shall inform the Organization generally of the progress and outcome of any discussion, consultation or arbitration undertaken under this Charter.

#### Article 94

##### *Reference to the Executive Board*

1. Any matter arising under sub-paragraphs (a) or (b) of paragraph 1 of Article 93 which is not satisfactorily settled and any matter which arises under paragraph 1 (c) of Article 93 may be referred by any Member concerned to the Executive Board.

2. The Executive Board shall promptly investigate the matter and shall decide whether any nullification or impairment within the terms of paragraph 1 of Article 93 in fact exists. It shall then take such of the following steps as may be appropriate:

- (a) decide that the matter does not call for any action;
- (b) recommend further consultation to the Members concerned;
- (c) refer the matter to arbitration upon such terms as may be agreed between the Executive Board and the Members concerned;
- (d) in any matter arising under paragraph 1 (a) of Article 93, request the Member concerned to take such action as may be necessary for the Member to conform to the provisions of this Charter;
- (e) in any matter arising under sub-paragraph (b) or (c) of paragraph 1 of Article 93, make such recommendations to Members as will best assist the Members concerned and contribute to a satisfactory adjustment.

3. If the Executive Board considers that action under sub-paragraphs (d) and (e) of paragraph 2 is not likely to be effective in time to prevent serious injury, and that any nullification or impairment found to exist within the terms of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may, subject to the provisions of paragraph 1 of Article 95, release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired.

4. The Executive Board may, in the course of its investigation, consult with such Members or inter-governmental organizations upon such matters within the scope of this Charter as it deems appropriate. It may also consult any appropriate commission of the Organization on any matter arising under this Chapter.

5. The Executive Board may bring any matter, referred to it under this Article, before the Conference at any time during its consideration of the matter.

#### Article 96

##### *Reference to the Conference*

1. The Executive Board shall, if requested to do so within thirty days by a Member concerned, refer to the Conference for review any action, decision or recommendation by the Executive Board under paragraphs 2 or 3 of Article 94. Unless such review has been asked for by a Member concerned, Members shall be entitled to act in accordance with any action, decision or recommendation of the Executive Board under paragraphs 2 or 3 of Article 94. The Conference shall confirm, modify or reverse such action, decision or recommendation referred to it under this paragraph.

2. Where a matter arising under this Chapter has been brought before the Conference by the Executive Board, the Conference shall follow the procedure set out in paragraph 2 of Article 94 for the Executive Board.

3. If the Conference considers that any nullification or impairment found to exist within the terms of paragraph 1 (a) of Article 93 is sufficiently serious to justify such action, it may release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired. If the Conference considers that any nullification or impairment found to exist within the terms of sub-paragraphs (b) or (c) of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may similarly release a Member or Members to the extent and upon such conditions as will best assist the Members concerned and contribute to a satisfactory adjustment.

4. When any Member or Members, in accordance with the provisions of paragraph 3, suspend the performance of any obligation or the grant of any concession to another Member, the latter Member shall be free, not later than sixty days after such action is taken, or if an opinion has been requested from the International Court of Justice pursuant to the provisions of Article 96, after such opinion has been delivered, to give written notice of its withdrawal from the Organization. Such withdrawal

shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

#### Article 96

##### *Reference to the International Court of Justice*

1. The Organization may, in accordance with arrangements made pursuant to paragraph 2 of Article 96 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of the activities of the Organization.

2. Any decision of the Conference under this Charter shall, at the instance of any Member whose interests are prejudiced by the decision, be subject to review by the International Court of Justice by means of a request, in appropriate form, for an advisory opinion pursuant to the Statute of the Court.

3. The request for an opinion shall be accompanied by a statement of the question upon which the opinion is required and by all documents likely to throw light upon the question. This statement shall be furnished by the Organization in accordance with the Statute of the Court and after consultation with the Members substantially interested.

4. Pending the delivery of the opinion of the Court, the decision of the Conference shall have full force and effect; *Provided* that the Conference shall suspend the operation of any such decision pending the delivery of the opinion where, in the view of the Conference, damage difficult to repair would otherwise be caused to a Member concerned.

5. The Organization shall consider itself bound by the opinion of the Court on any question referred by it to the Court. In so far as it does not accord with the opinion of the Court, the decision in question shall be modified.

#### Article 97

##### *Miscellaneous Provisions*

1. Nothing in this Chapter shall be construed to exclude other procedures provided for in this Charter for consultation and the settlement of differences arising out of its operation. The Organization may regard discussion, consultation or investigation undertaken under any other provisions of this Charter as fulfilling, either in whole or in part, any similar procedural requirement in this Chapter.

2. The Conference and the Executive Board shall establish such rules of procedure as may be necessary to carry out the provisions of this Chapter.

## CHAPTER IX

### GENERAL PROVISIONS

#### Article 98

##### *Relations with Non-Members*

1. Nothing in this Charter shall preclude any Member from maintaining economic relations with non-Members.

2. The Members recognize that it would be inconsistent with the purpose of this Charter for a Member to seek any arrangements with non-Members for the purpose of obtaining for the trade of its country preferential treatment as compared with the treatment accorded to the trade of other Member countries, or so to conduct its trade with non-Member countries as to result in injury to other Member countries. Accordingly,

(a) no Member shall enter into any new arrangement with a non-Member which precludes the non-Member from according to other Member countries any benefit provided for by such arrangement;

(b) subject to the provisions of Chapter IV, no Member shall accord to the trade of any non-Member country treatment which, being more favourable than that which it accords to the trade of any other Member country, would injure the economic interests of a Member country.

3. Notwithstanding the provisions of paragraph 2, Members may enter into agreements with non-Members in accordance with the provisions of paragraph 3 of Article 15 or of paragraph 6 of Article 44.

4. Nothing in this Charter shall be interpreted to require a Member to accord to non-Member countries treatment as favourable as that which it accords to Member countries under the provisions of the Charter, and failure to accord such treatment shall not be regarded as inconsistent with the terms or the spirit of the Charter.

5. The Executive Board shall make periodic studies of general problems arising out of the commercial relations between Member and non-Member countries and, with a view to promoting the purpose of the Charter, may make recommendations to the Conference with respect to such relations. Any recommendation involving alterations in the provisions of this Article shall be dealt with in accordance with the provisions of Article 100.

#### Article 99

##### *General Exceptions*

1. Nothing in this Charter shall be construed

(a) to require a Member to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent a Member from taking, either singly or with other States, any action which it considers necessary for the protection of its essential security interests, where such action

(i) relates to fissionable materials or to the materials from which they are derived, or

(ii) relates to the traffic in arms, ammunition or implements of war, or to traffic in other goods and materials carried on directly or indirectly for the purpose of supplying a military establishment of the Member or of any other country, or

(iii) is taken in time of war or other emergency in international relations; or

(e) to prevent a Member from entering into or carrying out any inter-governmental agreement (or other agreement on behalf of a government for the purpose specified in this sub-paragraph) made by or for a military establishment for the purpose of meeting essential requirements of the national security of one or more of the participating countries; or

(d) to prevent action taken in accordance with the provisions of Annex M to this Charter.

2. Nothing in this Charter shall be construed to override

(a) any of the provisions of peace treaties or permanent settlements resulting from the Second World War which are or shall be in force and which are or shall be registered with the United Nations, or

(b) any of the provisions of instruments creating Trust Territories or any other special regimes established by the United Nations.

#### Article 100

##### *Amendments*

1. Any amendment to this Charter which does not alter the obligations of Members shall become effective upon approval by the Conference by a two-thirds majority of the Members.

2. Any amendment which alters the obligations of Members shall, after receiving the approval of the Conference by a two-thirds majority of the Members present and voting, become effective for the Members accepting the amendment upon the ninetieth day after two-thirds of the Members have notified the Director-General of their acceptance, and thereafter for each remaining Member upon acceptance by it. The Conference may, in its decision approving an amendment under this paragraph and by one and the same vote, determine that the amendment is of such a nature that the Members which do not accept it within a specified period after the amendment becomes effective shall be suspended from membership in the Organization; *Provided* that the Conference may, at any time, by a two-thirds majority of the Members present and voting, determine the conditions under which such suspension shall not apply with respect to any such Member.

3. A Member not accepting an amendment under paragraph 2 shall be free to withdraw from the Organization at any time after the amendment has become effective; *Provided*, that the Director-General has received from such Member sixty days' written notice of withdrawal; and *provided further* that the withdrawal of any Member suspended under the provisions of paragraph 2 shall become effective upon the receipt by the Director-General of written notice of withdrawal.

4. The Conference shall, by a two-thirds majority of the Members present and voting, determine whether an amendment falls under paragraph 1 or paragraph 2, and shall establish rules with respect to the reinstatement of Members suspended under the provisions of paragraph 2, and any other rules required for carrying out the provisions of this Article.

5. The provisions of Chapter VIII may be amended within the limits and in accordance with the procedure set forth in Annex N.

#### Article 101

##### *Review of the Charter*

1. The Conference shall carry out a general review of the provisions of this Charter at a special session to be convened in conjunction with the regular annual session nearest the end of the fifth year after the entry into force of the Charter.

2. At least one year before the special session referred to in paragraph 1, the Director-General shall invite the Members to submit any amendments or observations which they may wish to propose and shall circulate them for consideration by the Members.

3. Amendments resulting from such review shall become effective in accordance with the procedure set forth in Article 100.

#### Article 102

##### *Withdrawal and Termination*

1. Without prejudice to any special provision in this Charter relating to withdrawal, any Member may withdraw from the Organization, either in respect of itself or of a separate customs territory on behalf of which it has accepted the Charter in accordance with the provisions of Article 104, at any time after three years from the day of the entry into force of the Charter.

2. A withdrawal under paragraph 1 shall become effective upon the expiration of six months from the day on which written notice of such withdrawal is received by the Director-General. The Director-General shall immediately notify all the Members of any notice of withdrawal which he may receive under this or other provisions of the Charter.

3. This Charter may be terminated at any time by agreement of three-fourths of the Members.

#### Article 103

##### *Entry into Force and Registration*

1. The government of each State accepting this Charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all Members of the United Nations not so represented of the date of deposit of each instrument of acceptance and of the day on which the Charter enters into force. Subject to the provisions of Annex O, after the entry into force of the Charter in accordance with the provisions of paragraph 2, each instrument of acceptance so deposited shall take effect on the sixtieth day following the day on which it is deposited.

2. (a) This Charter shall enter into force

(i) on the sixtieth day following the day on which a majority of the governments signing the Final Act of the United Nations Conference on Trade and Employment have deposited instruments of acceptance in accordance with the provisions of paragraph 1; or

(ii) if, at the end of one year from the date of signature of the said Final Act, it has not entered into force in accordance with the provisions of sub-paragraph (a) (i), then on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited instruments of acceptance in accordance with the provisions of paragraph 1 shall reach twenty; *Provided* that if twenty such governments have deposited acceptances more than sixty days before the end of such year, it shall not enter into force until the end of that year.

(b) If this Charter shall not have entered into force by September 30, 1949, the Secretary-General of the United Nations shall invite those governments which have deposited instruments of acceptance to enter into consultation to determine whether and on what conditions they desire to bring the Charter into force.

3. Until September 30, 1949, no State or separate customs territory, on behalf of which the said Final Act has been signed, shall be deemed to be a non-Member for the purposes of Article 98.

4. The Secretary-General of the United Nations is authorized to register this Charter as soon as it enters into force.

#### Article 104

##### *Territorial Application*

1. Each government accepting this Charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility, except such separate customs territories as it shall notify to the Organization at the time of its own acceptance.

2. Any Member may at any time accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, on behalf of any separate customs territory excepted under the provisions of paragraph 1.

3. Each Member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Charter by the regional and local governments and authorities within its territory.

#### Article 105

##### *Annexes*

The Annexes to this Charter form an integral part thereof.

#### Article 106

##### *Deposit and Authenticity of Texts Title and Date of the Charter*

1. The original texts of this Charter in the official languages of the United Nations shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies of the texts to all interested governments. Subject to the provisions of the Statute of the International Court of Justice, such texts shall be equally authoritative for the purposes of the interpretation of the Charter, and any discrepancy between texts shall be settled by the Conference.

2. The date of this Charter shall be March 24, 1948.

3. This Charter for an International Trade Organization shall be known as the Havana Charter.

ANNEX A

LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (a) OF ARTICLE 16

United Kingdom of Great Britain and Northern Ireland  
 Dependent territories of the United Kingdom of Great Britain and Northern Ireland  
 Canada  
 Commonwealth of Australia  
 Dependent territories of the Commonwealth of Australia  
 New Zealand  
 Dependent territories of New Zealand  
 Union of South Africa including South West Africa  
 Ireland  
 India (as at April 10, 1947)  
 Newfoundland  
 Southern Rhodesia  
 Burma  
 Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (b) of Article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (a) (ix) of Article 45, negotiations shall be entered into when practicable among the coun-

tries substantially concerned or involved, in the manner provided for in Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this Charter, be treated as a customs duty falling under Articles 16 and 17. The renters' film quota in force in New Zealand on April 10, 1947, shall for the purposes of this Charter be treated as a screen quota falling under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

ANNEX B

LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16

France  
 French Equatorial Africa (Treaty Basin of the Congo\* and other territories)  
 French West Africa  
 Cameroons under French Mandate\*  
 French Somali Coast and Dependencies  
 French Establishments in India\*  
 French Establishments in Oceania  
 French Establishments in the Condominium of the New Hebrides\*  
 Guadeloupe and Dependencies  
 French Guiana  
 Indo-China  
 Madagascar and Dependencies  
 Morocco (French zone)\*  
 Martinique  
 New Caledonia and Dependencies  
 Reunion  
 Saint-Pierre and Miquelon  
 Togo under French Mandate\*  
 Tunisia

\* For imports into Metropolitan France and territories of the French Union.

ANNEX C

LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM,  
 LUXEMBOURG AND THE NETHERLANDS  
 REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16

The Economic Union of Belgium and Luxembourg  
 Belgian Congo  
 Ruanda Urundi  
 The Netherlands  
 Netherlands Indies  
 Surinam  
 Curaçao

(For imports into the metropolitan territories of the Customs Union.)



**ANNEX D**

**LIST OF TERRITORIES OF THE UNITED STATES OF AMERICA  
REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16**

United States of America (customs territory)  
Dependent territories of the United States of America

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**ANNEX E**

**LIST OF PORTUGUESE TERRITORIES REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE 16**

Portugal and the Archipelagoes of Madeira and the Azores  
Archipelago of Cape Verde  
Guinea  
St. Tome and Principe and Dependencies  
S. Joao Batista de Ajuda  
Cabinda  
Angola  
Mozambique  
State of India and Dependencies  
Macao and Dependencies  
Timor and Dependencies

**ANNEX F**

**LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS  
BETWEEN CHILE AND NEIGHBOURING COUNTRIES REFERRED  
TO IN PARAGRAPH 2 (e) OF ARTICLE 16**

Preferences in force exclusively between, on the one hand,  
Chile  
and, on the other hand,  
1. Argentina  
2. Bolivia  
3. Peru,  
respectively.

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**ANNEX G**

**LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN THE SYRO-LEBANESE  
CUSTOMS UNION AND NEIGHBOURING COUNTRIES REFERRED  
TO IN PARAGRAPH 2 (e) OF ARTICLE 16**

Preferences in force exclusively between, on the one hand,  
The Syro-Lebanese Customs Union  
and, on the other hand,  
1. Palestine  
2. Transjordan,  
respectively.

#### ANNEX H

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG  
COLOMBIA, ECUADOR AND VENEZUELA REFERRED TO  
IN PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:

Colombia  
Ecuador  
Venezuela

Notwithstanding the provisions of Article 16, Venezuela may provisionally maintain the special surcharges which on November 21, 1947, were levied on products imported via certain territories: Pro-

vided that such surcharges shall not be increased above the level in effect on that date and shall be eliminated not later than five years from the date of this Charter.

#### ANNEX I

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG  
THE REPUBLICS OF CENTRAL AMERICA REFERRED TO IN  
PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:

Costa Rica  
El Salvador  
Guatemala  
Honduras  
Nicaragua

#### ANNEX J

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN  
ARGENTINA AND NEIGHBOURING COUNTRIES REFERRED TO IN  
PARAGRAPH 2 (e) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,

Argentina

and, on the other hand,

1. Bolivia
2. Chile
3. Paraguay,

respectively.

#### ANNEX K

##### EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION

(Applicable to Members who so elect, in accordance with paragraph 1 (d) of Article 23, in lieu of paragraphs 1 (b) and 1 (e) of Article 23.)

1. (a) A Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (a) and 3 (b) of Article 21 if its restrictions were fully consistent with the provisions of Article 22; *Provided* that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

(b) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (a). A Member shall desist from transactions which prove to be inconsistent with that sub-paragraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

2. Any Member taking action under paragraph 1 of this Annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

3. If at any time the Organization finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organization; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Organization at the request of a Member under a procedure analogous to that of paragraph 5 (e) of Article 21, shall not be open to challenge under this paragraph or under paragraph 5 (d) of Article 21 on the ground that it is inconsistent with the provisions of Article 22.

ANNEX L

RELATING TO ARTICLE 78

*Selection of the Members of the  
First Executive Board*

To facilitate the work of the Conference at its first session, the following rules shall apply with respect to the selection of the members of the first Executive Board under the provisions of Article 78:

1. Six seats on the Board shall be filled under sub-paragraphs (a) and (b) of paragraph 3 of Article 78 by Member countries of the Western Hemisphere\*. If five or more countries of the Western Hemisphere, eligible for election under paragraph 3 (b) of Article 78, have not become Members of the Organization at the time of the election, only three seats shall be filled under paragraph 3 (b). If ten or more of the countries of the Western Hemisphere, eligible for election under paragraph 3 (b), have not become Members of the Organization at the time of the election, only two seats shall be filled under paragraph 3 (b). The seat or seats thus unoccupied shall not be filled unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

2. In order to ensure a selection in accordance with the provisions of paragraph 3 (a) of Article 78, the following countries and customs unions shall be deemed to fulfil the conditions set out therein:

(a) the two countries in the Western Hemisphere and the three countries or customs unions in Europe with the largest external trade,

which participated in the Havana Conference; and

(b) in view of their potential importance in international trade, the three countries with the largest population in the world.

Should any of these countries, including any country participating in a customs union, not be a Member of the Organization at the time of the election, the Conference shall review the situation; however, the unoccupied seat or seats shall not be filled, unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

3. In the election of members of the Executive Board under the provisions of paragraph 3 (b) of Article 78, the Conference shall have due regard to the provisions of paragraph 2 of that Article and to the fact that certain relationships existing among a geographical group of countries may in certain cases give such a group a distinctive and unified character.

4. The members selected under paragraph 3 (a) of Article 78 shall serve for a term of three years. Of the members elected under paragraph 3 (b), half, as determined by lot, shall serve for a term of two years, and the other half for a term of four years. However, if an uneven number of Members has been elected, the Conference shall determine the number to serve for two and for four years respectively.

\* That is, North, Central and South America.

ANNEX M

REFERRED TO IN PARAGRAPH 1 (d) OF ARTICLE 99

*Special Provisions regarding India and Pakistan*

In view of the special circumstances arising out of the establishment as Independent States of India and Pakistan, which have long constituted an economic unit, the provisions of this Charter shall not prevent the two countries from entering into special interim agreements with respect to the trade between them, pending the establishment of their

reciprocal trade relations on a definitive basis. When these relations have been established, measures adopted by these countries in order to carry out definitive agreements with respect to their reciprocal trade relations, may depart from particular provisions of the Charter, provided that such measures are in general consistent with the objectives of the Charter.

ANNEX N

REFERRED TO IN PARAGRAPH 5 OF ARTICLE 100

*Special Amendment of Chapter VIII*

Any amendment to the provisions of Chapter VIII which may be recommended by the Interim Commission for the International Trade Organization after consultation with the International Court of Justice and which relates to review by the Court of matters which arise out of the Charter but which are not already covered in Chapter VIII, shall become effective upon approval by the Conference, at its first regular session, by a vote of a majority of the Members; *Provided* that such amendment shall not provide for review by the Court of any

economic or financial fact as established by or through the Organization; and *Provided further* that such amendment shall not affect the obligation of Members to accept the advisory opinion of the Court as binding on the Organization upon the points covered by such opinion; and *Provided further* that, if such amendment alters the obligations of Members, any Member which does not accept the amendment may withdraw from the Organization upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General.

ANNEX O

REFERRED TO IN PARAGRAPH 1 OF ARTICLE 103

*Acceptances within sixty days of the First Regular Session*

For the purpose of the first regular session of the Conference, any government which has deposited an instrument of acceptance in accordance with

the provisions of paragraph 1 of Article 103 prior to the first day of the session, shall have the same right to participate in the Conference as a Member.

## ANNEX P

## INTERPRETATIVE NOTES

## ad Article 13

## Paragraphs 7 (a) (ii) and (iii)

The word "processing", as used in these subparagraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

## ad Article 15

## Paragraph 1

The special circumstances referred to in paragraph 1 are those set forth in Article 15.

## Paragraph 4(a)

The Organisation need not interpret the term "economic region" to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned.

## Paragraph 6 (d)

The words "the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement" cover rights to conclude preferential agreements which may have been recognized in respect of mandated territories which became independent prior to November 21, 1947, in so far as these rights have not been specifically denounced before that date.

## ad Article 16

## Note 1

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.

2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem.

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

## Note 2

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

- (i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and
- (ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

## ad Article 17

An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

## Paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

## ad Article 18

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of Article 18.

## Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a Member is subject to the provisions of paragraph 3 of Article 104. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorising local governments to impose internal taxes which, although technically inconsistent with the letter of Article 18, are not in fact inconsistent with its spirit. If such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of Article 18, the term "reasonable measures" would permit a Member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.

## Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

## Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

## ad Article 20

## Paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (a) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

## Paragraph 2 (c)

The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as

are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.

## Paragraph 3 (b)

The provisions for prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (c) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

## Paragraph 3 (d)

The term "special factors" in paragraph 3 (d) includes among other factors changes in relative productive efficiency as between domestic and foreign producers which may have occurred since the representative period.

## ad Article 21

With regard to the special problems that might be created for Members which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade, it was considered that the text of Article 21, together with the provision for export controls in certain parts of this Charter, for example, in Article 45, fully meet the position of these economies.

## ad Article 22

## Paragraphs 2 (d) and 4

The term "special factors" as used in Article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period:

1. changes in relative productive efficiency;
2. the existence of new or additional ability to export; and
3. reduced ability to export.

## Paragraph 3

The first sentence of paragraph 3 (b) is to be understood as requiring the Member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a Member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a Member under the provisions of paragraph 3 (a), where applicable.

Article 23

Paragraph 1 (g)

The provisions of paragraph 1 (g) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the Member so requests, consider the transaction, not individually, but in relation to the Member's policy regarding imports of the product in question taken as a whole.

Paragraph 2

One of the situations contemplated in paragraph 2 is that of a Member holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ad Article 24

Paragraph 8

For example, a Member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of Articles 20 or 22. Another example would be that of a Member which specifies on an import licence the country from which the goods may be imported for the purpose, not of introducing any additional element of discrimination in its import licensing system, but of enforcing permissible exchange controls.

ad Article 29

Paragraph 1

Note 1

Different prices for sales and purchases of products in different markets are not precluded by the provisions of Article 29, provided that such different prices are charged or paid for commercial reasons, having regard to differing conditions, including supply and demand, in such markets.

Note 2

Sub-paragraphs (a) and (b) of paragraph 1 shall not be construed as applying to the trading activities of enterprises to which a Member has granted licences or other special privileges.

(a) solely to ensure standards of quality and efficiency in the conduct of its external trade; or

(b) for the exploitation of its natural resources; provided that the Member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

ad Article 31

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the margin which has been negotiated or which has been published or

notified to the Organization, whether or not collected, wholly or in part, at the custom house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment to be permitted in the case of a primary commodity which is the subject of a domestic price stabilization arrangement should normally be a matter for agreement at the time of the negotiations under paragraph 2 (a).

ad Article 33

Paragraph 1

The assembly of vehicles and mobile machinery arriving in a knocked-down condition or the disassembly (or disassembly and subsequent reassembly) of bulky articles shall not be held to render the passage of such goods outside the scope of "traffic in transit", provided that any such operation is undertaken solely for convenience of transport.

Paragraphs 3, 4 and 5

The word "charges" as used in the English text of paragraphs 3, 4 and 5 shall not be deemed to include transportation charges.

Paragraph 6

If, as a result of negotiations in accordance with paragraph 6, a Member grants to a country which has no direct access to the sea more ample facilities than those already provided for in other paragraphs of Article 33, such special facilities may be limited to the land-locked country concerned unless the Organization finds, on the complaint of any other Member, that the withholding of the special facilities from the complaining Member contravenes the most-favoured-nation provisions of this Charter.

ad Article 34

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

Note 1

As in many other cases in customs administration, a Member may require reasonable security (bond or cash deposit) for the payment of anti-dumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2

Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ad Article 35

Paragraph 3

Note 1

It would be in conformity with Article 35 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary products, the contract price), plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount, or any reduction from the ordinary competitive price.

Note 2

If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 35 shall not apply:

1. In the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;
2. In the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision.

Note 3

It would be in conformity with paragraph 3 (b) for a Member to construe the phrase "in the ordinary course of trade", read in conjunction with "under fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

Note 4

The prescribed standard of "fully competitive conditions" permits Members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

Note 5

The wording of sub-paragraphs (a) and (b) permits a Member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the Member concerned a reasonable time to obtain adjustment of the agreement.

ad Article 36

Paragraph 3

While Article 36 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a Member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the Articles of Agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ad Article 40

It is understood that any suspension, withdrawal or modification under paragraphs 1 (a), 1 (b) and 3 (b) must not discriminate against imports from any Member country, and that such action should avoid, to the fullest extent possible, injury to other supplying Member countries.

ad Article 41

The provisions for consultation require Members, subject to the exceptions specifically set forth in this Charter, to supply to other Members, upon request, such information as will enable a full and fair appraisal of the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal or plant life or health, and other matters affecting the application of Chapter IV.

ad Article 44

Paragraph 5

It is understood that the provisions of Article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

ad Article 53

The provisions of this Article shall not apply to matters relating to shipping services which are subject to the Convention of the Inter-governmental Maritime Consultative Organization.

ad Article 86

Paragraph 3

Note 1

If any Member raises the question whether a measure is in fact taken directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter, the responsibility for making a determination on the question shall rest with the Organization. If, however, political issues beyond the competence of the Organization are involved in making such a determination, the question shall be deemed to fall within the scope of the United Nations.

Note 2

If a Member which has no direct political concern in a matter brought before the United Nations considers that a measure taken directly in connec-

tion therewith and falling within the scope of paragraph 3 of Article 86 constitutes a nullification or impairment within the terms of paragraph 1 of Article 92, it shall seek redress only by recourse to the procedures set forth in Chapter VIII of this Charter.

ad Article 96

Nothing in this Article shall be construed to prejudice or prevent the operation of the provisions of paragraph 1 of Article 60 regarding the treatment to be accorded to non-participating countries under the terms of a commodity control agreement which conforms to the requirements of Chapter VI.

ad Article 104

Note 1

In the case of a condominium, where the co-dominion are Members of the Organization, they may, if they so desire and agree, jointly accept this Charter in respect of the condominium.

Note 2

Nothing in this Article shall be construed as prejudicing the rights which may have been or may be invoked by States in connection with territorial questions or disputes concerning territorial sovereignty.

ad Annex K

It is understood that the fact that a Member is operating under the provisions of paragraph 1 (b) (i) of Article 45 does not preclude that Member from operation under this Annex, but that the provisions of Article 23 (including this Annex) do not in any way limit the rights of Members under paragraph 1 (b) (i) of Article 45.

RESOLUTIONS  
ADOPTED BY THE CONFERENCE

RESOLUTIONS ADOPTED BY THE CONFERENCE

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**RESOLUTION ESTABLISHING AN INTERIM COMMISSION FOR THE INTERNATIONAL  
TRADE ORGANIZATION**

**THE UNITED NATIONS CONFERENCE ON TRADE  
AND EMPLOYMENT**

HAVING prepared the Havana Charter for an International Trade Organization (hereinafter referred to as "the Charter" and "the Organization" respectively),

CONSIDERING that pending the establishment of the Organization certain interim functions should be performed,

HEREBY RESOLVES to establish an Interim Commission for the International Trade Organization (hereinafter called "the Commission") consisting of the governments the representatives of which have approved this resolution and which are entitled to original membership of the Organization under Article 71 of the Charter. The terms of reference and structure of the Commission are set out in the Annex to this resolution which forms an integral part thereof.

☆☆☆

The following delegations approved the resolution establishing the Interim Commission:

Afghanistan	Iran
Argentina	Iraq
Australia	Italy
Austria	Lebanon
Belgium	Liberia
Brazil	Luxembourg
Burma	Mexico
Canada	Netherlands
Ceylon	New Zealand
Chile	Nicaragua
China	Norway
Colombia	Pakistan
Costa Rica	Panama
Cuba	Peru
Czechoslovakia	Philippines
Denmark	Poland
Dominican Republic	Southern Rhodesia
Ecuador	Sweden
Egypt	Syria
El Salvador	Transjordan
France	Turkey
Greece	South Africa
Guatemala	United Kingdom
Haiti	United States
India	Uruguay
Republic of Indonesia	Venezuela

☆☆☆

**ANNEX**

1. The Commission shall elect an Executive Committee of eighteen members to exercise any or all of its functions as the Commission may determine on electing the Committee.

2. The Commission shall have the following functions:

- (a) to convoke the first regular session of the Conference of the Organization (hereinafter referred to as "the Conference") not less than four months and, as far as practicable, not more than six months after the receipt of the last acceptance needed to bring the Charter into force;
- (b) to submit the provisional agenda for the first regular session of the Conference, together with documents and recommendations relating to all matters upon this agenda, including:
  - (i) proposals as to the programme and budget for the first year of the Organization;
  - (ii) studies regarding selection of headquarters of the Organization;
  - (iii) draft financial and staff regulations.
- (c) to prepare, in consultation with the United Nations, a draft agreement of relationship as contemplated in paragraph 1 of Article 86 of the Charter for consideration by the first regular session of the Conference;
- (d) to prepare, in consultation with inter-governmental organizations other than the United Nations, for presentation to the first regular session of the Conference, documents and recommendations regarding the implementation of the provisions of paragraphs 1 and 3 of Article 87 of the Charter;
- (e) to prepare, in consultation with non-governmental organizations, for presentation to the first regular session of the Conference recommendations regarding the implementation of the provisions of paragraph 2 of Article 87 of the Charter;
- (f) to prepare, with a view to recommendation by the Economic and Social Council to the first regular session of the Conference, the Annex referred to in paragraph 3 of Article 90 of the Charter;
- (g) to carry out the functions and responsibilities referred to in the following documents of the United Nations Conference on Trade and Employment:



1. Paragraph 2 of the Final Act of the United Nations Conference on Trade and Employment (to which the present resolution is annexed).
2. The Resolution of the Conference regarding the relation of the International Trade Organization and the International Court of Justice (annexed to the Final Act).
3. The Resolution of the Conference relating to Economic Development and Reconstruction (annexed to the Final Act).
4. The Report of Sub-committee G of the Third Committee on the Proposal made by the Delegation of Switzerland (E/CONF.2 (3.78) together with the sections relating to that matter in the Report of the Third Committee (E/CONF.2/70).
  - (A) to enter into consultations with the Secretary-General of the United Nations regarding the expenses incurred by the Preparatory Committee of the United Nations Conference on Trade and Employment and by that Conference and, in the light of such consultations, to present a report to the first regular session of the Conference;
  - (i) generally to perform such other functions as may be ancillary and necessary to the effective carrying out of the provisions of this annex.
3. The Commission shall elect an Executive Secretary who shall be its chief administrative officer. The Executive Secretary shall appoint the staff of the Commission observing, as far as possible, the principles of paragraph 2 of Article 85 of the Charter and using, as he considers desirable, such assistance as may be extended to him by the Secretary-General of the United Nations. The Executive Secretary shall also perform such other functions and duties as the Commission may determine.

4. The Commission shall approve the budget estimates for the operation of the Commission. The Executive Secretary shall prepare the draft of such estimates. The expenses of the Commission shall be met from funds provided by the United Nations and for this purpose the Commission shall make the necessary arrangements with the Secretary-General of the United Nations for the advance of such funds and for their reimbursement. Should these funds be insufficient, the Commission may accept advances from Governments. Such advances from Governments may be set off against the contributions of the Governments concerned to the Organization.

5. Arrangements may be made with the Secretary-General of the United Nations regarding the provision of such personnel as may be required to carry on the work of the Interim Co-ordinating Committee for International Commodity Arrangements.

6. The Executive Committee shall hold its first meeting in Havana immediately after its establishment. Its subsequent meetings shall be held in Geneva unless it decides otherwise.

7. The Executive Committee shall submit a report of the activities of the Commission to the first regular session of the Conference.

8. The benefit of the privileges and immunities provided in the Convention on Privileges and Immunities of the Specialized Agencies adopted by the General Assembly of the United Nations shall, as far as possible, be extended to and in connection with the Commission.

9. The Commission shall cease to exist upon the appointment of the Director-General of the Organization, at which time the property and records of the Commission shall be transferred to the Organization.

## RESOLUTION CONCERNING RELATION OF THE INTERNATIONAL TRADE ORGANIZATION AND THE INTERNATIONAL COURT OF JUSTICE

### THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

HAVING considered the relation of the International Trade Organization and the International Court of Justice; and

HAVING provided in Chapter VIII of the Charter, procedures for review by the International Court of legal questions arising out of decisions and recommendations of the Organization,

RESOLVES that the Interim Commission of the International Trade Organization, through such means as may be appropriate, shall consult with appropriate officials of the International Court or

with the Court itself, and after such consultation report to the first regular session of the Conference of the International Trade Organization upon the questions of:

- (a) whether such procedures need to be changed to ensure that decisions of the Court on matters referred to it by the Organization should, with respect to the Organization, have the nature of a judgment; and
- (b) whether an amendment should be presented to the Conference pursuant to and in accordance with the provisions of the annex to Article 100 of the Charter.

RESOLUTION CONCERNING THE INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL COMMODITY ARRANGEMENTS

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

TAKING note of the resolution adopted by the Economic and Social Council on March 28, 1947, establishing an Interim Co-ordinating Committee for International Commodity Arrangements with a chairman representing the Preparatory Committee of the United Nations Conference on Trade and Employment;

NOTING that, with the commencement of the United Nations Conference on Trade and Employment on November 21, 1947, the Preparatory Com-

mittee ceased to exist, and that an interim commission is expected to be established at the conclusion of the Conference; and

RECOGNIZING that it is desirable to avoid any interruption of the interim arrangements for co-ordinating action in this field; accordingly

RECOMMENDS that the Economic and Social Council amend the composition of the Interim Co-ordinating Committee for International Commodity Arrangements to provide that the Chairman of that Committee be nominated by the Interim Commission for the International Trade Organization or, in the event that an interim commission is not established, by such other body as the United Nations Conference on Trade and Employment may designate.

RESOLUTION TO THE ECONOMIC AND SOCIAL COUNCIL RELATING TO EMPLOYMENT

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Having recognized in drawing up the Charter for an International Trade Organization that future prosperity and peace must be founded on full and productive employment and large and steadily growing effective demand which, although primarily dependent upon internal measures taken by individual countries, also require consultation and concerted action as well as assistance from inter-governmental agencies;

Recognizing that different measures may be appropriate for different countries, according, for example, to the stage of economic development or reconstruction and the availability of the various factors of production;

Recognizing that inflationary as well as deflationary tendencies may need to be combatted;

Taking note of the resolution adopted by the Second Session of the General Assembly which approved the initiation of surveys of economic conditions and trends and requested recommendations by the Economic and Social Council on appropriate measures relating thereto:

1. Notes that the Economic and Employment Commission and its Sub-Commission on Employment and Economic Stability have been instructed to consider the draft resolution on international action relating to employment prepared by the First Session of the Preparatory Committee; and

AFFIRMS its interest in the four measures specifically recommended for study in that draft resolution.

2. Considers that the studies which have been initiated dealing with the achievement and maintenance of full and productive employment should be advanced as rapidly as possible and that attention should be given now to methods of ensuring that high levels of employment and economic activity shall be maintained even when special factors of temporary duration now prevailing in many countries have ceased to operate, and accordingly

SUGGESTS THAT, with a view to making appropriate recommendations, the Economic and Social Council, in addition to the investigations which it has already undertaken,

(a) Request the submission at an early date, by Members of the United Nations and by non-Members represented at the present Conference, of information concerning action which they are now taking to achieve or maintain full employment and economic stability and the nature of any prepared plans to prevent a future decline, and

(b) Request the various specialized agencies to indicate the nature and extent of the assistance they are preparing to provide if a decline in employment and economic activity threatens.

3. Considers that, in many countries, the problems of persistent surplus or shortage of manpower are linked with the attainment of full and productive employment and that their solution would advance the aims of the International Trade Organization; and accordingly

SUGGESTS THAT the Economic and Social Council initiate or encourage studies and recommend appropriate action in connection with international aspects of population problems as these relate to employment, production and demand.

4. Considers that, in relation to the maintenance of full employment, it is advantageous to countries which require or receive and to countries which supply workers on a seasonal or temporary basis to adopt regulations which will mutually safeguard their interests and also protect both the migrants and the domestic workers against unfair competition or treatment; and accordingly

SUGGESTS THAT the Economic and Social Council, in conjunction with appropriate agencies such as the International Labour Organisation and its Permanent Migration Committee, consider the problems of temporary or seasonal migration of workers, taking into account existing treaties and long established customs and usages pertaining thereto, for the purpose of formulating, in consultation with Members directly affected, conventions and model bilateral agreements on the basis of which individual governments may concert their actions to ensure mutually advantageous arrangements for their countries and fair conditions for the workers concerned.

## RESOLUTION RELATING TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

### THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Having considered the problems of the industrial and general economic development and reconstruction of the Members of the International Trade Organization; and

Having noted the related activities of other inter-governmental organizations and specialized agencies; and

Having determined that positive measures for the promotion of the economic development and reconstruction of Members are an essential condition for the realization of the purpose stated in Article 1 of the Charter of the International Trade Organization and to the accomplishment of the objectives therein set forth; and

Having regard to the provisions of Articles 10, 72, 86 and 87 of the Charter

#### THEREFORE RESOLVES:

1. That the Interim Commission of the International Trade Organization is hereby directed to examine

- (1) the powers, responsibilities and activities in the field of industrial and general economic development and reconstruction of the United Nations, of the specialized agencies and of other inter-governmental organizations, including regional organizations;

- (2) the availability of facilities for technical surveys or studies of: the natural resources of underdeveloped countries; or the possibilities of their industrial development, whether general or in relation to the processing of locally produced raw materials or other particular industries; or for the improvement of their systems of transportation and communications; or with respect to the manner in which investment of foreign capital may contribute to their economic development;

and in the light of this examination to report to the Organization upon

- (a) the structure and administrative methods,
- (b) the working relations with the United Nations, the specialized agencies and other inter-governmental organizations including regional organizations

which will enable the International Trade Organization most effectively to carry out its positive functions for the promotion of the economic development and reconstruction of Members.

2. That the report and recommendations of the Interim Commission shall be submitted in such a manner and at such a time as will enable the Conference of the International Trade Organization to take appropriate action at its first session.

## RESOLUTION OF GRATITUDE TO THE CUBAN GOVERNMENT AND PEOPLE

### THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

On reaching the termination of its deliberations in the city of Havana,

Recalling with appreciation the generous invitation of the Cuban Government to hold the Conference in Havana,

Recognizing the singularly friendly and effective assistance which it has received at all times from the Cuban Government and people,

Has the honour and deep pleasure to convey the expressions of its heart-felt gratitude

To His Excellency the President of the Republic, Dr. Ramón Grau San Martín, whose benevolent interest and goodwill have been throughout a source of encouragement to the Conference;

To His Excellency Señor Don Rafael González Muñoz, Minister of State, who honoured the Conference by accepting its Honorary Presidency;

To the President of the Cuban Senate and to the President of the Cuban Chamber of Representatives

who, together with their parliamentary colleagues, have cheerfully borne considerable inconvenience in order that the work of the Conference might proceed unimpeded at the Capitol Building;

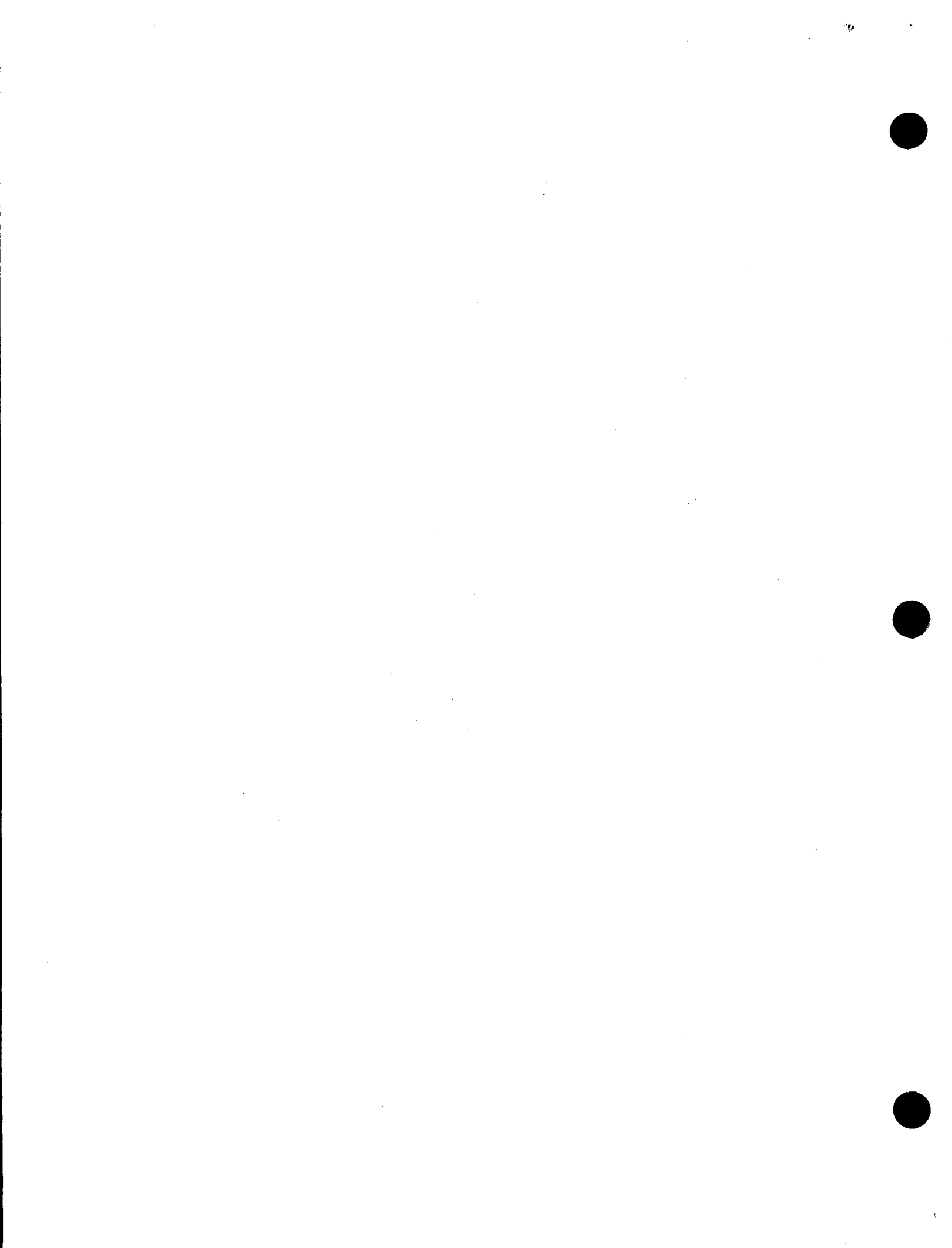
To the President and Secretary-General of the Cuban Auxiliary Commission of the United Nations Conference on Trade and Employment whose untiring efforts are in a high degree responsible for the smooth functioning of the Conference;

To the numerous government departments and private organizations which have assisted unstintingly in furthering the activities of the Conference;

To the press representatives of all countries, who have laboured with great energy and conscientiousness to keep world opinion informed of the progress of the Conference;

And to the very many individuals and social organizations which, having contributed so generously to the enjoyment and well-being of the representatives and to the general success of the Conference, have won the lasting gratitude and goodwill of all those who came to Cuba to participate in the Conference.

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GENERAL AGREEMENT ON TARIFFS AND TRADE

**BASIC INSTRUMENTS  
AND  
SELECTED DOCUMENTS**

**Thirteenth Supplement**

Decisions, Reports, etc., of the  
Second Special Session  
and the Twenty-second Session

THE CONTRACTING PARTIES  
TO THE  
GENERAL AGREEMENT ON TARIFFS AND TRADE

GENEVA, JULY 1965

clusion of the IMF consultation in order that contracting parties may profit by material prepared in that connexion and by the availability of an authoritative up-to-date evaluation of the country's balance-of-payments situation. The secretariat would also bear in mind the importance, both for the members of the Committee and for the staff, of arranging a fairly even division of work between spring and autumn meetings of the Committee.

*Arrangements for consultations in 1965*

It is accordingly proposed:

- (i) That provision be made for two series of balance-of-payments consultations during 1965, one in the spring and one in the autumn;
- (ii) That, within that framework, the secretariat be directed to arrange, in consultation with the International Monetary Fund and the individual countries concerned, a time-table for consultations with, the following countries: Burma, Chile, Finland, Iceland, Indonesia, Israel, Ivory Coast, New Zealand, South Africa, Spain, Togo, Tunisia, Turkey, United Arab Republic, Uruguay, Yugoslavia; and
- (iii) That the procedures and arrangements noted in BISD, Seventh Supplement, pages 90-92 and 95-98, in so far as appropriate be followed in the 1965 consultations.

TRADE NEGOTIATIONS

MEETING OF THE TRADE NEGOTIATIONS COMMITTEE  
AT MINISTERIAL LEVEL

*Resolution adopted on 6 May 1964*

A. *Tariffs*

The Trade Negotiations Committee, in opening the trade negotiations, notes that:

- (i) The rate of 50 per cent has been agreed as a working hypothesis for the determination of the general rate of linear reduction provided for in paragraph 4 of the Resolution of 21 May 1963;

- (ii) The ultimate agreement on tariff reductions in accordance with the application of this hypothesis is linked with the solution of other problems arising in the negotiations, for example, tariff disparities, agricultural problems, exceptions and non-tariff problems, and, in general, with the achievement of reciprocity; and
- (iii) It is the intention of the participants to co-operate to solve these problems.

The Trade Negotiations Committee decides that exceptions lists will be tabled on the basis of the hypothesis of a 50 per cent linear reduction.

It is recognized that nothing in the negotiating rules would preclude any participant from making a larger reduction in, or completely eliminating, duties on particular products.

The Trade Negotiations Committee notes the progress made towards solving the problems relating to the question of disparities.

The Trade Negotiations Committee recalls that it was agreed, on 21 May 1963,<sup>1</sup> that there should be a bare minimum of exceptions which should be subject to confrontation and justification.

It decides that the method to be followed for such confrontation and justification shall be elaborated as rapidly as possible and that the study of that method shall be undertaken immediately. The method shall take account of the need to safeguard the confidential nature of the negotiations.

It decides also that exceptions lists shall be tabled on 10 September 1964, such exceptions to be necessitated only by reasons of overriding national interest.<sup>2</sup>

#### B. *Agriculture*

The Committee, while reaffirming that the trade negotiations shall provide for acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products, notes that it has not yet been possible to formulate agreed rules to govern, and methods to be employed in, the negotiations. In view of the importance of this subject to the success of the negotiations, the necessary rules and procedures shall be established at an early date.

The Committee notes that negotiations have been initiated with a view to the formulation of general arrangements on certain products. The negotiations have so far related to cereals and meat, and preparations have been made for the early initiation of such negotiations on dairy products.

<sup>1</sup> BISD, Twelfth Supplement, page 47.

<sup>2</sup> These exceptions are distinct from any modification of its offers which, as agreed by the Ministers at their meeting in May 1963, it shall be open to each country to make in the course of the negotiations, where this is necessary to obtain an over-all balance of advantages between it and the other participants.

*C. Non-tariff barriers*

The Committee recalls that the trade negotiations must relate not only to tariffs but also to non-tariff barriers.

It notes that many participants have already indicated the measures on which they wish to negotiate, and that others will shortly do so. In view of the importance for the full success of the negotiations of solving these problems, the Trade Negotiations Committee shall, at an early date, draw up the necessary procedures.

*D. Participation of less-developed countries*

The Committee reaffirms that in the trade negotiations every effort shall be made to reduce barriers to exports of less-developed countries and agrees that this consideration should be borne particularly in mind in the approach to the question of exceptions.

The Committee notes with satisfaction that all participants are prepared to consider the possibility of taking such steps as are open to them to make cuts deeper than 50 per cent in, or to eliminate completely, duties on products of special interest to less-developed countries.

The Committee also notes with satisfaction the intention to entrust to a special body the task of examining and calling attention to any problems arising in the negotiations which are of special interest to the less-developed countries and of acting as a focal point for bringing together all issues of interest to these countries. The Committee agrees that it will pursue further the question of trade in tropical products, with a view to working out procedures and arrangements for their treatment in the trade negotiations.

The Committee recalls the decision of the Ministers that developed countries cannot expect to receive reciprocity from the less-developed countries. It agrees that the contribution of the less-developed countries to the over-all objective of trade liberalization should be considered in the light of the development and trade needs of these countries.<sup>1</sup>

*E. The problem of countries with a very low average level of tariffs or a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages*

*(a) Countries with a very low average level of tariffs*

The Committee notes that the countries concerned reserve the right to submit proposals in this connexion at a later date.

<sup>1</sup> Argentina and Brazil accepted this paragraph on the understanding that the phrase "development and trade needs" covers the requirements of the current financial situation.



(b) *Countries with a special economic or trade structure*

The Committee agrees that Canada falls in the category of countries with a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages.

The Committee further agrees that Australia, New Zealand and South Africa are countries which have a very large dependence on exports of agricultural and other primary products and, therefore, by virtue of the understanding reached at the Ministerial Meeting in May 1963, also fall in the category of countries referred to in 1 above.

The Committee reaffirms that the objective in the case of all these countries should be the negotiation of a balance of advantages based on trade concessions by them of equivalent value.

The Committee notes that appropriate procedures in pursuance of this objective have been agreed.

The Committee notes with satisfaction that Greece and Portugal have indicated their intention to participate actively in the negotiations and will be submitting proposals at a later date on the basis for their participation.

F. *Participation of Poland in the trade negotiations*

The Committee notes that there has been under consideration for some time the question of ways and means of Poland's participation in the Kennedy Round. This consideration has taken place on the basis of the Polish proposals. The interest of Poland in participating actively in the trade negotiations is warmly welcomed and there is general agreement that it should be feasible to work out a practical arrangement. The Committee recommends that these discussions should be actively pursued to an early conclusion.

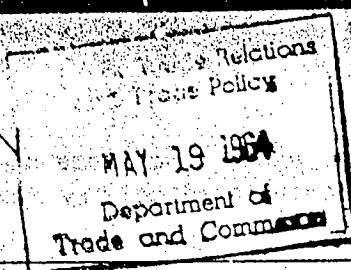
**CANADA/UNITED STATES AGREEMENT ON AUTOMOTIVE  
PRODUCTS**

*Report of the Working Party adopted on 25 March 1965  
(L/2409)*

I. *Introduction*

1. The terms of reference of the Working Party were "to examine the Canada/United States Agreement concerning automotive products and

# GENERAL AGREEMENT ON TARIFFS AND TRADE



RESTRICTED

TN.64/27  
11 MAY 1964

Special Distribution

Trade Negotiations Committee

MEETING OF THE COMMITTEE AT MINISTERIAL LEVEL

Resolution Adopted on 6 May 1964

## A. Tariffs

1. The Trade Negotiations Committee in opening the trade negotiations, notes that:

- (i) The rate of 50 per cent has been agreed as a working hypothesis for the determination of the general rate of linear reduction provided for in paragraph 4 of the Resolution of 21 May 1963;
- (ii) the ultimate agreement on tariff reductions in accordance with the application of this hypothesis is linked with the solution of other problems arising in the negotiations, for example, tariff disparities, agricultural problems, exceptions and non-tariff problems, and, in general, with the achievement of reciprocity;
- (iii) it is the intention of the participants to co-operate to solve these problems.

2. The Trade Negotiations Committee decides that exceptions lists will be tabled on the basis of the hypothesis of a 50 per cent linear reduction.

It is recognized that nothing in the negotiating rules would preclude any participant from making a larger reduction in, or completely eliminating, duties on particular products.

3. The Trade Negotiations Committee notes the progress made towards solving the problems relating to the question of disparities.

4. The Trade Negotiations Committee recalls that it was agreed, on 21 May 1963, that there should be a bare minimum of exceptions which should be subject to confrontation and justification.

It decides that the method to be followed for such confrontation and justification shall be elaborated as rapidly as possible and that the study of that method shall be undertaken immediately. The method shall take account of the need to safeguard the confidential nature of the negotiations.

It decides also that exceptions lists shall be tabled on 10 September 1964, such exceptions to be necessitated only by reasons of overriding national interest.<sup>1</sup>

B. Agriculture

The Committee, while reaffirming that the trade negotiations shall provide for acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products, notes that it has not yet been possible to formulate agreed rules to govern, and methods to be employed in, the negotiations. In view of the importance of this subject to the success of the negotiations, the necessary rules and procedures shall be established at an early date.

The Committee notes that negotiations have been initiated with a view to the formulation of general arrangements on certain products. The negotiations have so far related to cereals and meat, and preparations have been made for the early initiation of such negotiations on dairy products.

C. Non-tariff barriers

The Committee recalls that the trade negotiations must relate not only to tariffs but also to non-tariff barriers.

It notes that many participants have already indicated the measures on which they wish to negotiate, and that others will shortly do so. In view of the importance for the full success of the negotiations of solving these problems, the Trade Negotiations Committee shall, at an early date, draw up the necessary procedures.

D. Participation of less-developed countries

The Committee reaffirms that in the trade negotiations every effort shall be made to reduce barriers to exports of less-developed countries and agrees that this consideration should be borne particularly in mind in the approach to the question of exceptions.

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<sup>1</sup>These exceptions are distinct from any modification of its offers which, as agreed by the Ministers at their meeting in May 1963, it shall be open to each country to make in the course of the negotiations, where this is necessary to obtain an overall balance of advantages between it and the other participants.

The Committee notes with satisfaction that all participants are prepared to consider the possibility of taking such steps as are open to them to make cuts deeper than 50 per cent in, or to eliminate completely, duties on products of special interest to less-developed countries.

The Committee also notes with satisfaction the intention to entrust to a special body the task of examining and calling attention to any problems arising in the negotiations which are of special interest to the less-developed countries and of acting as a focal point for bringing together all issues of interest to these countries.

The Committee agrees that it will further the question of trade in tropical products with a view to working out arrangements and procedures for their treatment in the trade negotiations.

The Committee recalls the decision of the ministers that developed countries cannot expect to receive reciprocity from the less-developed countries. It agrees that the contribution of the less-developed countries to the overall objective of trade liberalization should be considered in the light of the development and trade needs of these countries.<sup>1</sup>

E. The problem of countries with a very low average level of tariffs or a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages

(a) Countries with a very low average level of tariffs

The Committee notes that the countries concerned reserve the right to submit proposals in this connexion at a later date.

(b) Countries with a special economic or trade structure

1. The Committee agrees that Canada falls in the category of countries with a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages.

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<sup>1</sup> Argentina, Brazil and Uruguay accepted this paragraph on the understanding that the phrase "development and trade needs" covers the requirements of the financial situation.

2. The Committee further agrees that Australia, New Zealand and South Africa are countries which have a very large dependence on exports of agricultural and other primary products and therefore, by virtue of the understanding reached at the Ministerial Meeting in May 1963, also fall in the category of countries referred to in 1 above.
3. The Committee reaffirms that the objective in the case of all these countries should be the negotiation of a balance of advantages based on trade concessions by them of equivalent value.
4. The Committee notes that appropriate procedures in pursuance of this objective have been agreed.
5. The Committee notes with satisfaction that Greece and Portugal have indicated their intention to participate actively in the negotiations and will be submitting proposals at a later date on the basis for their participation.

F. Participation of Poland in the trade negotiations

The Committee notes that there has been under consideration for some time the question of ways and means of Poland's participation in the Kennedy Round. This consideration has taken place on the basis of the Polish proposals listed and explained in TN.64/NTB/15. The interest of Poland in participating actively in the trade negotiations is warmly welcomed and there is general agreement that it should be feasible to work out a practical arrangement. The Committee recommends that these discussions should be actively pursued to an early conclusion.

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

MAY 31 1967

Department of  
Trade and Commerce

REC-4063

RESTRICTED

TN.64/SR.15\*  
25 May 1967

Special Distribution

Trade Negotiations Committee

PROCEEDINGS OF THE FIFTEENTH MEETING

Held at the Palais des Nations, Geneva, on 16 May 1967

Chairman: Mr. E. WINDHAM WHITE

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II. Procedures for the preparation of the Protocol	1

I. Message from the Chairman of the CONTRACTING PARTIES

1. The representative of India read the following message from Mr. K.B. Lall, Chairman of the CONTRACTING PARTIES: "I have just learnt with great pleasure and gratification that the main elements in the Kennedy Round have been successfully negotiated. I hasten to congratulate the Chairman of the Trade Negotiations Committee, and the leaders of the delegations of the major participating countries for showing the great determination, energy and ingenuity which were responsible for solving the serious difficulties which had confronted them so far in their mutual negotiations. It is my hope that these very qualities will bring about the solutions of the remaining problems in the negotiations, particularly the problems of the developing countries, before the negotiations formally conclude."

2. The Chairman acknowledged this message in the name of the Committee.

II. Procedures for the preparation of the Protocol

3. The Chairman said that, although the essential elements in the Trade Negotiations had now been successfully negotiated, there still remained a large amount of work to be done. Some negotiations had still to be completed and a number of details settled. This work had to proceed very expeditiously.

4. The principal object of the meeting was, he said, to agree on arrangements to ensure that the Protocol embodying the detailed results of the negotiations could be opened for signature on 30 June.

\* The record of the fourteenth meeting, which should have been circulated as TN.64/SR.14, was by error issued as TN.64/91.

GENERAL AGREEMENT ON TARIFFS AND TRADE

**BASIC INSTRUMENTS  
AND  
SELECTED DOCUMENTS**

**Twentieth Supplement**

Decisions, Reports  
1972-1973  
and  
Twenty-ninth Session

INDEX

THE CONTRACTING PARTIES  
TO THE  
GENERAL AGREEMENT ON TARIFFS AND TRADE

GENEVA, JANUARY 1974

This Decision shall continue in effect until the accession of the Philippines to the General Agreement following tariff negotiations with contracting parties or until 31 December 1975, whichever date is earlier, unless the CONTRACTING PARTIES agree to extend it to a later date.

#### SINGAPORE—SUCCESSION UNDER ARTICLE XXVI:5 (c)

On 20 August 1973, Singapore was deemed to be a contracting party.<sup>1</sup> Singapore's rights and obligations date from 9 August 1965.

#### PARTICIPATION OF TUNISIA IN THE WORK OF THE CONTRACTING PARTIES

##### Extension of Decision of 12 November 1959<sup>2</sup>

*Decision of 13 November 1973  
(L/3966)*

Considering that the parties to the Declaration of 12 November 1959 on the Provisional Accession of Tunisia to the General Agreement on Tariffs and Trade are taking steps, pursuant to paragraph 6 of that Declaration, to extend further the period of validity of the Declaration:

The CONTRACTING PARTIES

Decide to extend further the period of validity of the Decision of 12 November 1959, which provided for the participation of Tunisia in the work of the CONTRACTING PARTIES, until the Government of Tunisia accedes to the General Agreement under the provisions of Article XXXIII or until 31 December 1975, whichever date is earlier.

#### MINISTERIAL MEETING, SEPTEMBER 1973

##### DECLARATION OF MINISTERS APPROVED AT TOKYO ON 14 SEPTEMBER 1973 (MIN(73)1)

1. The Ministers, having considered the report of the Preparatory Committee for the Trade Negotiations and having noted that a number of governments have decided to enter into comprehensive multilateral trade

<sup>1</sup> L/3913.

<sup>2</sup> BISD 8S/14; cf. BISD 18S/23.



negotiations in the framework of GATT and that other governments have indicated their intention to make a decision as soon as possible, declare the negotiations officially open. Those governments which have decided to negotiate have notified the Director-General of GATT to this effect, and the Ministers agree that it will be open to any other government, through a notification to the Director-General, to participate in the negotiations. The Ministers hope that the negotiations will involve the active participation of as many countries as possible. They expect the negotiations to be engaged effectively as rapidly as possible, and that, to that end, the governments concerned will have such authority as may be required.

2. The negotiations shall aim to:

- achieve the expansion and ever-greater liberalization of world trade and improvement in the standard of living and welfare of the people of the world, objectives which can be achieved, *inter alia*, through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade.
- secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for these countries to participate in the expansion of world trade and a better balance as between developed and developing countries in the sharing of the advantages resulting from this expansion, through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products.

To this end, co-ordinated efforts shall be made to solve in an equitable way the trade problems of all participating countries, taking into account the specific trade problems of the developing countries.

3. To this end the negotiations should aim, *inter alia*, to:

- (a) conduct negotiations on tariffs by employment of appropriate formulae of as general application as possible;
- (b) reduce or eliminate non-tariff measures or, where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline;
- (c) include an examination of the possibilities for the co-ordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique;

- (d) include an examination of the adequacy of the multilateral safeguard system, considering particularly the modalities of application of Article XIX, with a view to furthering trade liberalization and preserving its results;
- (e) include, as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector;
- (f) treat tropical products as a special and priority sector.

4. The negotiations shall cover tariffs, non-tariff barriers and other measures which impede or distort international trade in both industrial and agricultural products, including tropical products and raw materials, whether in primary form or at any stage of processing including in particular products of export interest to developing countries and measures affecting their exports.

5. The negotiations shall be conducted on the basis of the principles of mutual advantage, mutual commitment and overall reciprocity, while observing the most-favoured-nation clause, and consistently with the provisions of the General Agreement relating to such negotiations. Participants shall jointly endeavour in the negotiations to achieve, by appropriate methods, an overall balance of advantage at the highest possible level. The developed countries do not expect reciprocity for commitments made by them in the negotiations to reduce or remove tariff and other barriers to the trade of developing countries, i.e., the developed countries do not expect the developing countries, in the course of the trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. The Ministers recognize the need for special measures to be taken in the negotiations to assist the developing countries in their efforts to increase their export earnings and promote their economic development and, where appropriate, for priority attention to be given to products or areas of interest to developing countries. They also recognize the importance of maintaining and improving the Generalized System of Preferences. They further recognize the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiation where this is feasible and appropriate.

6. The Ministers recognize that the particular situation and problems of the least developed among the developing countries shall be given special attention, and stress the need to ensure that these countries receive special treatment in the context of any general or specific measures taken in favour of the developing countries during the negotiations.

7. The policy of liberalizing world trade cannot be carried out successfully in the absence of parallel efforts to set up a monetary system which shields the world economy from the shocks and imbalances which have previously occurred. The Ministers will not lose sight of the fact that the efforts which are to be made in the trade field imply continuing efforts to maintain orderly conditions and to establish a durable and equitable monetary system.

The Ministers recognize equally that the new phase in the liberalization of trade which it is their intention to undertake should facilitate the orderly functioning of the monetary system.

The Ministers recognize that they should bear these considerations in mind both at the opening of and throughout the negotiations. Efforts in these two fields will thus be able to contribute effectively to an improvement of international economic relations, taking into account the special characteristics of the economies of the developing countries and their problems.

8. The negotiations shall be considered as one undertaking, the various elements of which shall move forward together.

9. Support is reaffirmed for the principles, rules and disciplines provided for under the General Agreement.<sup>1</sup> Consideration shall be given to improvements in the international framework for the conduct of world trade which might be desirable in the light of progress in the negotiations and, in this endeavour, care shall be taken to ensure that any measures introduced as a result are consistent with the overall objectives and principles of the trade negotiations and particularly of trade liberalization.

10. A Trade Negotiations Committee is established, with authority, taking into account the present Declaration, *inter alia* :

(a) to elaborate and put into effect detailed trade negotiating plans and to establish appropriate negotiating procedures, including special procedures for the negotiations between developed and developing countries;

(b) to supervise the progress of the negotiations.

The Trade Negotiations Committee shall be open to participating governments.<sup>2</sup> The Trade Negotiations Committee shall hold its opening meeting not later than 1 November 1973.

11. The Ministers intend that the trade negotiations be concluded in 1975.

<sup>1</sup> This does not necessarily represent the views of representatives of countries not now parties to the General Agreement.

<sup>2</sup> Including the European Communities.



# GENERAL AGREEMENT ON TARIFFS AND TRADE

L/5424  
29 November 1982  
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CONTRACTING PARTIES  
Thirty-Eighth Session

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## MINISTERIAL DECLARATION

Adopted on 29 November 1982

1. The CONTRACTING PARTIES to the General Agreement on Tariffs and Trade have met at Ministerial level on 24-29 November 1982. They recognize that the multilateral trading system, of which the General Agreement is the legal foundation, is seriously endangered. In the current crisis of the world economy, to which the lack of convergence in national economic policies has contributed, protectionist pressures on governments have multiplied, disregard of GATT disciplines has increased and certain shortcomings in the functioning of the GATT system have been accentuated. Conscious of the rôle of the GATT system in furthering economic well-being and an unprecedented expansion of world trade, and convinced of the lasting validity of the basic principles and objectives of the General Agreement in a world of increasing economic interdependence, the CONTRACTING PARTIES are resolved to overcome these threats to the system.
2. The deep and prolonged crisis of the world economy has severely depressed levels of production and trade. In many countries growth rates are low or negative; there is growing unemployment and a climate of uncertainty, exacerbated by persistent inflation, high rates of interest and volatile exchange rates, which seriously inhibit investment and structural adjustment and intensify protectionist pressures. Many countries, and particularly developing countries, now face critical difficulties created by the combination of uncertain and limited access to export markets, declining external demand, a sharp fall in commodity prices and the high cost of borrowing. The import capacity of developing countries, which is essential to their economic growth and development, is being impaired and is no longer serving as a dynamic factor sustaining the exports of the developed world. Acute problems of debt servicing threaten the stability of the financial system.
3. In the field of trade, the responses of governments to the challenges of the crisis have too often been inadequate and inward-looking. Import restrictions have increased and a growing proportion of them have for various reasons been applied outside GATT disciplines, thus undermining the multilateral trading system. Trade patterns have also been adversely affected by certain forms of economic assistance for production and exports and by some restrictive trade measures applied for non-economic purposes. In the depressed economic circumstances these measures, together with continuing pressures for further protective action, have contributed to further delays in necessary structural adjustment, increased economic uncertainty and discouraged productive investment.

UPON COMPLETION

4. The results of the Tokyo Round, including in particular the implementation on schedule of the tariff reductions, have provided some impetus to the functioning of the trading system. However, despite the strength and resilience which it has shown, the stresses on the system, which are reflected in the growing number and intensity of disputes between contracting parties, many of which remain unresolved, have made more pronounced certain shortcomings in its functioning. Existing strains have been aggravated by differences of perception regarding the balance of rights and obligations under the GATT, the way in which these rights and obligations have been implemented and the extent to which the interests of different contracting parties have been met by the GATT. There are also concerns over the manner in which rights are being pursued as well as the manner in which obligations are being fulfilled. Disagreements persist over the interpretation of some important provisions and over their application. Disciplines governing the restriction of trade through safeguard measures are inadequate; there is widespread dissatisfaction with the application of GATT rules and the degree of liberalization in relation to agricultural trade, even though such trade has continued to expand; trade in textiles and clothing continues to be treated under an Arrangement which is a major derogation from the General Agreement - a matter of critical importance to developing countries in particular. Such differences and imbalances are particularly detrimental to the stability of the international trading system when they concern access to the markets of major trading countries or when, through the use of export subsidies, competition among major suppliers is distorted.

5. The CONTRACTING PARTIES recognize that the interdependence of national economies means that no country can solve its trade problems in isolation and also that solutions would be greatly facilitated by parallel efforts in the financial and monetary fields. In this light, they commit themselves to reduce trade frictions, overcome protectionist pressures, avoid using export subsidies inconsistent with Article XVI of the GATT and promote the liberalization and expansion of trade. They are therefore determined to create, through concerted action, a renewed consensus in support of the GATT system, so as to restore and reinforce confidence in its capacity to provide a stable and predictable trading environment and respond to new challenges.

6. The CONTRACTING PARTIES have accordingly decided:

- to reaffirm their commitment to abide by their GATT obligations and to support and improve the GATT trading system, so that it may contribute vigorously to the further liberalization and expansion of trade based on mutual commitment, mutual advantage and overall reciprocity, and the most-favoured-nation clause;

- to preserve, in the operation and functioning of GATT instruments, the unity and consistency of the GATT system; and
- to ensure that GATT provides a continuing forum for negotiation and consultation, in which an appropriate balance of rights and obligations can be assured for all contracting parties and the rules and procedures of the system are effectively and fairly applied, on the basis of agreed interpretations, for the economic development and benefit of all.

7. In drawing up the work programme and priorities for the 1980's, the contracting parties undertake, individually and jointly:

- (i) to make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formulation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade;
- (ii) to give fullest consideration, in the application of measures falling within the GATT framework, and in the general exercise of their GATT rights, to the trading interests of other contracting parties and the shared objective of trade liberalization and expansion;
- (iii) to abstain from taking restrictive trade measures, for reasons of a non-economic character, not consistent with the General Agreement;
- (iv)(a) to ensure the effective implementation of GATT rules and provisions and specifically those concerning the developing countries, thereby furthering the dynamic role of developing countries in international trade;
- (b) to ensure special treatment for the least-developed countries, in the context of differential and more favourable treatment for developing countries, in order to ameliorate the grave economic situation of these countries;

- (v) to bring agriculture more fully into the multilateral trading system by improving the effectiveness of GATT rules, provisions and disciplines and through their common interpretation; to seek to improve terms of access to markets; and to bring export competition under greater discipline. To this end a major two-year work programme shall be undertaken.
- (vi) to bring into effect expeditiously a comprehensive understanding on safeguards to be based on the principles of the General Agreement;
- (vii) to ensure increased transparency of trade measures and the effective resolution of disputes through improvements in the operation of the pertinent procedures, supported by a determination to comply with rulings and respect recommendations;
- (viii) to examine ways and means of, and to pursue measures aimed at, liberalizing trade in textiles and clothing, including the eventual application of the General Agreement, after the expiry of the 1981 Protocol extending the Arrangement Regarding International Trade in Textiles, it being understood that in the interim the parties to the Arrangement shall adhere strictly to its rules;
- (ix) to give continuing consideration to changes in the trading environment so as to ensure that the GATT is responsive to these changes.

#### SAFEGUARDS

The CONTRACTING PARTIES decide:

1. That, having regard to the objectives and disciplines of the General Agreement, there is need for an improved and more efficient safeguard system which provides for greater predictability and clarity and also greater security and equity for both importing and exporting countries, so as to preserve the results of trade liberalization and avoid the proliferation of restrictive measures; and



2. That to this end, effect should be given to a comprehensive understanding to be based on the principles of the General Agreement which would contain, inter alia, the following elements:

- (i) Transparency;
- (ii) Coverage;
- (iii) Objective criteria for action including the concept of serious injury or threat thereof;
- (iv) Temporary nature, degressivity and structural adjustment;
- (v) Compensation and retaliation; and
- (vi) Notification, consultation, multilateral surveillance and dispute settlement with particular reference to the role and functions of the Safeguards Committee.

3. That such an understanding should be drawn up by the Council for adoption by the CONTRACTING PARTIES not later than their 1983 Session.

#### GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES

##### The CONTRACTING PARTIES:

1. Instruct the Committee on Trade and Development bearing in mind particularly the special responsibility of the developed contracting parties in this regard, to consult on a regular basis with contracting parties individually or collectively, as appropriate to examine how individual contracting parties have responded to the requirements of Part IV.
2. Urge contracting parties to implement more effectively Part IV and the Decision of 28 November 1979 regarding "differential and more favourable treatment, reciprocity and fuller participation of developing countries";
3. Urge contracting parties to work towards further improvement of GSP or MFN treatment for products of particular export interest to least-developed countries, and the elimination or reduction of non-tariff measures affecting such products;
4. Agree to strengthen the technical co-operation programme of GATT;

5. Instruct the Committee on Trade and Development to carry out an examination of the prospects for increasing trade between developed and developing countries and the possibilities in GATT for facilitating this objective;

To this effect, the CONTRACTING PARTIES are also taking the decisions annexed and decide to review the action taken in these areas at their 1984 Session.

DISPUTE SETTLEMENT PROCEDURES

The CONTRACTING PARTIES:

Agree that the Understanding on Notification, Consultation, Surveillance and Dispute Settlement negotiated during the Tokyo Round (hereinafter referred to as the "Understanding") provides the essential framework of procedures for the settlement of disputes among contracting parties and that no major change is required in this framework, but that there is scope for more effective use of the existing mechanism and for specific improvements in procedures to this end;

And agree further that:

- (i) With reference to paragraph 8 of the Understanding, if a dispute is not resolved through consultations, any party to a dispute may, with the agreement of the other party, seek the good offices of the Director-General or of an individual or group of persons nominated by the Director-General. This conciliatory process would be carried out expeditiously, and the Director-General would inform the Council of the outcome of the conciliatory process. Conciliation proceedings, and in particular positions taken by the parties to the dispute during conciliation, shall be confidential, and without prejudice to the rights of either party in any further proceedings under Article XXIII:2. It would remain open at any time during any conciliatory process for either party to the dispute to refer the matter to the CONTRACTING PARTIES.
- (ii) In order to ensure more effective compliance with the provisions of paragraphs 11 and 12 of the Understanding, the Director-General shall inform the Council of any case in which it has not been found possible to meet the time-limits for the establishment of a panel.

- (iii) With reference to paragraph 13 of the Understanding, contracting parties will co-operate effectively with the Director-General in making suitably qualified experts available to serve on panels. Where experts are not drawn from Geneva, any expenses, including travel and subsistence allowance, shall be met from the GATT budget.
- (iv) The secretariat of GATT has the responsibility of assisting the panel, especially on the legal, historical and procedural aspects of the matters dealt with.
- (v) The terms of reference of a panel should be formulated so as to permit a clear finding with respect to any contravention of GATT provisions and/or on the question of nullification and impairment of benefits. In terms of paragraph 16 of the Understanding, and after reviewing the facts of the case, the applicability of GATT provisions and the arguments advanced, the panel should come to such a finding. Where a finding establishing a contravention of GATT provisions or nullification and impairment is made, the panel should make such suggestions as appropriate for dealing with the matter as would assist the CONTRACTING PARTIES in making recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate.
- (vi) Panels would aim to deliver their findings without undue delay, as provided in paragraph 20 of the Understanding. If a complete report cannot be made within the period foreseen in that paragraph, panels would be expected to so advise the Council and the report should be submitted as soon as possible thereafter.
- (vii) Reports of panels should be given prompt consideration by the CONTRACTING PARTIES. Where a decision on the findings contained in a report calls for a ruling or recommendation by the Council, the Council may allow the contracting party concerned a reasonable specified time to indicate what action it proposes to take with a view to a satisfactory settlement of the matter, before making any recommendation or ruling on the basis of the report.
- (viii) The recommendation or ruling made by the CONTRACTING PARTIES shall be aimed at achieving a satisfactory settlement of the matter in accordance with GATT obligations. In furtherance of the provisions of paragraph 22 of the Understanding the Council shall periodically review the action taken pursuant to such recommendations. The contracting party to which such a recommendation has been addressed, shall report within a reasonable specified period on action taken or on its reasons for

not implementing the recommendation or ruling by the CONTRACTING PARTIES. The contracting party bringing the case may also ask the CONTRACTING PARTIES to make suitable efforts with a view to finding an appropriate solution as provided in paragraph 22 of the Understanding.

- (ix) The further action taken by the CONTRACTING PARTIES in the above circumstances might include a recommendation for compensatory adjustment with respect to other products or authorization for the suspension of such concessions or other obligations as foreseen in Article XXIII:2, as the CONTRACTING PARTIES may determine to be appropriate in the circumstances.
- (x) The Parties to a dispute would fully participate in the consideration of the matter by the CONTRACTING PARTIES under paragraph (vii) above, including the consideration of any rulings or recommendations the CONTRACTING PARTIES might make pursuant to Article XXIII:2 of the General Agreement, and their views would be fully recorded. They would likewise participate and have their views recorded in the considerations of the further actions provided for under paragraphs (viii) and (ix) above. The CONTRACTING PARTIES reaffirmed that consensus will continue to be the traditional method of resolving disputes; however, they agreed that obstruction in the process of dispute settlement shall be avoided.<sup>1</sup> It is understood that decisions in this process cannot add to or diminish the rights and obligations provided in the General Agreement.

#### TRADE IN AGRICULTURE )

With the purpose of accelerating the achievement of the objectives of the General Agreement, including Part IV, and recognizing that there is an urgent need to find lasting solutions to the problems of trade in agricultural products, the CONTRACTING PARTIES decide:

1. That the following matters be examined, in the light of the objectives, principles and relevant provisions of the General Agreement and also taking into account the effects of national agricultural policies, with the purpose of making appropriate recommendations. The examination shall cover all measures affecting trade, market access and competition and supply in agricultural products, including subsidies and other forms of assistance.

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<sup>1</sup>This does not prejudice the provisions on decision making in the General Agreement.

- (i) Trade measures affecting market access and supplies, with a view to achieving greater liberalization in the trade of agricultural products, with respect to tariffs and non-tariff measures, on a basis of overall reciprocity and mutual advantage under the General Agreement.
  - (ii) The operation of the General Agreement as regards subsidies affecting agriculture, especially export subsidies, with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of the General Agreement and avoiding subsidization seriously prejudicial to the trade or interests of contracting parties. Other forms of export assistance will be included in this examination.
  - (iii) Trade measures affecting agriculture maintained under exceptions or derogations without prejudice to the rights of contracting parties under the General Agreement.
2. That in carrying out the tasks enumerated above, full account shall be taken of the need for a balance of rights and obligations under the GATT, and of the special needs of developing countries in the light of the GATT provisions providing for differential and more favourable treatment for such contracting parties. Full account shall also be taken of specific characteristics and problems in agriculture, of the scope for improving the operation of GATT rules, provisions and disciplines and agreed interpretations of its provisions.
3. That for the purpose of carrying out this work, an improved and unified system of notifications shall be introduced so as to ensure full transparency.
4. That a Committee on Trade in Agriculture shall be established, open to all contracting parties, for the purpose of carrying out the tasks enumerated above and of making recommendations with a view to achieving greater liberalization in the trade of agricultural products. The Committee will report periodically on the results achieved and make appropriate recommendations to the Council and the CONTRACTING PARTIES for consideration not later than their 1984 Session.

#### TROPICAL PRODUCTS

The CONTRACTING PARTIES decide to carry out, on the basis of the work programme pursued by the Committee on Trade and Development, consultations and appropriate negotiations aimed at further liberalization of trade in tropical products, including in their processed and semi-processed forms, and to review the progress achieved in eliminating or reducing existing obstacles to trade in tropical products at their 1984 Session.

QUANTITATIVE RESTRICTIONS AND OTHER NON-TARIFF MEASURES

The CONTRACTING PARTIES decide:

1. To review, in a group created for the purpose, existing quantitative restrictions and other non-tariff measures, the grounds on which these are maintained, and their conformity with the provisions of the General Agreement, so as to achieve the elimination of quantitative restrictions which are not in conformity with the General Agreement or their being brought into conformity with the General Agreement, and also to achieve progress in liberalizing other quantitative restrictions and non-tariff measures, adequate attention being given to the need for action on quantitative restrictions and other measures affecting products of particular export interest to developing countries; and
2. That the group should make progress reports to the Council and that its complete report containing its findings and conclusions should be available for consideration by the CONTRACTING PARTIES at their 1984 Session.

TARIFFS

The CONTRACTING PARTIES decide:

1. That prompt attention should be given to the problem of escalation of tariffs on products with increased processing with a view to effective action towards the elimination or reduction of such escalation where it inhibits international trade, taking into account the concerns relating to exports of developing countries; and agree
2. That wide acceptance of a common system for classifying products for tariff and statistical purposes would facilitate world trade and therefore recommend prompt action towards the introduction of such a system. They take note of the ongoing work to this end in the Customs Co-operation Council. They further agree that, if such a system is introduced, the general level of benefits provided by GATT concessions must be maintained, that existing concessions should normally remain unchanged and that any negotiations that may prove necessary should be initiated promptly so as to avoid any undue delay in the implementation of a system. They also agree that technical support shall be provided by the GATT secretariat to developing contracting parties in order to fully assist their participation in such a process.

#### MTN AGREEMENTS AND ARRANGEMENTS

The CONTRACTING PARTIES decide to review the operation of the MTN Agreements and Arrangements, taking into account reports from the Committees or Councils concerned, with a view to determining what action if any is called for, in terms of their decision of November 1979. The CONTRACTING PARTIES further agree that, for this purpose, the review should focus on the adequacy and effectiveness of these Agreements and Arrangements and the obstacles to the acceptance of these Agreements and Arrangements by interested parties.

#### STRUCTURAL ADJUSTMENT AND TRADE POLICY

The CONTRACTING PARTIES decide to continue the work on structural adjustment and trade policy in order to focus on the interaction between structural adjustment and the fulfillment of the objectives of the General Agreement, and to review the results of this work at their 1983 Session.

#### TRADE IN COUNTERFEIT GOODS

The CONTRACTING PARTIES instruct the Council to examine the question of counterfeit goods with a view to determining the appropriateness of joint action in the GATT framework on the trade aspects of commercial counterfeiting and, if such joint action is found to be appropriate, the modalities for such action, having full regard to the competence of other international organizations. For the purposes of such examination, the CONTRACTING PARTIES request the Director-General to hold consultations with the Director-General of WIPO in order to clarify the legal and institutional aspects involved.

#### EXPORT OF DOMESTICALLY PROHIBITED GOODS

The CONTRACTING PARTIES decide that contracting parties shall, to the maximum extent feasible, notify GATT of any goods produced and exported by them but banned by their national authorities for sale on their domestic markets on grounds of human health and safety. At their 1984 Session, the CONTRACTING PARTIES will consider in the light of experience gained with this notification procedure, the need for study of problems relevant to the GATT in relation to exports of domestically prohibited goods and of any action that may be appropriate to deal with such problems.

EXPORT CREDITS FOR CAPITAL GOODS

The CONTRACTING PARTIES:

1. Are aware that official export credit provisions on capital goods which apply to developing countries may pose problems for the expansion of imports into these countries consistent with their trade and development needs;
2. Therefore recommend that contracting parties, members of those international arrangements concerning official export credit matters, when reviewing or revising their various international undertakings, give special attention to relevant credit provisions, including specific terms and conditions, in order to facilitate the expansion of developing countries' imports of capital goods consistent with their trade and development needs; and
3. Request the Director-General of the GATT to consult with the contracting parties concerned and report to the 39th Session.

TEXTILES AND CLOTHING

The CONTRACTING PARTIES decide:

1. To carry out on a priority basis a study of:
  - (i) the importance of textiles and clothing in world trade and particularly for the trade prospects of developing countries;
  - (ii) the impact on economic activity and prospects of countries participating in textiles trade, of the existing systems of restraints and restrictions relating to textiles and clothing, principally the MFA;
  - (iii) consequences for economic and trade prospects in these countries of a phasing out on the basis of the provisions of the General Agreement, or of the continued maintenance, of the restraints and restrictions applied under the existing textile and clothing regimes, principally the MFA; and
2. To examine expeditiously, taking into account the results of such a study, modalities of further trade liberalization in textiles and clothing



including the possibilities for bringing about the full application of GATT provisions to this sector of trade.

3. This work should be completed for consideration by the CONTRACTING PARTIES at their 1984 Session.

PROBLEMS OF TRADE IN CERTAIN NATURAL RESOURCE PRODUCTS

The CONTRACTING PARTIES decide:

1. That problems relating to trade in the following natural resource products including in their semi-processed and processed forms, falling under the competence of the General Agreement relating to tariffs, non-tariff measures and other factors affecting trade, should be examined with a view to recommending possible solutions:

- (a) Non-ferrous metals and minerals
- (b) Forestry products
- (c) Fish and fisheries products

2. That for this purpose the Council should decide, for each of these three items, the terms of reference, time frame and procedures.

EXCHANGE RATE FLUCTUATIONS AND THEIR EFFECT ON TRADE

The CONTRACTING PARTIES decide:

To request the Director-General to consult the Managing Director of the International Monetary Fund on the possibility of a study of the effects of erratic fluctuations in exchange rates on international trade, to report to the Council on the results of these consultations and to forward any such study to the Council so that it may consider any implications for the General Agreement.

DUAL PRICING AND RULES OF ORIGIN

The CONTRACTING PARTIES decide:

To request the Council to make arrangements for studies of dual-pricing practices and rules of origin; and

To consider what further action may be necessary with regard to these matters when the results of these studies are available.

SERVICES

The CONTRACTING PARTIES decide:

1. To recommend to each contracting party with an interest in services of different types to undertake, as far as it is able, national examination of the issues in this sector.
2. To invite contracting parties to exchange information on such matters among themselves, inter alia through international organizations such as GATT. The compilation and distribution of such information should be based on as uniform a format as possible.
3. To review the results of these examinations, along with the information and comments provided by relevant international organizations, at their 1984 Session and to consider whether any multilateral action in these matters is appropriate and desirable.

ANNEX

GATT RULES AND ACTIVITIES RELATING TO DEVELOPING COUNTRIES

The CONTRACTING PARTIES:

1. Decide, in order to improve the review and surveillance procedures in regard to the implementation of Part IV, that:
  - (a) the Committee on Trade and Development, bearing in mind particularly the special responsibility of the developed contracting parties in this regard, shall adopt a programme of consultations with contracting parties individually or collectively, as appropriate, to examine how individual contracting parties have responded to the requirements of Part IV;
  - (b) each such consultation shall be based on information supplied by the contracting party or parties in question and additional factual material prepared by the secretariat;
  - (c) the Committee on Trade and Development shall also examine other aspects of existing procedures for reviewing the implementation of Part IV and for dealing with problems relating to the application of its provisions, and prepare guidelines for their improvement.
2. Invite the Committee on Trade and Development to review the operation of the Enabling Clause as provided for in its paragraph 9, with a view to its more effective implementation, inter alia, with respect to objectivity and transparency of modifications to GSP schemes and the operation of consultative provisions relating to differential and more favourable treatment for developing countries;
3. Invite contracting parties to pursue action as follows towards facilitating trade of least-developed countries and reducing tariff and non-tariff obstacles to their exports:
  - (a) further improve GSP or m.f.n. treatment for products of particular export interest to least-developed countries, with the objective of providing fullest possible duty-free access to such products;
  - (b) use, upon request and where feasible, of more flexible requirements for rules of origin for products of particular export interest to least-developed countries;

- (c) eliminate or reduce non-tariff measures affecting products of particular export interest to least-developed countries;
- (d) facilitate the participation of least-developed countries in MTN Agreements and Arrangements;
- (e) strengthen the technical assistance facilities of the GATT secretariat targeted to the special requirements of least-developed countries;
- (f) strengthen trade promotion activities, through the ITC and other initiatives, such as by encouraging the establishment of import promotion offices in importing countries;
- (g) give more emphasis to the discussion and examination of policy issues of interest to least-developed countries in the context of further efforts to liberalize trade.

4. Decide to strengthen the Technical Co-operation programme of the GATT with a view to facilitating the more effective participation of developing countries in the GATT trading system:

- (a) by responding to increasing requests for seminars and other technical assistance activities;
- (b) by permitting increased participation in the GATT Commercial Policy Courses, and the inclusion in the training programme of a regular course in the Spanish language;
- (c) by encouraging, in the context of this programme, appropriate contributions from individual contracting parties.

5. Invite contracting parties individually to grant new voluntary contributions or provide other forms of assistance to the ITC.

MTN: TNC

## MINISTERIAL DECLARATION ON THE URUGUAY ROUND

DECLARATION OF 20 SEPTEMBER 1986  
(Min. Dec)

Ministers, meeting on the occasion of the Special Session of the CONTRACTING PARTIES at Punta del Este, have decided to launch Multilateral Trade Negotiations (The Uruguay Round). To this end, they have adopted the following Declaration. The Multilateral Trade Negotiations will be open to the participation of countries as indicated in Parts I and II of this Declaration. A Trade Negotiations Committee is established to carry out the negotiations. The Trade Negotiations Committee shall hold its first meeting not later than 31 October 1986. It shall meet as appropriate at Ministerial level. The Multilateral Trade Negotiations will be concluded within four years.

### PART I

#### NEGOTIATIONS ON TRADE IN GOODS

The CONTRACTING PARTIES meeting at Ministerial level

*Determined* to halt and reverse protectionism and to remove distortions to trade

*Determined* also to preserve the basic principles and to further the objectives of the GATT

*Determined* also to develop a more open, viable and durable multilateral trading system

*Convinced* that such action would promote growth and development

*Mindful* of the negative effects of prolonged financial and monetary instability in the world economy, the indebtedness of a large number of less developed contracting parties, and considering the linkage between trade, money, finance and development

*Decide* to enter into Multilateral Trade Negotiations on trade in goods within the framework and under the aegis of the General Agreement on Tariffs and Trade.

### A. OBJECTIVES

Negotiations shall aim to :

- (i) bring about further liberalization and expansion of world trade to the benefit of all countries, especially less-developed contracting parties, including the improvement of access to markets by the reduction and elimination of tariffs, quantitative restrictions and other non-tariff measures and obstacles ;
- (ii) strengthen the rôle of GATT, improve the multilateral trading system based on the principles and rules of the GATT and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines ;
- (iii) increase the responsiveness of the GATT system to the evolving international economic environment, through facilitating necessary structural adjustment, enhancing the relationship of the GATT with the relevant international organizations and taking account of changes in trade patterns and prospects, including the growing importance of trade in high technology products, serious difficulties in commodity markets and the importance of an improved trading environment providing, *inter alia*, for the ability of indebted countries to meet their financial obligations ;
- (iv) foster concurrent cooperative action at the national and international levels to strengthen the inter-relationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries.

### B. GENERAL PRINCIPLES GOVERNING NEGOTIATIONS

- (i) Negotiations shall be conducted in a transparent manner, and consistent with the objectives and commitments agreed in this Declaration and with the principles of the General Agreement in order to ensure mutual advantage and increased benefits to all participants.
- (ii) The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall

be taken into account in assessing the overall balance of the negotiations.

- (iii) Balanced concessions should be sought within broad trading areas and subjects to be negotiated in order to avoid unwarranted cross-sectoral demands.
- (iv) The CONTRACTING PARTIES agree that the principle of differential and more favourable treatment embodied in Part IV and other relevant provisions of the General Agreement and in the Decision of the CONTRACTING PARTIES of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries applies to the negotiations. In the implementation of standstill and rollback, particular care should be given to avoiding disruptive effects on the trade of less-developed contracting parties.
- (v) The developed countries do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of developing countries, i.e. the developed countries do not expect the developing countries, in the course of trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs.
- (vi) Less-developed contracting parties expect that their capacity to make contributions or negotiated concessions or take other mutually agreed action under the provisions and procedures of the General Agreement would improve with the progressive development of their economies and improvement in their trade situation and they would accordingly expect to participate more fully in the framework of rights and obligations under the General Agreement.
- (vii) Special attention shall be given to the particular situation and problems of the least-developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. Expedient implementation of the relevant provisions of the 1982 Ministerial Declaration concerning the least-developed countries shall also be given appropriate attention.

### C. STANDSTILL AND ROLLBACK

Commencing immediately and continuing until the formal completion of the negotiations, each participant agrees to apply the following commitments :

#### *Standstill*

- (i) not to take any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement or the Instruments negotiated within the framework of GATT or under its auspices ;
- (ii) not to take any trade restrictive or distorting measure in the legitimate exercise of its GATT rights, that would go beyond that which is necessary to remedy specific situations, as provided for in the General Agreement and the Instruments referred to in (i) above ;
- (iii) not to take any trade measures in such a manner as to improve its negotiating positions.

#### *Rollback*

- (i) that all trade restrictive or distorting measures inconsistent with the provisions of the General Agreement or Instruments negotiated within the framework of GATT or under its auspices, shall be phased out or brought into conformity within an agreed timeframe not later than by the date of the formal completion of the negotiations, taking into account multilateral agreements, undertakings and understandings, including strengthened rules and disciplines, reached in pursuance of the Objectives of the Negotiations ;
- (ii) there shall be progressive implementation of this commitment on an equitable basis in consultations among participants concerned, including all affected participants. This commitment shall take account of the concerns expressed by any participant about measures directly affecting its trade interests ;
- (iii) there shall be no GATT concessions requested for the elimination of these measures.

#### *Surveillance of standstill and rollback*

Each participant agrees that the implementation of these commitments on standstill and rollback shall be subject to multilateral surveillance so as to ensure that these commitments are being met. The Trade Negotiations Committee will decide on the appropriate mechanisms to carry out



the surveillance, including periodic reviews and evaluations. Any participant may bring to the attention of the appropriate surveillance mechanism any actions or omissions it believes to be relevant to the fulfilment of these commitments. These notifications should be addressed to the GATT secretariat which may also provide further relevant information.

#### D. SUBJECTS FOR NEGOTIATION

##### *Tariffs*

Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants.

##### *Non-tariff measures*

Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the rollback commitments.

##### *Tropical products*

Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

The CONTRACTING PARTIES recognize the importance of trade in tropical products to a large number of less developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B(ii).

##### *Natural resource-based products*

Negotiations shall aim to achieve the fullest liberalization of trade in natural resource-based products, including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation.

##### *Textiles and clothing*

Negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade.

### *Agriculture*

The CONTRACTING PARTIES agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, by :

- (i) improving market access through, *inter alia*, the reduction of import barriers ;
- (ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes ;
- (iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

In order to achieve the above objectives, the negotiating group having primary responsibility for all aspects of agriculture will use the Recommendations adopted by the CONTRACTING PARTIES at their Fortieth Session, which were developed in accordance with the GATT 1982 Ministerial Work Programme, and take account of the approaches suggested in the work of the Committee on Trade in Agriculture without prejudice to other alternatives that might achieve the objectives of the negotiations.

### *GATT Articles*

Participants shall review existing GATT Articles, provisions and disciplines as requested by interested contracting parties, and, as appropriate, undertake negotiations.

### *Safeguards*

- (i) A comprehensive agreement on safeguards is of particular importance to the strengthening of the GATT system and to progress in the Multilateral Trade Negotiations.

- (ii) The agreement on safeguards :
- shall be based on the basic principles of the General Agreement ;
  - shall contain, *inter alia*, the following elements : transparency, coverage, objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degressivity and structural adjustment, compensation and retaliation, notification, consultation, multilateral surveillance and dispute settlement ; and
  - shall clarify and reinforce the disciplines of the General Agreement and should apply to all contracting parties.

#### *MTN Agreements and Arrangements*

Negotiations shall aim to improve, clarify, or expand, as appropriate. Agreements and Arrangements negotiated in the Tokyo Round of Multilateral Negotiations.

#### *Subsidies and countervailing measures*

Negotiations on subsidies and countervailing measures shall be based on a review of Articles VI and XVI and the MTN Agreement on subsidies and countervailing measures with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. A negotiating group will be established to deal with these issues.

#### *Dispute settlement*

In order to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, negotiations shall aim to improve and strengthen the rules and the procedures of the dispute settlement process, while recognizing the contribution that would be made by more effective and enforceable GATT rules and disciplines. Negotiations shall include the development of adequate arrangements for overseeing and monitoring of the procedures that would facilitate compliance with adopted recommendations.

#### *Trade-related aspects of intellectual property rights, including trade in counterfeit goods*

In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves

become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.

#### *Trade-related investment measures*

Following an examination of the operation of GATT Articles related to the trade restrictive and distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.

### *E. FUNCTIONING OF THE GATT SYSTEM*

Negotiations shall aim to develop understandings and arrangements :

- (i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system ;
- (ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, *inter alia*, through involvement of Ministers ;
- (iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.

### *F. PARTICIPATION*

(a) Negotiations will be open to :

- (i) all contracting parties,
- (ii) countries having acceded provisionally,
- (iii) countries applying the GATT on a *de facto* basis having announced, not later than 30 April 1987, their intention to accede to the GATT and to participate in the negotiations,

- (iv) countries that have already informed the CONTRACTING PARTIES, at a regular meeting of the Council of Representatives, of their intention to negotiate the terms of their membership as a contracting party, and
  - (v) developing countries that have, by 30 April 1987, initiated procedures for accession to the GATT, with the intention of negotiating the terms of their accession during the course of the negotiations.
- (b) Participation in negotiations relating to the amendment or application of GATT provisions or the negotiation of new provisions will, however, be open only to contracting parties.

### G. ORGANIZATION OF THE NEGOTIATIONS

A Group of Negotiations on Goods (GNG) is established to carry out the programme of negotiations contained in this Part of the Declaration. The GNG shall, *inter alia* :

- (i) elaborate and put into effect detailed trade negotiating plans prior to 19 December 1986 ;
- (ii) designate the appropriate mechanism for surveillance of commitments to standstill and rollback ;
- (iii) establish negotiating groups as required. Because of the interrelationship of some issues and taking fully into account the general principles governing the negotiations as stated in B(iii) above it is recognized that aspects of one issue may be discussed in more than one negotiating group. Therefore each negotiating group should as required take into account relevant aspects emerging in other groups ;
- (iv) also decide upon inclusion of additional subject matters in the negotiation ;
- (v) co-ordinate the work of the negotiating groups and supervise the progress of the negotiations. As a guideline not more than two negotiating groups should meet at the same time ;
- (vi) the GNG shall report to the Trade Negotiations Committee.

In order to ensure effective application of differential and more favourable treatment the GNG shall, before the formal completion of the negotiations, conduct an evaluation of the results attained therein in terms of the Objectives and the General Principles Governing Negotiations as set out in the Declaration, taking into account all issues of interest to less-developed contracting parties.

## PART II

### NEGOTIATIONS ON TRADE IN SERVICES

Ministers also decide, as part of the Multilateral Trade Negotiations, to launch negotiations on trade in services.

Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations.

GATT procedures and practices shall apply to these negotiations. A Group of Negotiations on Services is established to deal with these matters. Participation in the negotiations under this Part of the Declaration will be open to the same countries as under Part I. GATT secretariat support will be provided, with technical support from other organizations as decided by the Group of Negotiations on Services.

The Group of Negotiations on Services shall report to the Trade Negotiations Committee.

### IMPLEMENTATION OF RESULTS UNDER PARTS I AND II

When the results of the Multilateral Trade Negotiations in all areas have been established, Ministers meeting also on the occasion of a Special Session of CONTRACTING PARTIES shall decide regarding the international implementation of the respective results.

### STATEMENT BY THE CHAIRMAN OF THE MINISTERIAL MEETING

*(Min. Dec/Chair)*

Before proposing adoption of the Ministerial Declaration on the Uruguay Round, the CHAIRMAN noted that the purpose of the Declaration was to launch multilateral trade negotiations on goods and services. This involved taking three decisions : the first would be to adopt, as the CONTRACTING PARTIES, Part I of the Declaration, relating to negotiations on trade in goods ; the second would be to adopt Part II, on trade in services, as representatives of Governments meeting on the occasion of

the Special Session of the CONTRACTING PARTIES at Punta del Este ; thirdly, again as representatives of Governments meeting on the occasion of the Special Session of the CONTRACTING PARTIES at Punta del Este, to adopt the Declaration as a whole.

He then made the following specific points :

Representatives of certain governments had expressed concern regarding a number of problems relating, in particular, to commodities, natural resource-based products and tropical products. Those governments were concerned that solutions to their problems be found and implemented quickly. Specific proposals had been put forward by certain African governments in MIN(86)/W/18. While he was sure that this conference attached great importance to those concerns, it had not been possible to complete consideration of the proposals at the conference. It had, therefore, been agreed that the proposals would be considered by the Trade Negotiations Committee foreseen in the Declaration.

In order to participate fully in the negotiations, developing countries would require technical support. There was agreement that technical support by the Secretariat, adequately strengthened, should be available to developing countries participating in the negotiations.

Some governments had expressed concern over trade measures applied for non-economic reasons.

He then summarized discussions that had taken place on the objectives of the negotiations :

- There had been a proposal to include, among the objectives of the negotiations, that of redressing growing disequilibria in world trade and of achieving, in the spirit of the Preamble to the General Agreement, a greater mutuality of interests.
- However, it had been represented that the foregoing proposal might lead to a trading system incompatible with the basic objectives and principles of GATT, the guarantor of the open and non-discriminatory trading system.
- Nevertheless, it was common ground that growing disequilibria in world trade constituted a serious problem and would need to be tackled by the countries concerned by various policy means including macro-economic policy, exchange rates, structural reform and trade policy.
- It was furthermore agreed that in the negotiations every contracting party should make genuine efforts to ensure mutual advantages and increased benefits to all participants, in accordance with the principles of the GATT.

Some proposals had been received regarding the setting up of negotiating groups for the negotiations. These proposals would be formally circulated after the Session.

He noted that there were certain issues raised by delegations on which a consensus to negotiate could not be reached at this time. These issues included the export of hazardous substances, commodity arrangements, restrictive business practices and workers' rights.

He then clarified that it was understood that paragraph F(b) was interpreted as meaning that (a) all participants in the multilateral trade negotiations have the right to participate in all negotiations on all issues and that (b) non-contracting parties shall only be precluded from participation in decisions of contracting parties relating to the results of these negotiations.

The conference had noted requests by certain governments, not at present covered by the provisions in the Declaration on participation, to take part in the multilateral trade negotiations. The Director-General was authorized, upon request by such governments, to keep them informed of progress in the negotiations.

No delegation present would see in the Declaration all the points that it wished to be included when this meeting had opened. Many of the specific concerns of delegations would have to be pursued in the negotiations themselves, and this was as it should be.

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The CONTRACTING PARTIES *adopted* Part 1 of the Declaration.

Delegations made statements.\*

The CHAIRMAN then addressed participants as representatives of Governments meeting on the occasion of the Special Session of the CONTRACTING PARTIES at Punta del Este.

He stated that a number of the agreed points that he had read out before the adoption of Part I of the Declaration also applied to Part II.

The representatives of Governments meeting on the occasion of the Special Session of the CONTRACTING PARTIES at Punta del Este *adopted* Part II of the Declaration.

These representatives then *adopted* the Declaration as a whole as a single political undertaking launching the Uruguay Round.

Delegations made statements.\*

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\* Reflected in the Summary Records.



## DECISIONS OF 28 JANUARY 1987

The negotiating structure and the negotiating plans for all the issues affecting trade in goods outlined by Ministers at the Punta del Este meeting in September were agreed on 28 January in Geneva. The programme for the initial phase of the negotiations on trade in services agreed on at Punta del Este was likewise adopted. Also agreed, was the nature of the surveillance mechanism which will oversee the 'standstill' and 'rollback' commitments contained in the Punta del Este Declaration.

With these decisions, the mechanisms and procedures to carry forward the negotiations have been put in place.

The Group of Negotiations on Goods (GNG), the Group of Negotiations on Services (GNS) and the Trade Negotiations Committee (TNC), which oversees the conduct of the Uruguay Round, met on 28 January 1987. The TNC took the decision on the mechanism for the surveillance of standstill and rollback and took note of decisions reached by the GNG and GNS. The decisions were as follows:

1. *Mechanism for the Surveillance of Standstill and Rollback*

— A decision by the TNC, based upon a recommendation from the GNG, on the establishment of a mechanism for the surveillance of the standstill and rollback commitments in the Ministerial Declaration on the Uruguay Round. (Annex 1)

— Related statements by the Chairman of the TNC. (Annex 1a)

2. *(GNG) Negotiating Structure*

— A decision by the GNG on negotiating structure which includes the initial timetable of meetings of each of the individual negotiating groups. (Annex 2)

— A related statement by the Chairman of the GNG. (Annex 2a)

3. *(GNG) Negotiating Plans*

— The negotiating plans of 14 individual groups covering each of the subjects outlined for negotiation in Part One of the Ministerial Declaration. (Annex 3)

— A related statement by the Chairman of the GNG. (Annex 3a)

4. *Group of Negotiations on Services*

— A decision by the GNS on the programme for the initial phase of negotiations on trade in services. (Annex 4)

## ANNEX 1

## SURVEILLANCE OF STANDSTILL AND ROLLBACK

*Standstill*

1. Any participant may bring to the attention of a Surveillance Body, open to all participants, through the GATT secretariat, any action or measure, taken by itself or another participant, which it believes relevant to the fulfilment of the standstill commitments. Any such notification will be deemed to have been submitted to the Surveillance Body upon its receipt by the secretariat.

2. The secretariat shall circulate promptly to all participants, and in no case later than 10 working days after receipt, a copy of all notifications addressed to the Surveillance Body. When notifications relate to actions by other participants (reverse notifications) the secretariat shall promptly inform the country to which they relate. Any comments<sup>1</sup> and any other relevant factual material received within the above period of 10 working days will be circulated together with the notification. If any comments or further information become available subsequently they will be circulated promptly.

3. The Surveillance Body will examine the relationship between the actions or measures notified and paragraphs (i), (ii) and (iii) of the standstill commitment contained in Section C of Part I of the Ministerial Declaration at its first meeting following the 10 working day period referred to in paragraph 2 above. The Surveillance Body will transmit a record of its proceedings to the next meeting of the TNC. (This record will be transmitted to the GNG for its information.)

*Rollback*

4. Any participant may bring to the attention of other participants, through the GATT secretariat, measures which it is applying or measures applied by another participant, which it believes should be subject to the rollback commitment. It will be open to any participant to notify to the Surveillance Body any omission by another participant which it believes to be relevant to the fulfilment of the rollback commitment.

5. Participants concerned shall consult in order to arrive at rollback undertakings. Timely notice of such consultations shall be sent to the secretariat for the information of all participants so that any affected participants may also take part in consultations if they so wish. Participants

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<sup>1</sup> The absence of comments by a country subject to a reverse notification shall not be deemed to constitute an admission that the measure is subject to the standstill commitment.

shall notify any undertakings resulting from these consultations to the Surveillance Body.

6. The Surveillance Body shall monitor the implementation of the undertakings resulting from the consultations referred to in paragraph 5 above and report to the TNC. (This report will be transmitted to the GNG for its information.)

7. In order to carry out the functions set out above the Surveillance Body will meet at least three times a year. It may also meet at the request of any participant, in accordance with the usual GATT practices.

8. The TNC will meet at least every six months to carry out, on the basis of the records and reports transmitted to it by the Surveillance Body, a periodic evaluation of the implementation of the standstill and rollback commitments, and of its impact on the process of multilateral trade negotiations and in relation to the interests of individual participants.

#### ANNEX 1a

##### *Statements by the Chairman of the TNC related to surveillance of standstill and rollback*

(i) With reference to paragraph 5:

"It is my understanding that participants maintaining measures that may be subject to the rollback commitment shall inform the Surveillance Body by 31 December 1987 of rollback undertakings resulting from the first round of consultations under paragraph 5."

(ii) With reference to paragraph 7:

"It is the understanding of the Chairman that the relevant GATT practice is the one followed by the GATT Council. The Council meets at periodic intervals, but if a contracting party considers that a matter cannot wait for the next regular meeting of the Council and requires urgent consideration, it may request a meeting for this purpose. When such requests have been made, they have normally been met, once the Chairman has consulted with interested parties."

(iii) Date of first meeting:

"It is the understanding of the Chairman that the first meeting of the Surveillance Body will take place in the week beginning 23 February 1987."

## ANNEX 2

## NEGOTIATING STRUCTURE

In carrying out the programme of negotiations contained in Part I of the Punta del Este Declaration, the GNG shall discharge its functions in strict accordance with the provisions of Section G thereof, and will meet as frequently as necessary.

The Negotiating Groups set up for the purpose of carrying out the work envisaged in the annexed Negotiating Plans will hold their initial meetings as set out below. Where the Negotiating Plans provide for an initial phase, this should in each case be completed by the end of 1987 at latest.

*Group*

1	Tariffs	}	Week beginning 9 February
2	Non-Tariff Measures		
3	Natural Resource-Based Products		
4	Textiles and Clothing	}	Week beginning 16 February
5	Agriculture		
6	Tropical Products	}	Week beginning 23 February
7	GATT Articles		
8	MTN Agreements and Arrangements	}	Week beginning 2 March
9	Safeguards		
10	Subsidies and Countervailing Measures	}	Week beginning 9 March
11	Trade-Related Aspects of Intellectual Property Rights including Trade in Counterfeit Goods		
		}	Week beginning 16 March
12	Trade-Related Investment Measures		
13	Dispute Settlement	}	Week beginning 23 March
14	Functioning of the GATT System		
		}	Week beginning 30 March
		}	Week beginning 6 April

It is agreed that a meeting of the Group of Negotiations on Goods will take place on 13 April 1987.

## ANNEX 2a

*Statement by the Chairman of the GNG related to the decision on the negotiating structure*

"It is my understanding that the Decision on the Negotiating Structure has been adopted on the basis of the following understanding:

1. Meetings of the Negotiating Groups will be arranged in the year 1987 on the calendar pattern set out in the Decision on the Negotiating Structure.
2. Each of the 14 Negotiating Groups will have its own chairman and will operate as a separate entity.
3. It will be open to two or more Negotiating Groups to hold joint meetings if they so decide.
4. A given person may be appointed to the chairmanship of more than one Negotiating Group.
5. It is envisaged that, subject to agreement on the persons in question, the same individual may be appointed for the initial phase to the chairmanships of Negotiating Groups 1, 2, 3 and 4. The same approach would be considered for Groups 7 and 8 and for Groups 13 and 14.
6. A meeting of Heads of Delegation to the GNG, to be held before 9 February, will approve a list of persons to be appointed as chairmen of the Groups."

## ANNEX 3

## TARIFFS

*Negotiating Plan**Negotiating Objective*

"Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation. Emphasis shall be given to the expansion of the scope of tariff concessions among all participants."

*Principal Stages of the Negotiating Process**Initial Phase*

- Submission of proposals by participants on :
  - a tariff-cutting approach/approaches, including elimination of tariffs ;
  - the elimination or reduction of high tariffs and tariff escalation in appropriate product areas ;
  - possible criteria to expand the scope of tariff concessions including the degree of tariff bindings.
- Broadening and updating of factual basis (Tariff Study files, Harmonized System data bank).
- Factual notes by secretariat and/or participants, as required, on issues to be negotiated.

*Subsequent Negotiating Process*

- Agreement on a common negotiating basis comprising the issues listed under the Initial Phase above.
- Bilateral phase of the negotiations between participants on individual tariff items.
- Elaboration of a tariff protocol.

**NON-TARIFF MEASURES***Negotiating Plan**Negotiating Objective*

“Negotiations shall aim to reduce or eliminate non-tariff measures, including quantitative restrictions, without prejudice to any action to be taken in fulfilment of the rollback commitments.”

*Principal Stages of the Negotiating Process**Initial Phase*

- A first examination of the issues to be covered, including the relationship between the negotiations in this area and other areas of the negotiations. Establishment of an adequate data base for negotiation. Participants would also present proposals setting out the

particular problems that they want to address and the techniques which they consider should be used to deal with them (bilateral, plurilateral or multilateral). Paper by the secretariat on the data base and relevant work already undertaken in the GATT on techniques for negotiating on quantitative restrictions and other non-tariff measures.

- The proposals by participants would be examined with a view to reaching a common understanding on appropriate techniques and procedures (bilateral requests and offers, subject to procedures to ensure transparency; multilateral approaches) and on subjects to be dealt with multilaterally.

#### *Subsequent Negotiating Process*

- Tabling of detailed requests for bilateral or plurilateral negotiations on specific measures and of specific texts relating to any issues to be dealt with multilaterally.
- Negotiations will proceed on the common basis.

## TROPICAL PRODUCTS

### *Negotiating Plan*

#### *Negotiating Objective*

“Negotiations shall aim at the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms and shall cover both tariff and all non-tariff measures affecting trade in these products.

The CONTRACTING PARTIES recognise the importance of trade in tropical products to a large number of less developed contracting parties and agree that negotiations in this area shall receive special attention, including the timing of the negotiations and the implementation of the results as provided for in B(ii)” of the Ministerial Declaration.

#### *Principal Stages of the Negotiating Process*

##### *Initial Phase*

This phase would cover the following work :

- (a) exchange of views on work done so far in GATT in this area ;
- (b) compilation of background material for negotiations ;

- (c) submission of initial proposals and other inputs by participants aimed at achieving the agreed objectives of negotiations in this area ;
- (d) agreement on techniques and modalities as a common basis for negotiations, including the tabling of initial requests/offers.

#### *Subsequent Negotiating Process*

Negotiations will proceed as early as possible in 1988 on the basis of the work in the previous phase with the aim of achieving concrete results and their implementation at the earliest possible date in the light of the provisions of Section B (ii) of the Ministerial Declaration.

#### *Monitoring of Progress*

Throughout the negotiations on tropical products special attention at the appropriate level will be given to the task of reviewing the progress achieved.

## NATURAL RESOURCE-BASED PRODUCTS

### *Negotiating Plan*

#### *Negotiating Objective*

"Negotiations shall aim to achieve the fullest liberalization of trade in natural resource-based products including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation."

#### *Principal Stages of the Negotiating Process*

##### *Initial Phase*

- Determination of issues relevant to the Negotiating Objective taking into account documentation established by the Working Party on Natural Resource-Based Products and proposals by participants.
- Establishment of a factual basis for negotiations.
- Elaboration of techniques and modalities for achieving the agreed objectives of negotiations in this area, taking into account those elaborated in other relevant areas.
- Establishment of a common negotiating basis.



*Subsequent Negotiating Process*

- Tabling of requests and offers.
- Negotiations will proceed on the common basis.

## TEXTILES AND CLOTHING

*Negotiating Plan**Negotiating Objective*

"Negotiations in the area of textiles and clothing shall aim to formulate modalities that would permit eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines, thereby also contributing to the objective of further liberalization of trade."

*Principal Stages of the Negotiating Process**Initial Phase*

This phase will be devoted to preparatory work in this area. The annual reports of the TSB, information provided by the Sub-Committee on Adjustment and other sources, as well as material from the Working Party on Textiles and Clothing including the related documentation as updated, can make a useful contribution to this stage of work.

*Subsequent Negotiating Process*

- Examination of techniques and modalities for achievement of the objectives set out in this area in the light of proposals made by participants.
- Negotiations aimed at achieving the Negotiating Objective in this area.

## AGRICULTURE

*Negotiating Plan**Negotiating Objective*

"CONTRACTING PARTIES agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to struc-

tural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets.

Negotiations shall aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking into account the general principles governing the negotiations, by:

- (i) improving market access through, *inter alia*, the reduction of import barriers;
- (ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;
- (iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements.

In order to achieve the above objectives, the negotiating group having primary responsibility for all aspects of agriculture will use the Recommendations adopted by the CONTRACTING PARTIES at their Fortieth Session, which were developed in accordance with the GATT 1982 Ministerial Programme, and take account of the approaches suggested in the work of the Committee on Trade in Agriculture without prejudice to other alternatives that might achieve the objectives of the negotiations."

#### *Principal Stages of the Negotiating Process*

##### *Initial Phase*

- Identification of major problems and their causes, including all measures affecting directly or indirectly agricultural trade, taking into account *inter alia* work done by the CTA, and elaboration of an indicative list of issues considered relevant by participants to achieving the Negotiating Objective.
- The concurrent submission of supplementary information on measures and policies affecting trade in the AG/FOR-series, including full notification of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade.
- Consideration of basic principles to govern world trade in agriculture.
- Submission and initial examination of proposals by participants aimed at achieving the Negotiating Objective.

*Subsequent Negotiating Process*

- Within this process, further examination as appropriate of proposals and initiation of negotiations.
- Negotiations with a view to reaching agreement on (a) comprehensive texts of strengthened and more operationally effective GATT rules and disciplines; (b) the nature and the content of specific multilateral commitments to be undertaken including as appropriate implementation programmes and transitional arrangements; (c) any other understandings which should also be deemed necessary for the fulfilment of the Negotiating Objective; and (d) exchange of concessions, as appropriate.

## GATT ARTICLES

*Negotiating Plan**Negotiating Objective*

“Participants shall review existing GATT Articles, provisions and disciplines as requested by interested contracting parties, and, as appropriate, undertake negotiations.”

*Principal Stages of the Negotiating Process**Initial Phase*

- Requests by interested contracting parties for review of GATT Articles, provisions and disciplines, indicating why they consider that these should be the subject of negotiations. Factual background papers by the secretariat on these Articles, provisions and disciplines. Review, following requests by participants, of GATT Articles, provisions and disciplines, with a view to determining issues on which negotiations are appropriate.

*Subsequent Negotiating Process*

- Tabling of specific texts by contracting parties on issues so identified for negotiation. Review and analysis of these proposals.
- Negotiations on the basis established.

## SAFEGUARDS

*Negotiating Plan**Negotiating Objective*

- (i) A comprehensive agreement on safeguards is of particular importance to the strengthening of the GATT system and to progress in the Multilateral Trade Negotiations.
- (ii) The agreement on safeguards:
- shall be based on the basic principles of the General Agreement;
  - shall contain, *inter alia*, the following elements: transparency, coverage, objective criteria for action including the concept of serious injury or threat thereof, temporary nature, degressivity and structural adjustment, compensation and retaliation, notification, consultation, multilateral surveillance and dispute settlement; and
  - shall clarify and reinforce the disciplines of the General Agreement and should apply to all contracting parties."

*Negotiating Process*

- Examination of the issues in this area would be carried out with the assistance of papers by participants setting out their specific suggestions for achieving the Negotiating Objective in this area, and of a paper by the secretariat on relevant work already undertaken in the GATT, including in particular on the elements enumerated in the Ministerial Declaration, and any other factual background material as required.
- Proposals by participants would be examined with a view to drawing up a draft text of a comprehensive agreement as a basis for negotiation.
- Negotiations will proceed on the basis of the draft text with a view to drawing up and concluding a comprehensive agreement as expeditiously as possible, taking into account that such an agreement is of particular importance to the strengthening of the GATT system and to progress in the Multilateral Trade Negotiations.

## MTN AGREEMENTS AND ARRANGEMENTS

### *Negotiating Plan*

#### *Negotiating Objective*

"Negotiations shall aim to improve, clarify, or expand, as appropriate, Agreements and Arrangements negotiated in the Tokyo Round of Multilateral Negotiations."

#### *Principal Stages of the Negotiating Process*

##### *Initial Phase*

- Suggestions by participants indicating the issues that they wish to raise with respect to individual MTN Agreements and Arrangements. Factual background paper by the Secretariat on these issues. Examination of the proposals made by participants, with a view to clarifying issues on which negotiations are appropriate, having regard to work in the relevant Committees and Councils established under the MTN Agreements and Arrangements. In the light of the issues identified, agreement on the negotiating techniques and modalities for the subsequent stages.

##### *Subsequent Negotiating Process*

- Submission of specific texts by interested participants on issues identified for negotiation. Review and analysis of the proposals.
- Negotiations on the basis established.

## SUBSIDIES AND COUNTERVAILING MEASURES

### *Negotiating Plan*

#### *Negotiating Objective*

"Negotiations on subsidies and countervailing measures shall be based on a review of Articles VI and XVI and the MTN Agreement on subsidies and countervailing measures with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. A negotiating group will be established to deal with these issues."

*Principal Stages of the Negotiating Process**Initial Phase*

- Submission of proposals by participants, together with any background notes, on issues to be taken up in the negotiations, and on negotiating techniques. Factual background notes by the secretariat. Examination of the proposals and the documentation.

*Subsequent Negotiating Process*

- Development of a common negotiating basis for improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. Tabling of specific drafting proposals by participants.
- Negotiations on the basis of specific drafting proposals.

## DISPUTE SETTLEMENT

*Negotiating Plan**Negotiating Objective*

“In order to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, negotiations shall aim to improve and strengthen the rules and the procedures of the dispute settlement process, while recognizing the contribution that would be made by more effective and enforceable GATT rules and disciplines. Negotiations shall include the development of adequate arrangements for overseeing and monitoring of the procedures that would facilitate compliance with adopted recommendations.”

*Principal Stages of the Negotiating Process**Initial Phase*

- Submission by participants of their analyses of the functioning of the GATT dispute settlement process and of their views on matters to be taken up in the negotiations. Factual background papers by the Secretariat as required. Review of the dispute settlement process with a view to identifying issues on which negotiations are appropriate.
- Tabling of specific proposals by participants on issues identified for negotiation.

*Subsequent Negotiating Process*

- Review and analysis of proposals.
- Negotiations on the basis established.

**TRADE-RELATED ASPECTS OF INTELLECTUAL  
PROPERTY RIGHTS, INCLUDING TRADE  
IN COUNTERFEIT GOODS**

*Negotiating Plan**Negotiating Objective*

“In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines.

Negotiations shall aim to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in the GATT.

These negotiations shall be without prejudice to other complementary initiatives that may be taken in the World Intellectual Property Organization and elsewhere to deal with these matters.”

*Principal Stages of the Negotiating Process**Initial Phase*

- Trade-related aspects of intellectual property rights: Identification of relevant GATT provisions and examination of their operation on the basis of suggestions by participants for achieving the Negotiating Objective and of factual information by the secretariat as required. Initial examination of the specific suggestions and of the procedures and techniques that might be used to implement them.
- Trade in counterfeit goods: Examination of the matters to be dealt with in this area on the basis of the report of the Group of Experts (L/5878), of other work already undertaken in the GATT and of papers by participants setting out their suggestions for achieving the negotiating objectives. Other factual information as required.

- Consideration of the relationship between the negotiations in this area and initiatives in other fora. Collection of information from relevant sources.

*Subsequent Negotiating Process*

- If necessary, further examination of the specific suggestions and of the procedures and techniques that might be used to implement them.
- Tabling of specific texts by interested participants, as appropriate. Examination of these texts with a view to establishment of a common negotiating basis.
- Negotiations on the basis established.

TRADE-RELATED INVESTMENT MEASURES

*Negotiating Plan*

*Negotiating Objective*

“Following an examination of the operation of GATT Articles related to the trade restrictive and distorting effects of investment measures, negotiations should elaborate, as appropriate, further provisions that may be necessary to avoid such adverse effects on trade.”

*Principal Stages of the Negotiating Process*

*Initial Phase*

- Identification and examination of the operation of GATT Articles related to the trade restrictive and distorting effects of investment measures, on the basis of submissions by participants and with the assistance, as appropriate, of background documentation by the secretariat.

*Subsequent Negotiating Process*

- Definition of areas in which negotiations may be required to elaborate, as appropriate, further provisions that may be necessary to avoid restrictive and distorting effects of investment measures on trade, on the basis of proposals by participants.
- Negotiations on the basis established.



## FUNCTIONING OF THE GATT SYSTEM

### *Negotiating Plan*

#### *Negotiating Objectives*

“Negotiations shall aim to develop understandings and arrangements :

- (i) to enhance the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system ;
- (ii) to improve the overall effectiveness and decision-making of the GATT as an institution, including, *inter alia*, through involvement of Ministers ;
- (iii) to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters.”

#### *Principal stages of the Negotiating Process*

##### *Initial Phase*

- a first examination of issues on the basis of proposals by participants ;
- any background documentation required from the secretariat ;

##### *Subsequent Negotiating Process*

- Establishment of common working texts on which to base any understandings and arrangements which are to be negotiated.
- In this stage final texts will be agreed upon as appropriate, containing understandings or specifying arrangements relating to those aspects of the functioning of the GATT system referred to in section E of the Ministerial Declaration.

### ANNEX 3a

#### *Statement by the Chairman of the GNG related to the negotiating plans*

“Wherever the words “Negotiating Objective” appear under the “Principal Stages of the Negotiating Process” of the Negotiating Plans, they refer to the entire text which appears under the heading “Negotiating Objective” at the beginning of each plan.”

## ANNEX 4

## GROUP OF NEGOTIATIONS ON SERVICES

*Programme for the initial phase of negotiations**Report by the Chairman*

Discussions in the Group have focussed on the initial phase of negotiations and on identifying a number of elements which should be addressed in 1987 in conformity with the negotiating objectives. These elements are listed below. It is understood that this list is non-exhaustive, and that no particular significance attaches to the way in which the items are formulated; there will be opportunity to give greater precision to their content in due course. It is also understood that neither the formulation of the items nor the order in which they are listed prejudice the relative importance of any of them, or imply any ordering for negotiating purposes.

*Negotiating objectives*

"Negotiations in this area shall aim to establish a multilateral framework of principles and rules for trade in services, including elaboration of possible disciplines for individual sectors, with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to services and shall take into account the work of relevant international organizations."

*Elements*

- Definitional and statistical issues
- Broad concepts on which principles and rules for trade in services, including possible disciplines for individual sectors, might be based
- Coverage of the multilateral framework for trade in services
- Existing international disciplines and arrangements
- Measures and practices contributing to or limiting the expansion of trade in services, including specifically any barriers perceived by individual participants, to which the conditions of transparency and progressive liberalization might be applicable

It is understood that at the first meeting, a general debate structured around the above elements will take place. A periodic overview of progress would take place. Such general debate and overview should, *inter alia*, facilitate determination of the technical support to be provided by relevant international organizations. There will be a stock-taking at the end of 1987 in order to determine how to carry forward the negotiating programme.

*Schedule of meetings for 1987*

There will be a total of twelve days of meetings in the first half of 1987.

<i>Meeting dates</i>	<i>Agenda</i>
23 - 25 February	General debate, elements
Following meetings	elements

REPORT OF THE CHAIRMAN  
OF THE MEETINGS ON SERVICES,  
TO THE SESSION OF CONTRACTING PARTIES  
AT MINISTERIAL LEVEL

At their Forty-First Session in November 1985, the CONTRACTING PARTIES decided to invite contracting parties to continue the exchange of information undertaken in pursuance of the Agreed Conclusions of 30 November 1984, and to prepare recommendations for consideration by the CONTRACTING PARTIES at their next session (L/5924). This report, which I am presenting on my own responsibility, gives a brief account of events since that decision was adopted and draws attention to a few points of substance for the consideration of CONTRACTING PARTIES. Details of the work carried out under the decision can be found in the extensive documentation made available to the meetings on services and in the records of discussions of these meetings, which are listed at Annex.

Seven meetings on services were held, which were open to the participation of all contracting parties.<sup>1</sup> The discussions centered on the issues identified in paragraph 15 of my report to the Forty-First Session of the CONTRACTING PARTIES (L/5911), and which were grouped under the following four headings: (1) general characteristics of services; (2) conceptual framework, statistical problems and methodologies;

<sup>1</sup> The meetings were held on the following dates: 6-7 February, 24-26 March, 17-18 April, 12-13 May, 2-4 June, 27 and 30 June and 29 August 1986.



MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND

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MTN.TNC/11  
21 April 1989

Special Distribution

Trade Negotiations Committee

MID-TERM MEETING

This document sets out the entire package of results adopted by the Trade Negotiations Committee at its mid-term review held in Montreal on 5-9 December 1988 and in Geneva on 5-8 April 1989.

A record of the Montreal meeting has been circulated as MTN.TNC/8(MIN). A record of the meeting held in Geneva on 5-8 April 1989 will be issued as MTN.TNC/10.

NEGOTIATIONS ON TRADE IN GOODSSURVEILLANCE OF STANDSTILL AND ROLLBACK

Ministers, noting the political importance of the standstill and rollback undertaking:

- (a) affirm their determination to ensure that the standstill and rollback commitments are met;
- (b) emphasize the need to take appropriate action to ensure withdrawal of all measures contrary to the standstill commitment, taking into account that there are a number of measures which have been ruled GATT-inconsistent by panel reports adopted by the CONTRACTING PARTIES;
- (c) recognize the importance of regular discussions in the Surveillance Body of trade measures, including those not yet in force, which may have an effect on the standstill commitment;
- (d) emphasize the need for timely action on rollback, and prompt response to rollback requests, so as to ensure progressive implementation of the rollback commitment on an equitable basis;
- (e) urge participants, without prejudice to the existing procedures, to indicate to the Surveillance Body how and when they intend to proceed to rollback measures covered by the commitment, taking into account the fact that there are a number of measures which have been ruled GATT-inconsistent by panel reports adopted by the CONTRACTING PARTIES;
- (f) invite participants to examine carefully measures which they maintain, whether or not these have been notified, in order to determine what actions they should take to progressively implement their rollback commitments. Such actions could be self-initiated, could result from requests and consultations, and should be taken on a GATT-consistent basis;
- (g) agree that participants should communicate the conclusions of their consideration to the Surveillance Body promptly; and
- (h) agree that at its meeting in July 1989 the Trade Negotiations Committee should carry out a substantive evaluation of the implementation of the standstill and rollback commitments (including evaluation of avoidance of disruptive effects on the

trade of less-developed contracting parties) and its impact on the process of multilateral trade negotiations and in relation to the interests of individual participants, with a view to taking such procedural or other action as may be appropriate.

SUBJECTS FOR NEGOTIATIONS

TARIFFS

1. Ministers agree that substantive negotiations will begin no later than 1 July 1989, and that tariff and trade data will be exchanged accordingly. They instruct their representatives to establish detailed procedures, approaches and methods necessary for the negotiations.
2. Reiterating the importance of reducing and eliminating tariffs and expanding the scope of tariff concessions as agreed in the Punta del Este Declaration and subject to the understanding that the participation of developing countries in the tariff negotiations would be in accordance with the general principles governing the negotiations, including Part I.B, paragraphs (iv)-(vii) of the Declaration, Ministers agree on the following:
  - (a) A substantial reduction or, as appropriate, elimination of tariffs by all participants with a view to achieving lower and more uniform rates, including the reduction or elimination of high tariffs, tariff peaks, tariff escalation and low tariffs, with a target amount for overall reductions at least as ambitious as that achieved by the formula participants in the Tokyo Round.
  - (b) A substantial increase in the scope of bindings, including bindings at ceiling levels, so as to provide greater security and predictability in international trade.
  - (c) The need for an approach to be elaborated to give credit for bindings; it is also recognized that participants will receive appropriate recognition for liberalization measures adopted since 1 June 1986.
  - (d) The phasing of tariff reductions over appropriate periods to be negotiated.
3. Individual participants attach importance to assessing progress made in achieving real improvements in conditions of market access.
4. Participants have agreed that in the negotiation of tariff concessions, current nomenclatures should be employed and that the base rates for the negotiations will be the bound m.f.n. rates and, for unbound rates, the normally applicable rates in September 1986.



NON-TARIFF MEASURES

1. Ministers recognize that the reduction or elimination of non-tariff measures by all participants is a central element of a successful outcome of the Uruguay Round. Recognizing the importance of achieving substantially improved market access, Ministers agree that, in order to ensure effective trade liberalization, results from negotiations on non-tariff measures should be substantial.

2. Subject to the understanding that the participation of developing countries in the negotiations on non-tariff measures would be in accordance with the general principles governing the negotiations, including Part I.B, paragraphs (iv) - (vii) of the Declaration, Ministers agree to the following guidelines for the conduct of negotiations on non-tariff measures:

- (a) Various negotiating approaches can be applied to these negotiations, including multilateral, formula and request-offer approaches. However, approaches which ensure the widest participation and broadest possible liberalization are to be preferred.
- (b) These negotiations shall be without prejudice to any action to be taken in fulfilment of the rollback commitments contained in Part I.C of the Ministerial Declaration, which state, inter alia, that there shall be no GATT concessions requested for the elimination of GATT-inconsistent measures.
- (c) Transparency will be ensured in the negotiations whose results are to be applied in accordance with the basic principles of the General Agreement.
- (d) To ensure that concessions to reduce or eliminate non-tariff measures are not subsequently nullified or impaired, participants agree to explore the most appropriate measures to achieve this objective.
- (e) There should be provisions for immediate or staged implementation of results over agreed time-frames.
- (f) Individual participants will attach importance to assessing progress made in achieving real improvements in conditions of market access.
- (g) If elimination of a non-tariff measure is not possible, consideration may be given to transforming it into a tariff.
- (h) Participants will receive appropriate recognition for the liberalization measures which they have adopted.

3. Recognizing the importance of receiving proposals from both developed and developing countries, Ministers agree that the Negotiating Group will:

- (a) with regard to the categories of measures for which multilateral rule-making approaches are proposed, examine relevant provisions in the General Agreement and in other agreements and will consider how to deal with the problems raised;
- (b) examine proposals made for multilateral formula approaches with a view to reaching an understanding on the applicability and, if appropriate, scope and procedures for such negotiations;
- (c) review the secretariat's sorting of indicative lists of non-tariff measures for which request-and-offer approaches are proposed with a view to reaching an understanding on the scope and procedures for such negotiations; and,
- (d) by June 1989, aim to establish a framework for future negotiations, including procedures, taking into account the above principles and guidelines, so as to initiate detailed negotiations.

NATURAL RESOURCE-BASED PRODUCTS

## 1. Ministers agree that:

- (a) participants will continue to pursue the objective of fullest liberalization of trade in natural resource-based products, including in their processed and semi-processed forms, as agreed in the negotiating objective and consistent with the overall objectives embodied in the Ministerial Declaration;
- (b) participants will continue to pursue and give effect to the negotiating plan for natural resource-based products;
- (c) participants will continue their examination of issues brought forward to date (MTN.GNG/NG3/W/14), without prejudice to additional products and issues participants may yet propose;
- (d) techniques will be developed to deal with specific issues and problems encompassed by the agreed negotiating objective taking into account negotiating approaches developed in other Groups to determine to what extent particular measures will be needed to ensure achievement of this negotiating objective; and
- (e) given the interrelationship of issues raised in natural resource-based products and other areas of negotiations in the Uruguay Round, it is necessary to ensure that the progress in negotiations on natural resource-based products is consistent with progress in other related areas.

2. The secretariat will continue to provide essential factual data on all relevant issues.

3. Ministers agree that effective negotiations should begin as soon as possible, it being recognized that the work on the three product areas already studied i.e. fisheries, forestry and non-ferrous metals and minerals is already well advanced.

4. In order to make this practicable, it has been agreed that participants would provide as much relevant trade and barrier data as possible by 30 June 1989.

TEXTILES AND CLOTHING

1. Ministers recognize that the sector of textiles and clothing is of great importance for the economies of many countries and particularly for the economic and social development of many developing countries and for the expansion of their export earnings.
2. Ministers, therefore, recognize that negotiations in this sector are one of the key elements in the Uruguay Round, and should contribute to further liberalization of trade.
3. With a view to achieving substantive results in this area of the negotiations, and bearing in mind the general principles governing the negotiations and the organization thereof as set out in Part I of the Punta del Este Declaration, Ministers agree that:
  - (a) substantive negotiations will begin in April 1989 in order to reach agreement within the time-frame of the Uruguay Round on modalities for the integration of this sector into GATT, in accordance with the negotiating objective;
  - (b) such modalities for the process of integration into GATT on the basis of strengthened GATT rules and disciplines should inter alia cover the phasing out of restrictions under the Multi-fibre Arrangement and other restrictions on textiles and clothing not consistent with GATT rules and disciplines, the time-span for such a process of integration, and the progressive character of this process which should commence following the conclusion of the negotiations in 1990;
  - (c) to this end participants are invited to put forward additional proposals, preferably not later than 30 June 1989;
  - (d) special treatment should be accorded to the least-developed countries.
4. To provide a positive climate for these negotiations, and without prejudice to the existing rights and obligations, and reaffirming their commitments embodied in Part I.C of the Punta del Este Declaration, all participants shall endeavour to improve the trade situation paving the way for the integration of the textiles and clothing sector into GATT.

AGRICULTURE

1. The Negotiating Group on Agriculture has made substantial progress in elaborating the elements of the negotiating proposals and submissions under the subsequent negotiating process. The stage has now been reached in this process where the general direction and procedures to be followed in the final phases of the negotiations need to be defined in operational terms so as to provide a framework for liberalizing trade in agriculture and bringing all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines.

2. There is a broad measure of consensus that agricultural policies should be more responsive to international market signals in order to meet the objective of liberalization of international trade and that support and protection should be progressively reduced and provided in a less trade-distorting manner.

3. The particular needs and conditions of developing countries should be fully taken into account at all stages of the negotiation in conformity with the principle of special and differential treatment to developing countries as laid down in the Punta del Este Declaration.

4. Ministers accordingly endorse a framework approach comprising the following interrelated long- and short-term elements and arrangements on sanitary and phytosanitary regulations.

A. LONG-TERM ELEMENTS AND GUIDELINES FOR REFORM

5. Ministers agree that the long-term objective of the agricultural negotiations is to establish a fair and market-oriented agricultural trading system and that a reform process should be initiated through the negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines.

6. The above-mentioned long-term objective is to provide for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets. This goal will be realized through negotiations on specific policies and measures, through the negotiation of commitments on an aggregate measurement of support, the terms of which will be negotiated, or through a combination of these approaches. Credit will be given for measures implemented since the Punta del Este Declaration which contribute positively to the reform programme.

7. In realizing the long-term objective stated above, the strengthened and more operationally effective GATT rules and disciplines, which would be equally applicable to all contracting parties, and the commitments to be negotiated, should encompass all measures affecting directly or indirectly import access and export competition, in particular:

Import access

- quantitative and other non-tariff access restrictions, whether maintained under waivers, protocols of accession or other derogations and exceptions, and all measures not explicitly provided for in the General Agreement, and the matter of conversion of the measures listed above into tariffs;
- tariffs, including bindings;

Subsidies and export competition

- internal support measures (including income and price support) which directly or indirectly affect trade;
- direct budgetary assistance to exports, other payments on products exported and other forms of export assistance.

Export prohibitions and restrictions

- export prohibitions and restrictions.

8. Ministers agree that:

- special and differential treatment to developing countries is an integral element of the negotiations particularly on the strengthened and more operationally effective GATT rules and disciplines;
- government measures on assistance, whether direct or indirect, to encourage agricultural and rural development are an integral part of the development programmes of developing countries;
- ways should be developed to take into account the possible negative effects of the reform process on net food importing developing countries.

Non-trade concerns

9. Participants recognize that factors other than trade policy are taken into account in the conduct of their agricultural policies. In the negotiations to achieve the long-term objective, account will be taken of proposals aimed at addressing participants' concerns such as food security.

Implementation

10. Implementation of the first tranche of agreed commitments on the long-term reform programme shall take place in 1991.

Work Programme

11. Participants are invited to advance by December 1989 detailed proposals for the achievement of the long-term objective, including the following:

- the terms and use of an aggregate measurement of support;
- strengthened and more operationally effective GATT rules and disciplines;
- the modalities of special and differential treatment for developing countries;
- sanitary and phytosanitary regulations and the work programme foreshadowed in (C) below;
- tariffication, decoupled income support, and other ways to adapt support and protection;
- ways to take account of the possible negative effects of the reform process on net food-importing developing countries.

12. Not later than the end of 1990, participants will agree on the long-term reform programme and the period of time for its implementation. Soon thereafter, taking into account the different national procedures for implementation of international agreements, participants will notify their plans for meeting the obligations and commitments agreed upon.

Surveillance

13. The reform programme will be subject to multilateral surveillance and other procedures necessary to ensure full compliance with commitments made in the negotiations.

B. SHORT-TERM ELEMENTS

14. With effect from the adoption of this decision and continuing until the formal completion of these negotiations on agriculture by December 1990, participants, within the scope of their existing legislation and their existing GATT rights and obligations, undertake to ensure that current domestic and export support and protection levels in the agricultural sector are not exceeded. Participants undertake to ensure that tariff and non-tariff market access barriers in force at the date of this decision are not subsequently intensified in relation to imports of agricultural products nor extended to additional products, including processed agricultural products. Participants shall be deemed to be in compliance with this undertaking so long as the access opportunities granted to individual products in 1989 and 1990 are not less than those granted on average in 1987 and 1988. Participants shall also ensure that support prices to producers, to be expressed in national currencies<sup>1</sup>, that are set or determined directly or indirectly by governments or their agencies are not raised above the level prevailing at the date of this decision or otherwise take actions to ensure that the current levels of support for the commodity concerned are not increased.

15. Participants state their intention to reduce support and protection levels for 1990. This could be done either by using an AMS or by taking specific policy measures. They will notify the undertakings for fulfilling this commitment by October 1989.

Reporting requirements

16. Participants agree to report on their compliance with the above undertakings at six-month intervals. The first report shall be submitted not later than 1 December 1989.

17. Any participant may raise any matter relating to or affecting the observance of the commitments at a meeting of the Negotiating Group on Agriculture.

18. In exceptional circumstances<sup>2</sup> a participant can be relieved by the Negotiating Group on Agriculture of commitments under the above undertakings.

Developing countries

19. Developing countries are not expected to subscribe to the commitments under B.

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<sup>1</sup> ECU in the case of the EEC.

<sup>2</sup> For particular countries excessive rates of inflation will be taken into account.



C. SANITARY AND PHYTOSANITARY REGULATIONS

20. Ministers endorse harmonization of national regulations as a long-term goal and a work programme embodying the following objectives:

- (1) develop harmonization of sanitary and phytosanitary regulations and measures, on the basis of appropriate standards established by relevant international organizations including the Codex Alimentarius Commission, the International Office of Epizootics and the International Plant Protection Convention;
- (2) strengthen Article XX so that measures taken to protect human, animal or plant life or health are consistent with sound scientific evidence and use suitable principles of equivalency;
- (3) review existing notification and counter-notification procedures to ensure transparency and the existence of an effective notification process for national regulations and bilateral agreements;
- (4) develop a consultative process which ensures transparency and allows opportunity for the bilateral resolution of disputes;
- (5) improve the effectiveness of the multilateral dispute settlement process within the GATT in order to provide the necessary input of scientific expertise and judgment, relying on relevant international organizations;
- (6) assess the possible effects on developing countries of the GATT rules and disciplines for sanitary and phytosanitary measures, and evaluate the need for technical assistance;
- (7) examine the possibilities for implementation of the above programme in the context of short-term elements.

TROPICAL PRODUCTS

1. Ministers take note of the results obtained thus far in negotiations and note that these will be implemented by January 1989 except as otherwise indicated\*. These results will form an integral part of the overall achievement of the Uruguay Round.
2. In pursuance of their commitment to the objective of achieving the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms as contained in the Declaration of Punta del Este, Ministers agree to pursue negotiations on the seven product groups as identified in Section II, paragraph 46 of document MTN.GNG/13\*\* with due regard, inter alia, to the following elements:
  - (a) Elimination of duties on unprocessed products.
  - (b) Elimination or substantial reduction of duties on semi-processed and processed products. These actions would include the objective of eliminating or reducing tariff escalation.
  - (c) Elimination or reduction of all non-tariff measures affecting trade in these products.
3. All participants agree to engage in such negotiations and make appropriate contributions towards achieving the above objective in accordance with the relevant provisions of the Punta del Este Ministerial Declaration including those contained in its Part I.B.
4. The Negotiating Group on Tropical Products at its next meeting is invited to make appropriate arrangements for continuation of negotiations on the basis of the above understandings.
5. The Negotiating Group shall, before the formal completion of negotiations, conduct an evaluation of the results attained therein in terms of the objectives of the negotiations.

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\*Document MTN.GNG/17 and Add.1. Autonomous unilateral contributions have also been tabled in the Negotiating Group on Tropical Products by Hungary (MTN.GNG/NG6/LT/39), South Africa (MTN.GNG/NG6/LT/45 and Add.1) and Czechoslovakia (MTN.GNG/NG6/LT/47).

\*\*Tropical beverages; spices, flowers and plaiting products; certain oilseeds, vegetable oils and oilcakes; tobacco, rice and tropical roots; tropical fruits and nuts; natural rubber and tropical wood; jute and hard fibres. It was understood that this would not constitute a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed.

GATT ARTICLES

1. Ministers recognize the importance for the GATT system of reaching common views on the large number of issues under consideration in the Negotiating Group on GATT Articles, whose work should be directed towards clarifying the Articles, provisions and disciplines of the General Agreement and improving them as appropriate. This work should also take into account the close relationships between particular issues under discussion in the Group and between these and a number of subjects under negotiation in other Groups.
  
2. Ministers direct that the work of the Negotiating Group be vigorously pursued. To this end, they urge the Group to define the issues for negotiation with precision and clarity. Any specific proposals should be brought forward as soon as possible, and preferably not later than 31 December 1989.

MTN AGREEMENTS AND ARRANGEMENTS

1. Ministers note that the Group has largely completed the initial phase of clarifying issues and substantive negotiations are beginning to take place since some of the proposals already tabled are being analysed and reviewed and specific texts have been or will be tabled. The work of this Group is important in that:

- (a) the MTN Agreements which in some cases clarify and elaborate provisions of the General Agreement deal with very important issues in international trading relations;
- (b) the effective implementation of these Agreements, as well as further improvements, where appropriate, could by strengthening the GATT system have considerable bearing on the stability and predictability of trading conditions; and
- (c) widened membership of the Agreements by more countries could contribute to improving further the unity and consistency of the GATT system; in this connection, the appropriate and effective use of provisions for special and differential treatment, inter alia, could facilitate membership of developing countries.

2. In the light of the above and the progress made so far in the negotiations, Ministers urge the Group to pursue negotiations in this area vigorously, in accordance with the mandate of the Group and the negotiating plan. Early submission of specific texts from participants is encouraged, to expedite the process of negotiation.

SAFEGUARDS

Ministers stress the importance of concluding a comprehensive agreement on safeguards based on the basic principles of the General Agreement which would aim to re-establish multilateral control over safeguards, inter alia, by eliminating measures which escape such control. Ministers recognize that such an agreement is vital to the strengthening of the GATT system and to progress in the Multilateral Trade Negotiations. Accordingly, they:

- (a) take note of the in-depth examination of the specific elements which has contributed to a better understanding of the whole issue;
- (b) recognize that, because of the interrelationships between the elements, substantive agreement cannot be reached on individual elements in isolation;
- (c) recognize that safeguard measures are by definition of limited duration;
- (d) in the light of the decision of the Negotiating Group, authorize its Chairman, with the assistance of the secretariat and in consultation with delegations, to draw up a draft text of a comprehensive agreement as a basis for negotiation, without prejudice to the right of participants to put forward their own texts and proposals, preferably before the end of April 1989; and
- (e) agree to begin negotiations on the basis of the draft text by June 1989 at the latest.

SUBSIDIES AND COUNTERVAILING MEASURES

Ministers note that the framework outlined below has been developed from the discussions in the Group. It is intended to guide in a balanced way the conduct of negotiations in the Group with the objective of improving GATT disciplines relating to all subsidies and countervailing measures that affect international trade. The framework does not anticipate or prejudge any specific outcome of the negotiations and cannot prejudice the detailed negotiating positions of any participant on any issue. It is flexible and further issues may be added to it in the course of the negotiations. Further progress in the negotiations will depend on the submission of specific drafting proposals, as provided for in the negotiating plan.

Framework for Negotiations1. Prohibited Subsidies

## 1.1 Identification

## 1.1.1 Normative criteria (e.g. export subsidies - illustrative list)

## 1.1.2 Other criteria (e.g. quantitative)

## 1.2 Remedies (countermeasures, compensation, conditions of application, multilateral surveillance)

2. Non-Prohibited but Countervailable or Otherwise Actionable Subsidies

## 2.1 Conditions for countervailability or actionability

## 2.1.1 Definition (examples of issues to be considered: charge on the public account, preferentiality, specificity, so-called new practices) and calculation of the amount of a subsidy

2.1.2 Trade effects

2.1.2.1 In the market of the importing country (examples of issues to be considered: determination of injury including the question of cumulation and of minimum market share, causal link, definition of industry)

2.1.2.2 In the market of the subsidizing country (examples of issues to be considered: nullification or impairment, other aspects of import substitution)

2.1.2.3 In the third country market (examples of issues to be considered: displacement, serious prejudice)

2.2 Remedies

2.2.1 Countervailing duties (examples of issues to be considered: standing of petitioners, initiation and conduct of investigation, imposition and duration of countervailing measures, undertakings, sunset clause, amount of duty, circumvention)

2.2.2 Countermeasures and/or compensation (nature, conditions of application, multilateral mechanism)

3. Non-Countervailable, Non-Actionable Subsidies

3.1 Conditions for non-countervailability,  
non-actionability

3.1.1 Definition (examples of issues to be considered: general availability, non-preferentiality, no trade effects)

3.1.2 Other conditions (e.g. specific purpose, strict time-limits)

3.2 "Special safeguard" procedures

4. Special and Differential Treatment for Developing Countries

5. Notifications and Surveillance

6. Dispute Settlement



TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS, INCLUDING TRADE IN COUNTERFEIT GOODS

1. Ministers recognise the importance of the successful conclusion of the multilateral negotiations on trade-related aspects of intellectual property rights, including trade in counterfeit goods, that were initiated by the decision of the CONTRACTING PARTIES at Punta del Este.
2. Ministers recall the relevant provisions of the Punta del Este Declaration, including the objective of strengthening the role of GATT and of bringing about a wider coverage of world trade under agreed, effective and enforceable multilateral disciplines, as well as the general principles governing the negotiations set out in I.B of the Punta del Este Declaration, notably paragraphs (iv)-(vii).
3. Ministers agree that the outcome of the negotiations is not prejudged and that these negotiations are without prejudice to the views of participants concerning the institutional aspects of the international implementation of the results of the negotiations in this area, which is to be decided pursuant to the final paragraph of the Punta del Este Declaration.
4. Ministers agree that negotiations on this subject shall continue in the Uruguay Round and shall encompass the following issues:
  - (a) the applicability of the basic principles of the GATT and of relevant international intellectual property agreements or conventions;
  - (b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;
  - (c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;
  - (d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments, including the applicability of GATT procedures;
  - (e) transitional arrangements aiming at the fullest participation in the results of the negotiations.
5. Ministers agree that in the negotiations consideration will be given to concerns raised by participants related to the underlying public policy objectives of their national systems for the protection of intellectual property, including developmental and technological objectives.

6. In respect of 4(d) above, Ministers emphasise the importance of reducing tensions in this area by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures.

7. The negotiations shall also comprise the development of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods.

8. The negotiations should be conducive to a mutually supportive relationship between GATT and WIPO as well as other relevant international organisations.

TRADE-RELATED INVESTMENT MEASURES

1. Ministers agree that, drawing on the work of the Group so far, and on the basis of existing and future submissions and proposals by participants, further work of the Negotiating Group shall, with the view of fulfilling the Punta del Este mandate, integrate the following elements into the negotiating process, not necessarily in the order given:

- (a) Further identification of the trade restrictive and distorting effects of investment measures that are or may be covered by existing GATT Articles, specifying those Articles.
- (b) Identification of other trade restrictive and distorting effects of investment measures that may not be covered adequately by existing GATT Articles but are relevant to the mandate of the Group given by the Punta del Este Ministerial Declaration.
- (c) Development aspects that would require consideration.
- (d) Means of avoiding the identified adverse trade effects of trade-related investment measures including, as appropriate, new provisions to be elaborated where existing GATT Articles may not cover them adequately.
- (e) Other relevant issues, such as the modalities of implementation.

2. In order to facilitate the negotiating process, participants are encouraged to make detailed written submissions, as early as possible in 1989, which provide, inter alia, a description of the trade restrictive and distorting effects of investment measures and of the operation and coverage of related GATT Articles.

DISPUTE SETTLEMENT

1. Ministers recommend approval by the CONTRACTING PARTIES of the improvements of the GATT dispute settlement rules and procedures set out below and their application on a trial basis from 1 May 1989 to the end of the Uruguay Round.
2. Ministers decide that the Negotiating Group on Dispute Settlement shall continue its work for the full achievement of the negotiating objective, taking into account proposals which have been presented and without prejudice to positions taken by participants. Such work would include, inter alia, further examination of improved and strengthened procedures concerning the implementation of recommendations or rulings of the CONTRACTING PARTIES, as well as of the definition, determination and modalities of compensation, and the issues raised in paragraphs A.2 and G.3 of the Dispute Settlement text in Section III of MTN.GNG/13.

Improvements to the GATT Dispute Settlement Rules and Procedures

A. General Provisions

1. Contracting parties recognize that the dispute settlement system of GATT serves to preserve the rights and obligations of contracting parties under the General Agreement and to clarify the existing provisions of the General Agreement. It is a central element in providing security and predictability to the multilateral trading system.
2. Contracting parties agree that all solutions to matters formally raised under the GATT dispute settlement system under Articles XXII, XXIII and arbitration awards shall be consistent with the General Agreement and shall not nullify or impair benefits accruing to any contracting party under the General Agreement, nor impede the attainment of any objective of the General Agreement.
3. Contracting parties agree that the existing rules and procedures of the GATT in the field of dispute settlement shall continue. It is further agreed that the improvements set out below, which aim to ensure prompt and effective resolution of disputes to the benefit of all contracting parties, shall be applied on a trial basis from 1 May 1989 to the end of the Uruguay Round in respect of complaints brought during that period under Article XXII or XXIII; it is also agreed to keep the application of these improvements under review during the remainder of the Round and to decide on their adoption before the end of the Round; to continue negotiations with the aim of further improving and strengthening the GATT dispute settlement system taking into account the experience gained in the application of these improvements.

4. All the points set out in this document shall be applied without prejudice to any provision on special and differential treatment for developing contracting parties in the existing instruments on dispute settlement including the CONTRACTING PARTIES' Decision of 5 April 1966.

B. Notification

Mutually agreed solutions to matters formally raised under GATT Articles XXII and XXIII, as well as arbitration awards within GATT, must be notified to the Council where any contracting party may raise any point relating thereto.

C. Consultations

1. If a request is made under Article XXII:1 or XXIII:1, the contracting party to which the request is made shall, unless otherwise mutually agreed, reply to the request within ten days after its receipt and shall enter into consultations in good faith within a period of no more than thirty days from the date of the request, with a view to reaching a mutually satisfactory solution. If the contracting party does not respond within ten days, or does not enter into consultations within a period of no more than thirty days, or a period otherwise mutually agreed, from the date of the request, then the contracting party that requested the holding of consultations may proceed directly to request the establishment of a panel or a working party.

2. If the consultations under Article XXII:1 or XXIII:1 fail to settle a dispute within sixty days after the request for consultations, the complaining party may request the establishment of a panel or a working party under Article XXIII:2. The complaining party may request a panel or a working party during the sixty day period if the parties jointly consider that consultations have failed to settle the dispute.

3. Requests for consultations under Article XXII:1 or XXIII:1 shall be notified to the GATT Council by the party which requests consultations. Any request for consultations shall be submitted in writing and shall give the reasons for the request.

4. In cases of urgency, including those which concern perishable goods en route, parties shall enter into consultations within a period of no more than ten days from the date of the request. If the consultations have failed to settle the dispute within a period of thirty days after the request, the complaining party may request the establishment of a panel or a working party.

D. Good Offices, Conciliation, Mediation

1. Good offices, conciliation and mediation are procedures that are undertaken voluntarily if the parties to the dispute so agree. They may be requested at any time by any party to a dispute. They may begin at any time and be terminated at any time. Once terminated, the complaining party can then proceed with a request for the establishment of a panel or a working party under Article XXIII:2. When good offices, conciliation or mediation are entered into within sixty days of a request for consultations, the complaining party must allow a period of sixty days from the date of the request for consultations before requesting the establishment of a panel or working party. The complaining party may request a panel or a working party during the sixty days if the parties to the dispute jointly consider that the good offices, conciliation or mediation process has failed to settle the dispute.

2. If the parties to a dispute agree, procedures for good offices, conciliation or mediation may continue while the panel or working party process proceeds.

3. The Director-General may, acting in an ex officio capacity, offer his good offices, conciliation or mediation with the view to assisting contracting parties to settle a dispute.

E. Arbitration

1. Expeditious arbitration within GATT as an alternative means of dispute settlement can facilitate the solution of certain disputes that concern issues that are clearly defined by both parties.

2. Resort to arbitration shall be subject to mutual agreement of the parties which shall agree on the procedures to be followed. Agreements to resort to arbitration shall be notified to all GATT contracting parties sufficiently in advance of the actual commencement of the arbitration process.

3. Other contracting parties may become party to an arbitration proceeding upon the agreement of the parties which have agreed to have recourse to arbitration. The parties to the proceeding shall agree to abide by the arbitration award.

F. Panel and Working Party Procedures

(a) Establishment of a Panel or a Working Party

The request for a panel or a working party shall be made in writing. It shall indicate whether consultations were held, and provide a brief summary of the factual and legal basis of the

complaint sufficient to present the problem clearly. In case the applicant requests the establishment of a panel or a working party with other than standard terms of reference, the written request shall include the proposed text of special terms of reference. If the complaining party so requests, a decision to establish a panel or working party shall be taken at the latest at the Council meeting following that at which the request first appeared as an item on the Council's regular agenda, unless at that meeting the Council decides otherwise.\*

(b) Standard Terms of Reference

1. Panels shall have the following terms of reference unless the parties to the dispute agree otherwise within twenty days from the establishment of the panel:

"To examine, in the light of the relevant GATT provisions, the matter referred to the CONTRACTING PARTIES by (name of contracting party) in document L/... and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or in giving the rulings provided for in Article XXIII:2".

2. In establishing a panel, the Council may authorize its Chairman to draw up the terms of reference of the panel in consultation with the parties subject to the provisions of the preceding paragraph. The terms of reference thus drawn up shall be circulated to all contracting parties. If other than standard terms of reference are agreed upon, any contracting party may raise any point relating thereto in the Council.

(c) Composition of Panels

1. Contracting parties shall undertake, as a general rule, to permit their representatives to serve as panel members.

2. Panels shall be composed of well-qualified governmental and/or non-governmental individuals.

3. The roster of non-governmental panelists shall be expanded and improved. To this end, contracting parties may nominate individuals to serve on panels and shall provide relevant information on their nominee's knowledge of international trade and of the GATT.

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\*References to the Council, made in this paragraph as well as in the following paragraphs, are without prejudice to the competence of the CONTRACTING PARTIES, for which the Council is empowered to act in accordance with normal GATT practice (BISD 26S/215).

4. Panels shall be composed of three members unless the parties to the dispute agree, within ten days from the establishment of the panel, to a panel composed of five members.

5. If there is no agreement on the members within twenty days from the establishment of a panel, at the request of either party, the Director-General, in consultation with the Chairman of the Council, shall form the panel by appointing the panelists whom he considers most appropriate, after consulting both parties. The Director-General shall inform the contracting parties of the composition of the panel thus formed no later than ten days from the date he receives such a request.

(d) Procedures for Multiple Complainants

1. Where more than one contracting party requests the establishment of a panel related to the same matter, a single panel may be established to examine these complaints taking into account the rights of all parties concerned. A single panel should be established to examine such complaints whenever feasible.

2. The single panel will organize its examination and present its findings to the Council so that the rights which the parties to the dispute would have enjoyed had separate panels examined the complaints are in no way impaired. If one of the parties to the dispute so requests, the panel will submit separate reports on the dispute concerned. The written submissions by each of the complainants will be made available to the other complainants, and each complainant will have the right to be present when one of the other complainants presents its view to the panel.

3. If more than one panel is established to examine the complaints related to the same matter, to the greatest extent possible the same persons shall serve as panelists on each of the separate panels and the timetable for the panel process in such disputes shall be harmonized.

(e) Third Contracting Parties

1. The interests of the parties to a dispute and those of other contracting parties shall be fully taken into account during the panel process.

2. Any third contracting party having a substantial interest in a matter before a panel, and having notified this to the Council, shall have an opportunity to be heard by the panel and to make written submissions to the panel. These submissions shall also be given to the parties to the dispute and shall be reflected in the panel report.

3. At the request of the third contracting party, the panel may grant the third contracting party access to the written submissions to



the panel by those parties to the dispute which have agreed to the disclosure of their respective submission to the third contracting party.

(f) Time Devoted to Various Phases of a Panel

1. Panel procedures should provide sufficient flexibility so as to ensure high-quality panel reports, while not unduly delaying the panel process.
2. Panels shall follow the Suggested Working Procedures found in the July 1985 note of the Office of Legal Affairs unless the members of the panel agree otherwise after consulting the parties to the dispute. After consulting the parties, the panel members shall, as soon as practicable and whenever possible within one week after the composition and terms of reference of the panel have been agreed upon, fix the timetable for the panel process at least until its first substantive meeting.
3. In determining the timetable for the panel process, the panel shall provide sufficient time for the parties to the dispute to prepare their submissions.
4. Each party to the dispute shall deposit its written submissions with the secretariat for immediate transmission to the panel and to the other party or parties to the dispute. The complaining party shall submit its first submission in advance of the responding party's first submission unless the panel decides, in fixing the timetable referred to in the second paragraph of this section and after consultations with the parties to the dispute, that the parties should submit their first submissions simultaneously. When there are sequential arrangements for the deposit of first submissions, the panel shall establish a firm time period for receipt of the responding party's submission. Any subsequent written submissions shall be submitted simultaneously.
5. In order to make the procedures more efficient, the period in which the panel shall conduct its examination, from the time the composition and terms of reference of the panel have been agreed upon to the time when the final report is provided to the parties to the dispute, shall, as a general rule, not exceed six months. In cases of urgency, including those relating to perishable goods, the panel shall aim to provide its report to the parties within three months.
6. When the panel considers that it cannot provide its report within six months, or within three months in cases of urgency, it shall inform the Council in writing of the reasons for the delay together with an estimate of the period within which it will submit its report. In no case should the period from the establishment of the panel to the submission of the report to the contracting parties exceed nine months.

7. In the context of consultations involving a measure taken by a developing contracting party, the parties may agree to extend the periods established in paragraphs 2 and 4 of Section C. If, after the relevant period has elapsed, the parties cannot agree that the consultations have concluded, the Chairman of the Council shall decide, after consultation with the parties, whether to extend the relevant period and, if so, for how long. In addition, in examining a complaint against a developing contracting party, the panel shall accord sufficient time for the developing contracting party to prepare and present its argumentation. The provisions of paragraph 4 of Section G are not affected by any action pursuant to this paragraph.

G. Adoption of Panel Reports

1. In order to provide sufficient time for the members of the Council to consider panel reports, the reports shall not be considered for adoption by the Council until thirty days after they have been issued to the contracting parties.

2. Contracting parties having objections to panel reports shall give written reasons to explain their objections for circulation at least ten days prior to the Council meeting at which the panel report will be considered.

3. The parties to a dispute shall have the right to participate fully in the consideration of the panel report by the Council, and their views shall be fully recorded. The practice of adopting panel reports by consensus shall be continued, without prejudice to the GATT provisions on decision-making which remain applicable. However, the delaying of the process of dispute settlement shall be avoided.

4. The period from the request under Article XXII:1 or Article XXIII:1 until the Council takes a decision on the panel report shall not, unless agreed to by the parties, exceed fifteen months. The provisions of this paragraph shall not affect the provisions of paragraph 6 of Section F(f).

H. Technical Assistance

1. While the secretariat assists contracting parties in respect of dispute settlement at their request, there may also be a need to provide additional legal advice and assistance in respect of dispute settlement to developing contracting parties. To this end, the secretariat shall make available a qualified legal expert within the Technical Co-operation Division to any developing contracting party which so requests. This expert shall assist the developing contracting party in a manner ensuring the continued impartiality of the secretariat.

2. The secretariat shall conduct special training courses for interested contracting parties concerning GATT dispute settlement procedures and practices so as to enable contracting parties' experts to be better informed in this regard.

I. Surveillance of Implementation of Recommendations and Rulings

1. Prompt compliance with recommendations or rulings of the CONTRACTING PARTIES under Article XXIII is essential in order to ensure effective resolution of disputes to the benefit of all contracting parties.

2. The contracting parties concerned shall inform the Council of its intentions in respect of implementation of the recommendations or rulings. If it is impracticable to comply immediately with the recommendations or rulings, the contracting party concerned shall have a reasonable period of time in which to do so.

3. The Council shall monitor the implementation of recommendations or rulings adopted under Article XXIII:2. The issue of implementation of the recommendations or rulings may be raised at the Council by any contracting party at any time following their adoption. Unless the Council decides otherwise, the issue of implementation of the recommendations or rulings shall be on the agenda of the Council meeting after six months following their adoption and shall remain on the Council's agenda until the issue is resolved. At least ten days prior to each such Council meeting, the contracting party concerned shall provide the Council with a status report in writing of its progress in the implementation of the panel recommendations or rulings.

4. In cases brought by developing contracting parties, the Council shall consider what further action it might take which would be appropriate to the circumstances, in conformity with paragraphs 21 and 23 of the 1979 Understanding on Dispute Settlement.

FUNCTIONING OF THE GATT SYSTEM

1. Ministers agree that:

- (a) The decision to launch the Uruguay Round of multilateral trade negotiations was taken against a background of large external imbalances in the major industrial economies, instability in the international monetary system, growing protectionist pressures, and acute debt servicing difficulties in a number of countries, particularly developing countries. In the process of redressing these imbalances, the significance of trade policy making, capable of contributing towards growth and development, needs greater political and institutional recognition.
- (b) A solution to problems affecting the functioning of the world economy will require continuing and concerted efforts to improve the stability of the international economic environment and the flow of resources to developing countries. Efforts have been under way for some time and are continuing in international fora to improve the stability of the international economic environment and to deal with the debt problems of developing countries. Progress is being made but more needs to be done.
- (c) Difficulties the origins of which lie outside the trade field cannot be redressed through measures taken in the trade field alone. Hence, the importance of efforts to improve other elements of global economic policy making to complement the effective implementation of the improved GATT rules and disciplines to be achieved in the Uruguay Round.

2. The following represent first steps in the three closely linked areas that constitute the particular responsibility of the Negotiating Group on Functioning of the GATT System. They are guided by three general orientations:

- (a) First, the key contribution that GATT can make, through the Uruguay Round, towards greater coherence in global economic policy making will be to ensure a further expansion and liberalization of trade as well as a strengthened multilateral trading system which are of vital importance to all contracting parties and which are essential for the promotion of growth and development.
- (b) Second, institutional relationships between the GATT and other international institutions responsible for monetary and financial matters can be developed so as to promote a dialogue, within the sphere of competence of each institution, to facilitate policies and actions which enhance the complementarities that exist between them in order to improve the coherence of global economic policy making.

- (c) Third, the institutional reinforcement of the GATT would help it to improve its rôle in contributing towards such greater coherence in global economic policy making.

3. The package of decisions set out below covering surveillance of trade policies of contracting parties, greater involvement of Ministers in GATT affairs, and cooperation with the international monetary and financial institutions will help to maintain the rôle of GATT in global economic policy making, and provide a basis for further work by the Negotiating Group in the second half of the Uruguay Round.

#### Trade Policy Review Mechanism

4. Ministers recommend that the CONTRACTING PARTIES establish a trade policy review mechanism, as follows:

##### A. Objectives

- (i) The purpose of the mechanism is to contribute to improved adherence by all contracting parties to GATT rules, disciplines and commitments, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of contracting parties. Accordingly, the review mechanism will enable the regular collective appreciation and evaluation by the CONTRACTING PARTIES of the full range of individual contracting parties' trade policies and practices and their impact on the functioning of the multilateral trading system. It is not, however, intended to serve as a basis for the enforcement of specific GATT obligations or for dispute settlement procedures, or to impose new policy commitments on contracting parties.
- (ii) The assessment to be carried out under the review mechanism will, to the extent relevant, take place against the background of the wider economic and developmental needs, policies and objectives of the contracting party concerned, as well as of its external environment. However, the function of the review mechanism is to examine the impact of a contracting party's trade policies and practices on the multilateral trading system.

##### B. Reporting

- (i) In order to achieve the fullest possible degree of transparency, each contracting party shall report regularly to the CONTRACTING PARTIES. Initial full reports shall be submitted in the year when the contracting party is first subject to review: however, in no case shall the initial report be submitted later than four years after the introduction of the mechanism. Subsequently, full reports shall be provided in years when the contracting party is due for review. Full reports will describe the trade

policies and practices pursued by the contracting party or parties concerned, based on an agreed format to be decided upon by the Council. This format may be revised by the Council in the light of experience. Between reviews, contracting parties will provide brief reports when there are any significant changes in their trade policies; an annual update of statistical information will be provided according to the agreed format. Particular account will be taken of difficulties presented to least-developed contracting parties in compiling their reports. The secretariat shall make available technical assistance on request to less-developed contracting parties, and in particular to the least-developed contracting parties. Information contained in country reports should to the greatest extent possible be coordinated with notifications made under GATT provisions.

C. Frequency of Review

- (i) The trade policies and practices of all contracting parties will be subject to periodic review. Their impact on the functioning of the multilateral trading system, defined in terms of share of world trade in a recent representative period, will be the determining factor in deciding on the frequency of reviews. The first four trading entities so identified (counting the European Communities as one) will be subject to review every two years. The next sixteen will be reviewed every four years. Other contracting parties will be reviewed every six years, except that a longer period may be fixed for least-developed countries. It is understood that the review of entities having a common external policy covering more than one contracting party shall cover all components of policy affecting trade including relevant policies and practices of the individual contracting parties. Exceptionally, in the event of changes in a contracting party's trade policies or practices which may have a significant impact on its trading partners, the contracting party concerned may be requested by the Council after consultation to bring forward its next review.
- (ii) Contracting parties recognize the need to minimize the burden for governments also subject to full consultations under the GATT balance-of-payments provisions. To this end, the Chairman of the Council shall, in consultation with the contracting party or parties concerned, and with the Chairman of the Committee on Balance-of-Payments Restrictions, devise administrative arrangements which would harmonize the normal rhythm of the trade policy reviews with the time-table for balance-of-payments consultations but would not postpone the trade policy review by more than 12 months.

D. Review Body

- (i) Trade policy reviews will be carried out by the GATT Council at periodic special meetings.
- (ii) In the light of the objectives set out in A above, discussions in the meetings of the Council will, to the extent relevant, take place against the background of the wider economic and developmental needs, policies and objectives of the contracting party concerned, as well as of its external environment. The focus of these discussions will be on the contracting party's trade policies and practices which are the subject of the assessment under the review mechanism.
- (iii) The Council will establish a basic plan for the conduct of the reviews. It may also discuss and take note of update reports from contracting parties. The Council will establish a programme of reviews for each year in consultation with the contracting parties directly concerned. In consultation with the contracting party or parties under review, the Chairman may choose discussants who, in their personal capacity, will introduce the discussions in the review body.
- (iv) The Council will base its work on the following documentation:
  - (a) The full report, referred to in paragraph B(i) above, supplied by the contracting party or parties under review.
  - (b) A report, to be drawn up by the secretariat on its own responsibility, based on the information available to it and that provided by the contracting party or parties concerned. The secretariat should seek clarification from the contracting party or parties concerned of their trade policies and practices.
- (v) The reports by the contracting party under review and by the secretariat, together with the summary record of the respective meeting of the Council, will be published promptly after the review.
- (vi) These documents will be forwarded to the next regular Session of the CONTRACTING PARTIES, which will take note of them.

E. Implementation and Reappraisal of the Mechanism

The trade policy review mechanism will be implemented on a provisional basis from the date of the adoption of this Decision by the CONTRACTING PARTIES. In the light of the experience gained from its operation, the CONTRACTING PARTIES will review, and if necessary modify, these arrangements at the end of the Uruguay Round.

F. Overview of Developments in the International Trading Environment

Enhanced surveillance requires, in addition, an overview of developments in the international trading environment which are having an impact on the multilateral trading system. Such an overview should also be undertaken by the Council. It should be assisted by an annual report by the Director-General setting out major GATT activities and highlighting significant policy issues affecting the trading system. The enhanced surveillance thus provided would also strengthen the existing "early warning" aspect of the special meetings of the Council. It is understood that this overview by the Council, together with the trade policy review mechanism, would replace the existing reviews in special Council meetings established under paragraph 24 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

Greater Ministerial Involvement in the GATT

5. Ministers recommend that the CONTRACTING PARTIES decide to meet at Ministerial level at least once every two years, in order, inter alia:

- (a) to make a fuller contribution to the direction and content of GATT work;
- (b) to reinforce the commitment of governments to the GATT system;
- (c) to give greater prominence to GATT in domestic political arenas;
- (d) to assess trends in international trade and place these trends in their wider economic and political context;
- (e) to enable the CONTRACTING PARTIES to contribute effectively to international discussion at the policy level of the international adjustment process; and by these means
- (f) to increase the contribution of the GATT to greater coherence in global economic policy making.

Increasing the Contribution of the GATT to Achieving Greater Coherence in Global Economic Policy Making

6. Ministers recommend that the CONTRACTING PARTIES:

- (a) invite the Director-General to approach the heads of the IMF and the World Bank, as a first step, to explore ways to achieve greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organizations; and



- (b) request him to report back by 1 September 1989, and, in his report, to take into account the views, issues and proposals raised in the context of the Negotiating Group.

Further Work on Improvement of the Functioning of the GATT System

7. Ministers agree that:

- (a) the Group should continue to explore other means by which to improve the overall effectiveness and decision making of the GATT;
- (b) the Group should also continue work on its third negotiating objective of increasing the contribution of GATT to achieving greater coherence in global economic policy making, including the examination of the other substantive questions which have been raised to date; and
- (c) the Group should complete by 30 June 1989 its work on the draft format for country reports under the trade policy review mechanism (see annex to the text on the Functioning of the GATT System in Section II of the report of the GNG).

PART II

NEGOTIATIONS ON TRADE IN SERVICES

1. Ministers reaffirm the objectives for negotiations on trade in services agreed at Punta del Este. Ministers agree that substantial progress has been achieved in pursuit of these objectives.
2. Ministers take note of the report of the GNS to the TNC contained in MTN.GNS/21 which they consider an important basis for further work directed towards the achievement of these negotiating objectives. This work should proceed in a parallel and interrelated fashion.
3. Ministers note the understanding reached on statistics and on existing international arrangements and disciplines as set out in paragraphs 7 and 8 of the GNS report.
4. Work on definition should proceed on the basis that the multilateral framework may include trade in services involving cross-border movement of services, cross-border movement of consumers, and cross-border movement of factors of production where such movement is essential to suppliers. However, this should be examined further in the light of, inter alia, the following:
  - (a) Cross-border movement of service and payment.
  - (b) Specificity of purpose.
  - (c) Discreteness of transactions.
  - (d) Limited duration.
5. Ministers agree that work should proceed, without excluding any sector of trade in services on an a priori basis, with a view to reaching agreement on the sectoral coverage under the multilateral framework in accordance, inter alia, with the considerations that coverage should permit a balance of interests for all participants, that sectors of export interest to developing countries should be included, that certain sectors could be excluded in whole or in part for certain overriding considerations, and that the framework should provide for the broadest possible coverage of sectors of interest to participants.
6. Ministers agree that, before the concepts, principles and rules which comprise a multilateral framework for trade in services are finally agreed, these concepts, principles and rules will have to be examined with regard to their applicability and the implications of their application to individual sectors and the types of transactions to be covered by the multilateral framework.
7. Ministers agree that negotiations on the elaboration of a multilateral framework of principles and rules for trade in services should proceed expeditiously. To this end, the following concepts, principles and rules are considered relevant:

(a) Transparency

Provisions should ensure information with respect to all laws, regulations and administrative guidelines as well as international agreements relating to services trade to which the signatories are parties through adequate provisions regarding their availability. Agreement should be reached with respect to any outstanding issues in this regard.

(b) Progressive Liberalization

The negotiations should establish rules, modalities and procedures in the multilateral framework agreement that provide for progressive liberalization of trade in services with due respect for national policy objectives including provisions that allow for the application of principles to sectors and measures. Provisions should also be established for further negotiations after the Uruguay Round. Specific procedures may be required for the liberalization of particular sectors.

The aim of these rules, modalities and procedures should be to achieve, in this round and future negotiations, a progressively higher level of liberalization taking due account of the level of development of individual signatories. To this end the adverse effects of all laws, regulations and administrative guidelines should be reduced as part of the process to provide effective market access, including national treatment.

The rules, modalities and procedures for progressive liberalization should provide appropriate flexibility for individual developing countries for opening fewer sectors or liberalizing fewer types of transactions or in progressively extending market access in line with their development situation.

(c) National Treatment

When accorded in conformity with other provisions of the multilateral framework, it is understood that national treatment means that the services exports and/or exporters of any signatory are accorded in the market of any other signatory, in respect of all laws, regulations and administrative practices, treatment "no less favourable" than that accorded domestic services or services providers in the same market.

(d) Most-Favoured-Nation/Non-Discrimination

The multilateral framework shall contain a provision on m.f.n./non-discrimination.

(e) Market Access

When market access is made available to signatories it should be on the basis that consistent with the other provisions of the multilateral framework and in accordance with the definition of trade in services, foreign services may be supplied according to the preferred mode of delivery.

(f) Increasing Participation of Developing Countries

The framework should provide for the increasing participation of developing countries in world trade and for the expansion of their service exports, including inter alia through the strengthening of their domestic services capacity and its efficiency and competitiveness.

Provisions should facilitate effective market access for services exports of developing countries through, inter alia, improved access to distribution channels and information networks. These provisions should facilitate liberalization of market access in sectors of export interest to developing countries.

Autonomous liberalization of market access in favour of services exports of developing countries should be allowed.

Particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated commitments in view of their special economic situation and their development, trade and financial needs.

(g) Safeguards and Exceptions

Further negotiations will be necessary on provisions for safeguards, e.g. for balance-of-payments reasons, and exceptions, e.g. based on security and cultural policy objectives.

(h) Regulatory Situation

It is recognized that governments regulate services sectors, e.g. by granting exclusive rights in certain sectors, by attaching conditions to the operations of enterprises within their markets for consumer protection purposes and in pursuance of macro-economic policies. Asymmetries exist with respect to the degree of development of services regulations in different countries. Consequently, the right of countries, in particular of developing countries, to introduce new regulations is recognized. This should be consistent with commitments under the framework.

8. Other elements mentioned in MTN.GNS/21, as well as new ideas and concepts participants may wish to put forward, will also be considered.

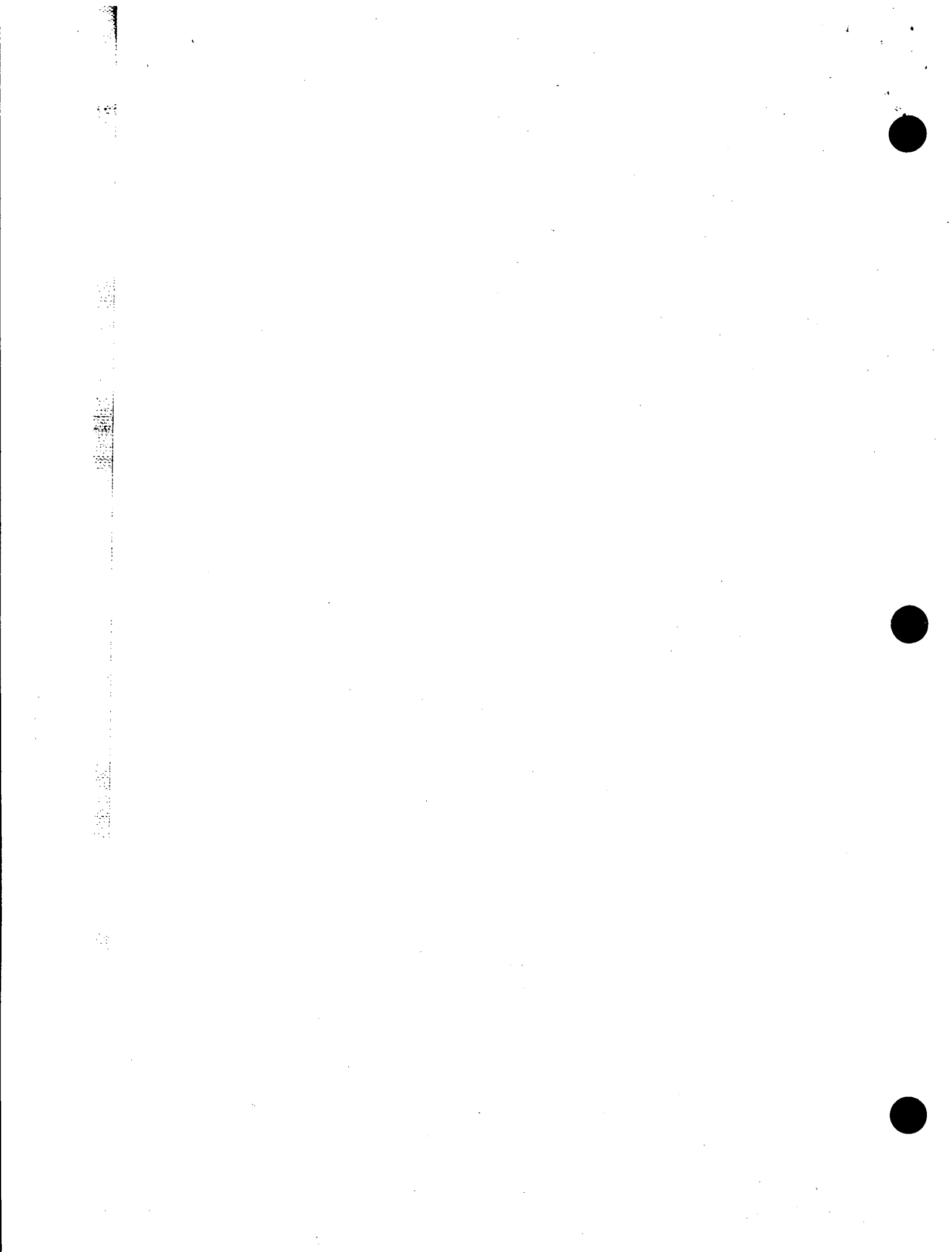
9. It is understood that the acceptability of the multilateral framework will be dependent on the initial level of negotiated commitments of signatories.

Future Work

10. Future work should provide for:

- (a) The compilation by the secretariat of a reference list of sectors by 20 April 1989. This process could be assisted by submissions by participants.
- (b) Invitation to participants to submit indicative lists of sectors of interest to them with a target date of May 1989.
- (c) The process of examining the implications and applicability of concepts, principles and rules for particular sectors and specific transactions should begin as lists become available.
- (d) Further work as necessary on the role of international disciplines and arrangements and on the question of definition and statistics.

11. The GNS should endeavour, by the end of 1989, to assemble the necessary elements for a draft which would permit negotiations to take place for the completion of all parts of the multilateral framework and its entry into force by the end of the Uruguay Round.



Trade Negotiations Committee

MEETING AT MINISTERIAL LEVEL

Parc des Expositions, Brussels, 3 - 7 December 1990

The Trade Negotiations Committee held its fourteenth meeting at Ministerial level, under the Chairmanship of Dr. Hector Gros Espiell, Minister of Foreign Affairs of Uruguay.

Opening session of the Ministerial meeting, 3 December 1990 at 10 a.m.

The Chairman called the meeting to order and, in the presence of H.M. King Baudouin, introduced Mr. Robert Urbain, Minister of Foreign Trade of Belgium, who delivered an address (MTN.TNC/MIN(90)/1).

The Chairman thanked Mr. Robert Urbain and introduced Mr. Wilfried Martens, Prime Minister of Belgium, who delivered an address (MTN.TNC/MIN(90)/2).

The Chairman thanked Mr. Wilfried Martens and introduced Mr. Jacques Delors, President of the Commission of the European Communities, who delivered an address (MTN.TNC/MIN(90)/3).

The Chairman thanked Mr. Jacques Delors and delivered his opening address (MTN.TNC/MIN(90)/4).

The Chairman then declared the opening session of the Ministerial meeting closed, and, with Mr. Urbain and Mr. Dunkel, accompanied the King as he left the building.

First session of the Trade Negotiations Committee (TNC) meeting,  
3 December 1990 at 11.00 a.m.

The agenda, as contained in the airgram convening the meeting (GATT/AIR/3146), was adopted.

Action on the report by the TNC at Officials level

The Chairman called on Mr. Arthur Dunkel (Chairman of the TNC at Officials level) to introduce the report (MTN.TNC/W/35/Rev.1).

Mr. Dunkel expressed his personal pleasure in seeing Dr. Gros Espiell in the chair, as the successor of Minister Ricardo Zerbino. His presence demonstrated once again the commitment of Uruguay to the Round. He

recalled the moment when, four years earlier, Mr. Enrique Iglesias, the then Foreign Minister of Uruguay, banged his gavel in Punta del Este to register agreement on the Ministerial Declaration which launched the Uruguay Round. At that very moment, a number of those present had asked themselves if the four-year period that governments had provided for the conclusion of the negotiations was not, in fact, too long. And with good reason. They had wondered whether the business community - the traders, manufacturers, farmers, investors, service operators, inventors, producers - and the consumers of the world could reasonably be expected to wait for four years before governments agreed on further market opening, on what the future rules of international competition should be, on whether or not there should be multilateral rules to govern trade in sectors, old or new, where none existed now. Since then, a number of far-reaching developments had occurred. These had given a new dimension to the objectives set four years earlier and raised yet another fundamental question: could a strengthened, truly multilateral and open trading system be put in place to serve as a reference point for the dramatic reforms underway in Latin America, Asia, Africa and Central and Eastern Europe, reforms to which Chairman Gros Espiell had referred earlier? The four years that had elapsed since the launching of the Round had been well spent though not, perhaps, as well as might have been hoped. It might have been possible to do better so that these days in Brussels could have been spent celebrating rather than having to face very hard decisions under the pressure of time.

The best he could say was that there was a report by the Chairman of the Trade Negotiations Committee at Officials level giving a picture of the present state of play in the negotiations. He asked the Committee to take note of the following points while considering the report:

- (1) Participants had in their grasp all the ingredients necessary for a substantial package of results. In this sense the report was an impressive document.
- (2) The report also highlighted the points on which even the best drafters and technicians could not offer solutions without political guidance and breakthroughs. In Brussels, therefore, the Ministers would clearly have to take their responsibilities if the work of four years were not to be lost.
- (3) The report covered all subjects which the Ministerial meeting of the TNC would have to consider but was accompanied by: (i) the report of the Chairman of the Surveillance Body; (ii) the communications which participants wished to place before this meeting; and (iii) the note on the TNC meeting at Officials level on Monday, 26 November 1990 (MTN.TNC/17). A list of these documents was to be found in MTN.TNC/W/46. Participants wishing to circulate further communications in writing were, of course, free to do so.



- (4) Even if the cover note to the report did not make it explicit, it was understood that no part of the report could be considered as being agreed before all parts were agreed.
- (5) Since the report was self-explanatory, he did not think it would help the search for consensus to draw attention to the fact that in three areas it had not been possible to develop texts which could serve as an agreed basis for negotiations. These were agriculture, trade-related investment measures and anti-dumping action.
- (6) Even where texts existed - in many cases, very detailed texts, as in rules of origin, textiles and clothing, subsidies and countervailing duties, trade-related intellectual property rights, safeguards and services to name but a few - key political decisions were needed to complete the work. The commentaries attached to the texts listed the main points which had blocked further work. Furthermore, a number of governments had submitted specific comments on some of these texts and they were to be found in the MTN.TNC/W/- series.

The following statements were made:

CANADA	The Honourable John C. Crosbie, Minister for International Trade	MTN.TNC/MIN(90)/ST/3
COMMISSION OF THE EUROPEAN COMMUNITIES	Mr. Frans Andriessen, Vice-President of the European Commission	MTN.TNC/MIN(90)/ST/4
ASEAN	H.E. Dr. Arifin M. Siregar, Minister of Trade of Indonesia	MTN.TNC/MIN(90)/ST/1
SWEDEN	Ms. Anita Gradin, Minister for Foreign Trade	MTN.TNC/MIN(90)/ST/5
SINGAPORE	Mr. Mah Bow Tan, Minister of State for Trade and Industry	MTN.TNC/MIN(90)/ST/8
PAKISTAN	Mr. Malik Muhammad Naeem Khan, Minister for Commerce	MTN.TNC/MIN(90)/ST/9 and Corr.1
COUNCIL OF THE EUROPEAN COMMUNITIES	Mr. Renato Ruggiero, Minister for Foreign Trade of Italy, Presidency of the Council	MTN.TNC/MIN(90)/ST/10
COLOMBIA	Dr. Ernesto Sanper Pizano, Minister of Economic Development	MTN.TNC/MIN(90)/ST/11
BELGIUM	Mr. Robert Urbain, Minister for Foreign Trade	MTN.TNC/MIN(90)/ST/2
FRANCE	Mr. Jean-Marie Rausch, Minister of Foreign Trade	MTN.TNC/MIN(90)/ST/12

URUGUAY	Mr. Alvaro Ramos, Minister for Livestock, Agriculture and Fisheries	MTN.TNC/MIN(90)/ST/15
JAPAN	Dr. Taro Nakayama, Minister for Foreign Affairs	MTN.TNC/MIN(90)/ST/14
SWITZERLAND	Mr. Jean-Pascal Delamuraz, Federal Counsellor, Head of the Department of Public Economy	MTN.TNC/MIN(90)/ST/13

Second session of the TNC meeting, 3 December 1990 at 3 p.m.

Chair: Dr. Hector Gros Espiell (Uruguay) - for the first six statements  
The Honourable Charles Mayer (Canada) - for the remaining  
statements

Action on the report by the TNC at Officials level (continued)

AUSTRALIA	Hon. Mr. Neal Blewett, Minister for Trade Negotiations	MTN.TNC/MIN(90)/ST/22
FINLAND	H.E. Mr. Pertti Salolainen, Minister of Foreign Trade	MTN.TNC/MIN(90)/ST/16
GREECE	H.E. Mr. Sotirios Hatzigakis, Alternate Minister of Trade	MTN.TNC/MIN(90)/ST/23
UNITED STATES	Ambassador Carla A. Hills, United States Trade Representative	MTN.TNC/MIN(90)/ST/24
ROMANIA	H.E. Mr. Constantin Fota, Minister for Commerce and Tourism	MTN.TNC/MIN(90)/ST/25
NEW ZEALAND	Hon. Mr. Philip Burdon, Minister for Trade Negotiations	MTN.TNC/MIN(90)/ST/17
THAILAND	H.E. Mr. Amaret Sila-on, Minister of Commerce	MTN.TNC/MIN(90)/ST/18
ISRAEL	Mr. Moshe Nissim, Deputy Prime Minister and Minister of Industry and Trade	MTN.TNC/MIN(90)/ST/26

CHILE	H.E. Mr. Carlos Ominami, Minister of the Economy	MTN.TNC/MIN(90)/ST/28
POLAND	H.E. Mr. Marcin Swiecicki, Minister for External Economic Relations	MTN.TNC/MIN(90)/ST/59
ARGENTINA	Mr. Domingo F. Cavallo, Minister for Foreign Affairs	MTN.TNC/MIN(90)/ST/30
HONG KONG	Mr. John Chan, Secretary for Trade and Industry	MTN.TNC/MIN(90)/ST/19
ICELAND	Mr. Stefan Fridfinnsson, Assistant Minister for Foreign Affairs and External Trade	MTN.TNC/MIN(90)/ST/27
HUNGARY	Dr. Béla Kadar, Minister of International Economic Relations	MTN.TNC/MIN(90)/ST/21
NORWAY	Ms. Eldrid Nordbo, Minister of Trade	MTN.TNC/MIN(90)/ST/31
PHILIPPINES	H.E. Mr. Jose S. Concepcion, Jr., Secretary of Trade and Industry	MTN.TNC/MIN(90)/ST/29
TURKEY	H.E. Mr. Günes Taner, Minister of State	MTN.TNC/MIN(90)/ST/20
UNITED NATIONS	The Secretary-General (read by Mr. Antoine Blanca, Director-General of Development and International Economic Co-operation)	MTN.TNC/MIN(90)/ST/6
FIJI <sup>1</sup>	The Honourable Berenado Vunibobo, CBE, Minister for Trade and Commerce	MTN.TNC/MIN(90)/ST/32

Third session of the TNC meeting, 4 December 1990 at 10.30 a.m.

Chair: H.E. Mr. Georges Solofoson (Madagascar) - for the first nine  
statements

Ms. Eldrid Nordbo (Norway) - for the remaining statements

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<sup>1</sup>Written statement only

Action on the report by the TNC at Officials level (continued)

AFRICAN COUNTRIES	H.E. Mr. Georges Solofoson, Minister for Trade of Madagascar, spokesman for the African countries	MTN.TNC/MIN(90)/ST/33
NIGERIA	Hon. Mr. Senas J. Ukpanah, Minister of Trade and Tourism	MTN.TNC/MIN(90)/ST/34
MALAYSIA	H.E. Dato' Seri Rafidah Aziz, Minister of International Trade and Industry	MTN.TNC/MIN(90)/ST/35
REP. OF KOREA	H.E. Dr. Pil Soo Park, Minister of Trade and Industry	MTN.TNC/MIN(90)/ST/36
SRI LANKA	Hon. A.R. Munsoor, Minister of Trade and Commerce (read by H.E. Mr. T.D.S.A. Dissanayaka, Ambassador in Brussels)	MTN.TNC/MIN(90)/ST/40
CZECH & SLOVAK F.R.	H.E. Mr. Vladimír Dlouhy, Minister of Economy	MTN.TNC/MIN(90)/ST/42
BRAZIL	H.E. Mr. Marcos Castrioto de Azambuja, Special Representative of the President of the Republic, General Secretary for Foreign Policy	MTN.TNC/MIN(90)/ST/38
GHANA	H.E. Mr. Huudu Yahaya, PNDC Secretary for Trade and Tourism	MTN.TNC/MIN(90)/ST/41
INTERNATIONAL MONETARY FUND	Mr. Michel Camdessus, Managing Director	MTN.TNC/MIN(90)/ST/39
TUNISIA	Monsieur M. Mouldi Zouaoui, Secretary of State for Industry and Trade	MTN.TNC/MIN(90)/ST/43
INDIA	Dr. Subramanian Swamy, Union Minister of Commerce, Law and Justice	MTN.TNC/MIN(90)/ST/46
NETHERLANDS	Ms. Yvonne C.M.T. van Rooy, Minister for Foreign Trade	MTN.TNC/MIN(90)/ST/45
JAMAICA	The Honourable David Coore, Q.C., Minister of Foreign Affairs and Foreign Trade	MTN.TNC/MIN(90)/ST/47

UNITED KINGDOM

Mr. Peter Lilley, Secretary of State for Trade and Industry MTN.TNC/MIN(90)/ST/44

Fourth session of the TNC meeting, 4 December 1990 at 3 p.m.Chair: The Honourable Charles Mayer (Canada) - for the first nine statements

Mr. Wolfgang Schüssel (Austria) - for the remaining statements

Action on the report by the TNC at Officials level (continued)

KENYA	H.E. Mr. Francis K. Muthaura, Ambassador in Brussels	MTN.TNC/MIN(90)/ST/48
GERMANY	Mr. Helmut Haussmann, Federal Minister for Economic Affairs	MTN.TNC/MIN(90)/ST/51
INDONESIA	H.E. Dr. Arifin M. Siregar, Minister of Trade	MTN.TNC/MIN(90)/ST/49
PERU	H.E. Dr. Guido Pennano, Minister of Industry, Trade, Tourism and Integration	MTN.TNC/MIN(90)/ST/50
ZIMBABWE	The Honourable K.M. Kangai, Minister of Industry and Commerce	MTN.TNC/MIN(90)/ST/57
AUSTRIA	Mr. Wolfgang Schüssel, Federal Minister for Economic Affairs	MTN.TNC/MIN(90)/ST/52
CHINA	H.E. Mr. Shen Jueren, Vice Minister of Foreign Economic Relations and Trade	MTN.TNC/MIN(90)/ST/53
BANGLADESH	H.E. Mr. M. Mokammel Haque, Secretary: Ministry of Commerce	MTN.TNC/MIN(90)/ST/37
JAPAN	H.E. Mr. Kabun Muto, Minister of International Trade and Industry	MTN.TNC/MIN(90)/ST/54
YUGOSLAVIA	Mr. Boran Karadzole, Deputy Federal Secretary for External Economic Relations	MTN.TNC/MIN(90)/ST/55
WORLD BANK	Mr. Wilfried Thalwitz, Senior Vice-President, Policy, Research and External Affairs	MTN.TNC/MIN(90)/ST/60

TRINIDAD & TOBAGO	Dr. Sahadeo Basdeo, Minister of External Affairs and International Trade	MTN.TNC/MIN(90)/ST/56
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT	Mr. K.K.S. Dadzie, Secretary-General	MTN.TNC/MIN(90)/ST/7

Fifth session of the TNC meeting, 5 December 1990 at 10 a.m.

Chair: Mr. Boran Karadzole (Yugoslavia)

Action on the report by the TNC at Officials level (continued)

EGYPT	H.E. Dr. Yousri Mostafa, Minister of Economy and Foreign Trade	MTN.TNC/MIN(90)/ST/61
DENMARK	Mr. Jorgen Orstrom Moller, Secretary of State for Foreign Economic Affairs	MTN.TNC/MIN(90)/ST/62
SPAIN	H.E. Mr. Apolonio Ruiz Ligerro, Secretary of State for Trade	MTN.TNC/MIN(90)/ST/58
VENEZUELA	H.E. Mr. Reinaldo Figueredo Planchart, Minister for Foreign Affairs	MTN.TNC/MIN(90)/ST/63
PORTUGAL	Mr. Fernando Faria de Oliveira, Minister of Trade and Tourism	MTN.TNC/MIN(90)/ST/65
KUWAIT	H.E. Mr. Ahmad A. Al-Ebrahim, Ambassador in Brussels	MTN.TNC/MIN(90)/ST/64
LUXEMBOURG	Mr. G. Wohlfart, Secretary of State for Foreign Affairs	MTN.TNC/MIN(90)/ST/74
MAURITIUS	H.E. Mr. Raymond Chasle, Permanent Representative to GATT	MTN.TNC/MIN(90)/ST/66
EL SALVADOR	Mrs. Ana Cristina Sol, Ambassador in Belgium	MTN.TNC/MIN(90)/ST/67

Sixth session of the TNC meeting, 5 December 1990 at 3.45 p.m.

Chair: Mr. Stuart Robinson (GATT secretariat)

Action on the report by the TNC at officials level (continued)

IRELAND	Mr. Desmond O'Malley, T.D., Minister for Industry and Commerce	MTN.TNC/MIN(90)/ST/68
NICARAGUA	Mr. Noel Sacasa, Executive Adviser to the Minister of Economy and Development	MTN.TNC/MIN(90)/ST/69
MALAWI	Hon. R.W. Chirwa, Minister of Trade, Industry and Tourism	MTN.TNC/MIN(90)/ST/70
CUBA	H.E. Mr. Alberto Betancourt Roa, Deputy Minister of Foreign Trade	MTN.TNC/MIN(90)/ST/71
BOLIVIA	Mr. Guido Cespedes Argandoña, Minister of Industry, Trade and Tourism	MTN.TNC/MIN(90)/ST/72
ZAIRE	Mr. Buketi Bukayi, Minister for International Co-operation	MTN.TNC/MIN(90)/ST/73

Seventh session of the TNC meeting, 6 December 1990 at 11.30 a.m.

Chair: Mr. Stuart Robinson (GATT secretariat)

Action on the report by the TNC at officials level (continued)

SENEGAL	H.E. Mr. Alioune Sene, Ambassador, Permanent Representative to the United Nations Office at Geneva	MTN.TNC/MIN(90)/ST/75
HONDURAS	Mr. Mario Agüero Lacayo, Deputy Minister for Economic Affairs and Trade	MTN.TNC/MIN(90)/ST/76

Eighth session of the TNC meeting, 7 December 1990 at 2 p.m.

Chair: Dr. Hector Gros Espiell (Uruguay)

Action on the report by the TNC at Officials level (continued)

The Chairman made the following statement:

"1. Our Brussels meeting has made a substantial contribution to advancing the negotiating process. I have nevertheless reached the conclusion that participants need more time to reconsider and reconcile their positions in some key areas of the negotiations. We are, therefore, not in a position

to conclude the Uruguay Round during this Brussels Ministerial Meeting. More time is also needed to ensure that the positions of all participants in the negotiations are fully taken into account, in accordance with the multilateral character of the negotiations. We shall deploy our best efforts in undertaking this task.

"In doing so, we are mindful of the need to conduct an effective evaluation of the extent to which the objectives relating to differential and more favourable treatment for developing countries are being attained.

"2. I therefore propose that Mr. Dunkel, in his capacity as Chairman of the TNC at Official level be requested to pursue intensive consultations in the period from now until the beginning of next year with the specific objective of achieving agreements in all the areas of the negotiating programme in which differences remain outstanding.

"For my part, I remain at the disposal of participants in the consultations and shall be in constant, daily contact with Mr. Dunkel.

"3. During the period in which Mr. Dunkel is conducting consultations, the TNC may be convened at any time at short notice. We request Mr. Dunkel to reconvene the TNC at the appropriate level to conclude the negotiations at the date he considers appropriate in the light of his consultations.

"4. Mr. Dunkel and I will remain in close contact throughout this process.

"5. The consultations Mr. Dunkel is to conduct will be based on the draft Final Act embodying the results of the Uruguay Round Multilateral Trade Negotiations which was submitted to the Ministerial Meeting of the TNC in Brussels (document MTN.TNC/W/35/Rev.1, dated 3 December 1990), including the cover page which refers to the Surveillance Body and the communications which various participants have sent to Brussels. Naturally, Mr. Dunkel will also take duly into account the considerable amount of work carried out during our Brussels meeting, although it does not commit any delegation. In this connection I should like to thank the Ministers who have helped me so efficiently during the past days in Brussels, namely Mr. Hassan Abouyoub, Dato' Seri Rafidah Aziz, Mr. John Crosbie, Mrs. Anita Gradin, Mr. Mats Hellstrom, Mrs. Yvonne van Rooy and Mr. Jaime Serra Puche.

"6. We wish Mr. Dunkel luck and reaffirm our determination to ensure that, with the extension of the Uruguay Round for a brief period following the Brussels conference, results will be achieved that will be significant for all participants."

The Committee took note of this statement and of the statements made in the previous sessions.



5 April 1994  
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(UR-94-0100)

COMMUNICATION FROM THE CHAIRMAN

Revision

The following draft text of a Marrakesh Declaration will be proposed for formal adoption by the Trade Negotiations Committee at its meeting on 30 March as the Declaration that would be forwarded to the Ministers for adoption at Marrakesh.

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**Marrakesh Declaration of 15 April 1994**

Ministers, representing the [124] Governments and the European Communities participating in the Uruguay Round of Multilateral Trade Negotiations, on the occasion of the final session of the Trade Negotiations Committee at Ministerial level held at Marrakesh, Morocco from 12 to 15 April 1994,

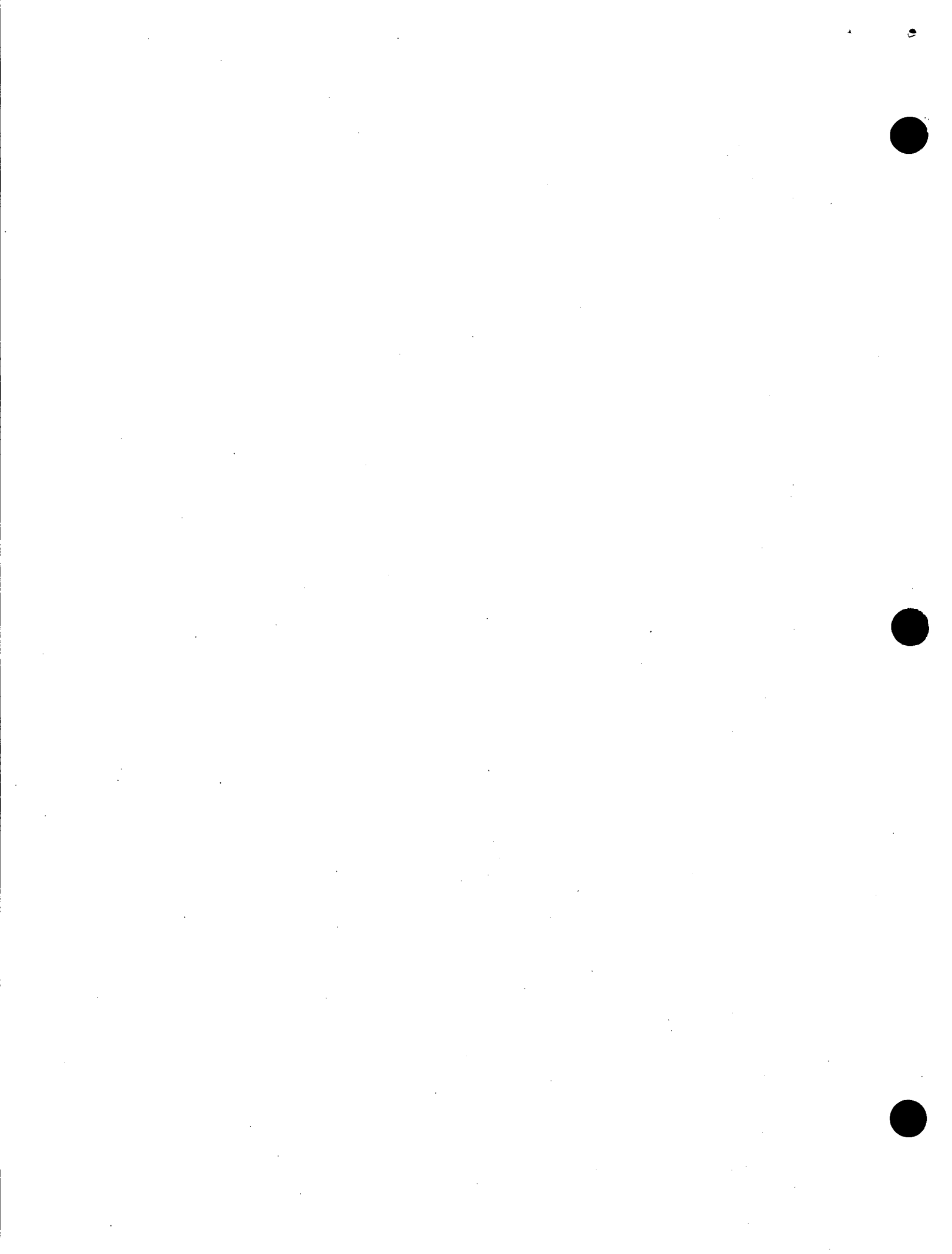
*Recalling* the Ministerial Declaration adopted at Punta del Este, Uruguay on 20 September 1986 to launch the Uruguay Round of Multilateral Trade Negotiations,

*Recalling* the progress achieved at the Ministerial meetings held at Montreal, Canada and Brussels, Belgium in December of 1988 and 1990 respectively,

*Noting* that the negotiations were substantially concluded on 15 December 1993,

*Determined* to build upon the success of the Uruguay Round through the participation of their economies in the world trading system, based upon open, market-oriented policies and the commitments set out in the Uruguay Round Agreements and Decisions,

\*This revision, in English only, is being issued to take account of a line of text which was missing from the top of page 3, paragraph 7.



Have today adopted the following

#### DECLARATION:

- I. Ministers salute the historic achievement represented by the conclusion of the Round, which they believe will strengthen the world economy and lead to more trade, investment, employment and income growth throughout the world. In particular, they welcome:
  - the stronger and clearer legal framework they have adopted for the conduct of international trade, including a more effective and reliable dispute settlement mechanism,
  - the global reduction by 40 per cent of tariffs and wider market-opening agreements on goods, and the increased predictability and security represented by a major expansion in the scope of tariff commitments, and
  - the establishment of a multilateral framework of disciplines for trade in services and for the protection of trade-related intellectual property rights, as well as the reinforced multilateral trade provisions in agriculture and in textiles and clothing.
- II. Ministers affirm that the establishment of the World Trade Organization (WTO) ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples. Ministers express their determination to resist protectionist pressures of all kinds. They believe that the trade liberalization and strengthened rules achieved in the Uruguay Round will lead to a progressively more open world trading environment. Ministers undertake, with immediate effect and until the entry into force of the WTO, not to take any trade measures that would undermine or adversely affect the results of the Uruguay Round negotiations or their implementation.
- III. Ministers confirm their resolution to strive for greater global coherence of policies in the fields of trade, money and finance, including cooperation between the WTO, the IMF and the World Bank for that purpose.
- IV. Ministers welcome the fact that participation in the Uruguay Round was considerably wider than in any previous multilateral trade negotiation and, in particular, that developing countries played a notably active rôle in it. This has marked a historic step towards a more balanced and integrated global trade partnership. Ministers note that during the period these negotiations were underway significant measures of economic reform and autonomous trade liberalization were implemented in many developing countries and formerly centrally planned economies.
- V. Ministers recall that the results of the negotiations embody provisions conferring differential and more favourable treatment for developing economies, including special attention to the particular situation of least-developed countries. Ministers recognize the importance of the implementation of these provisions for the least-developed countries and declare their intention to continue to assist and facilitate the expansion of their trade and investment opportunities. They agree to keep under regular review by the Ministerial Conference and the appropriate organs of the WTO the impact of the results of the Round on the least-developed countries as

well as on the net-food importing developing countries, with a view to fostering positive measures to enable them to achieve their development objectives. Ministers recognize the need for strengthening the capability of the GATT and the WTO to provide increased technical assistance in their areas of competence, and in particular to substantially expand its provision to the least-developed countries.

- VI. Ministers declare that their signature of the "Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations" and their adoption of associated Ministerial Decisions initiates the transition from the GATT to the WTO. They have in particular established a Preparatory Committee to lay the ground for the entry into force of the WTO Agreement and commit themselves to seek to complete all steps necessary to ratify the WTO Agreement so that it can enter into force by 1 January 1995 or as early as possible thereafter. Ministers have furthermore adopted a Decision on Trade and Environment.
- VII. Ministers express their sincere gratitude to His Majesty King Hassan II for his personal contribution to the success of this Ministerial Meeting, and to his Government and the people of Morocco for their warm hospitality and the excellent organization they have provided. The fact that this final Ministerial Meeting of the Uruguay Round has been held at Marrakesh is an additional manifestation of Morocco's commitment to an open world trading system and to its fullest integration to the global economy.
- VIII. With the adoption and signature of the Final Act and the opening for acceptance of the WTO Agreement, Ministers declare the work of the Trade Negotiations Committee to be complete and the Uruguay Round formally concluded.

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# SINGAPORE MINISTERIAL DECLARATION

Singapore, 9-13 December 1996

## Purpose

1. We, the Ministers, have met in Singapore from 9 to 13 December 1996 for the first regular biennial meeting of the WTO at Ministerial level, as called for in Article IV of the Agreement Establishing the World Trade Organization, to further strengthen the WTO as a forum for negotiation, the continuing liberalization of trade within a rule-based system, and the multilateral review and assessment of trade policies, and in particular to:
  - assess the implementation of our commitments under the WTO Agreements and decisions;
  - review the ongoing negotiations and Work Programme;
  - examine developments in world trade; and
  - address the challenges of an evolving world economy.

## Trade and Economic Growth

2. For nearly 50 years Members have sought to fulfil, first in the GATT and now in the WTO, the objectives reflected in the preamble to the WTO Agreement of conducting our trade relations with a view to raising standards of living worldwide. The rise in global trade facilitated by trade liberalization within the rules-based system has created more and better-paid jobs in many countries. The achievements of the WTO during its first two years bear witness to our desire to work together to make the most of the possibilities that the multilateral system provides to promote sustainable growth and development while contributing to a more stable and secure climate in international relations.

## Integration of Economies, Opportunities and Challenges

3. We believe that the scope and pace of change in the international economy, including the growth in trade in services and direct investment, and the increasing integration of economies offer unprecedented opportunities for improved growth, job creation, and development. These developments require adjustment by economies and societies. They also pose challenges to the trading system. We commit ourselves to address these challenges.

## Core Labour Standards

4. We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards. We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.

## **Marginalization**

5. We commit ourselves to address the problem of marginalization for least-developed countries, and the risk of it for certain developing countries. We will also continue to work for greater coherence in international economic policy-making and for improved coordination between the WTO and other agencies in providing technical assistance.

## **Role of WTO**

6. In pursuit of the goal of sustainable growth and development for the common good, we envisage a world where trade flows freely. To this end we renew our commitment to:
  - a fair, equitable and more open rule-based system;
  - progressive liberalization and elimination of tariff and non-tariff barriers to trade in goods;
  - progressive liberalization of trade in services;
  - rejection of all forms of protectionism;
  - elimination of discriminatory treatment in international trade relations;
  - integration of developing and least-developed countries and economies in transition into the multilateral system; and
  - the maximum possible level of transparency.

## **Regional Agreements**

7. We note that trade relations of WTO Members are being increasingly influenced by regional trade agreements, which have expanded vastly in number, scope and coverage. Such initiatives can promote further liberalization and may assist least-developed, developing and transition economies in integrating into the international trading system. In this context, we note the importance of existing regional arrangements involving developing and least-developed countries. The expansion and extent of regional trade agreements make it important to analyse whether the system of WTO rights and obligations as it relates to regional trade agreements needs to be further clarified. We reaffirm the primacy of the multilateral trading system, which includes a framework for the development of regional trade agreements, and we renew our commitment to ensure that regional trade agreements are complementary to it and consistent with its rules. In this regard, we welcome the establishment and endorse the work of the new Committee on Regional Trade Agreements. We shall continue to work through progressive liberalization in the WTO as we are committed in the WTO Agreement and Decisions adopted at Marrakesh, and in so doing facilitate mutually supportive processes of global and regional trade liberalization.

## **Accessions**

8. It is important that the 28 applicants now negotiating accession contribute to completing the accession process by accepting the WTO rules and by offering meaningful market access commitments. We will work to bring these applicants expeditiously into the WTO system.

## **Dispute Settlement**

9. The Dispute Settlement Understanding (DSU) offers a means for the settlement of disputes among Members that is unique in international agreements. We consider its impartial and transparent operation to be of fundamental importance in assuring the resolution of trade disputes, and in fostering the implementation and application of the WTO agreements. The Understanding, with its

predictable procedures, including the possibility of appeal of panel decisions to an Appellate Body and provisions on implementation of recommendations, has improved Members' means of resolving their differences. We believe that the DSU has worked effectively during its first two years. We also note the role that several WTO bodies have played in helping to avoid disputes. We renew our determination to abide by the rules and procedures of the DSU and other WTO agreements in the conduct of our trade relations and the settlement of disputes. We are confident that longer experience with the DSU, including the implementation of panel and appellate recommendations, will further enhance the effectiveness and credibility of the dispute settlement system.

### **Implementation**

10. We attach high priority to full and effective implementation of the WTO Agreement in a manner consistent with the goal of trade liberalization. Implementation thus far has been generally satisfactory, although some Members have expressed dissatisfaction with certain aspects. It is clear that further effort in this area is required, as indicated by the relevant WTO bodies in their reports. Implementation of the specific commitments scheduled by Members with respect to market access in industrial goods and trade in services appears to be proceeding smoothly. With respect to industrial market access, monitoring of implementation would be enhanced by the timely availability of trade and tariff data. Progress has been made also in advancing the WTO reform programme in agriculture, including in implementation of agreed market access concessions and domestic subsidy and export subsidy commitments.

### **Notifications and Legislation**

11. Compliance with notification requirements has not been fully satisfactory. Because the WTO system relies on mutual monitoring as a means to assess implementation, those Members which have not submitted notifications in a timely manner, or whose notifications are not complete, should renew their efforts. At the same time, the relevant bodies should take appropriate steps to promote full compliance while considering practical proposals for simplifying the notification process.
12. Where legislation is needed to implement WTO rules, Members are mindful of their obligations to complete their domestic legislative process without further delay. Those Members entitled to transition periods are urged to take steps as they deem necessary to ensure timely implementation of obligations as they come into effect. Each Member should carefully review all its existing or proposed legislation, programmes and measures to ensure their full compatibility with the WTO obligations, and should carefully consider points made during review in the relevant WTO bodies regarding the WTO consistency of legislation, programmes and measures, and make appropriate changes where necessary.

### **Developing Countries**

13. The integration of developing countries in the multilateral trading system is important for their economic development and for global trade expansion. In this connection, we recall that the WTO Agreement embodies provisions conferring differential and more favourable treatment for developing countries, including special attention to the particular situation of least-developed countries. We acknowledge the fact that developing country Members have undertaken significant new commitments, both substantive and procedural, and we recognize the range and complexity of the efforts that they are making to comply with them. In order to assist them in these efforts, including those with respect to notification and legislative requirements, we will improve the availability of technical assistance under the agreed guidelines. We have also agreed to recommendations relative to the decision we took at Marrakesh concerning the possible negative effects of the agricultural reform programme on least-developed and net food-importing developing countries.

### **Least-Developed Countries**

14. We remain concerned by the problems of the least-developed countries and have agreed to:

- a Plan of Action, including provision for taking positive measures, for example duty-free access, on an autonomous basis, aimed at improving their overall capacity to respond to the opportunities offered by the trading system;
- seek to give operational content to the Plan of Action, for example, by enhancing conditions for investment and providing predictable and favourable market access conditions for LLDCs' products, to foster the expansion and diversification of their exports to the markets of all developed countries; and in the case of relevant developing countries in the context of the Global System of Trade Preferences; and
- organize a meeting with UNCTAD and the International Trade Centre as soon as possible in 1997, with the participation of aid agencies, multilateral financial institutions and least-developed countries to foster an integrated approach to assisting these countries in enhancing their trading opportunities.

### **Textiles and Clothing**

15. We confirm our commitment to full and faithful implementation of the provisions of the Agreement on Textiles and Clothing (ATC). We stress the importance of the integration of textile products, as provided for in the ATC, into GATT 1994 under its strengthened rules and disciplines because of its systemic significance for the rule-based, non-discriminatory trading system and its contribution to the increase in export earnings of developing countries. We attach importance to the implementation of this Agreement so as to ensure an effective transition to GATT 1994 by way of integration which is progressive in character. The use of safeguard measures in accordance with ATC provisions should be as sparing as possible. We note concerns regarding the use of other trade distortive measures and circumvention. We reiterate the importance of fully implementing the provisions of the ATC relating to small suppliers, new entrants and least-developed country Members, as well as those relating to cotton-producing exporting Members. We recognize the importance of wool products for some developing country Members. We reaffirm that as part of the integration process and with reference to the specific commitments undertaken by the Members as a result of the Uruguay Round, all Members shall take such action as may be necessary to abide by GATT 1994 rules and disciplines so as to achieve improved market access for textiles and clothing products. We agree that, keeping in view its quasi-judicial nature, the Textiles Monitoring Body (TMB) should achieve transparency in providing rationale for its findings and recommendations. We expect that the TMB shall make findings and recommendations whenever called upon to do so under the Agreement. We emphasize the responsibility of the Goods Council in overseeing, in accordance with Article IV:5 of the WTO Agreement and Article 8 of the ATC, the functioning of the ATC, whose implementation is being supervised by the TMB.

### **Trade and Environment**

16. The Committee on Trade and Environment has made an important contribution towards fulfilling its Work Programme. The Committee has been examining and will continue to examine, inter alia, the scope of the complementarities between trade liberalization, economic development and environmental protection. Full implementation of the WTO Agreements will make an important contribution to achieving the objectives of sustainable development. The work of the Committee has underlined the importance of policy coordination at the national level in the area of trade and environment. In this connection, the work of the Committee has been enriched by the participation of environmental as well as trade experts from Member governments and the further participation of such experts in the Committee's deliberations would be welcomed. The breadth and complexity of the issues covered by the Committee's Work Programme shows that further work needs to be undertaken on all items of its agenda, as contained in its report. We intend to build on the work accomplished thus far, and therefore direct the Committee to carry out its work, reporting to the



General Council, under its existing terms of reference.

## **Services Negotiations**

17. The fulfilment of the objectives agreed at Marrakesh for negotiations on the improvement of market access in services - in financial services, movement of natural persons, maritime transport services and basic telecommunications - has proved to be difficult. The results have been below expectations. In three areas, it has been necessary to prolong negotiations beyond the original deadlines. We are determined to obtain a progressively higher level of liberalization in services on a mutually advantageous basis with appropriate flexibility for individual developing country Members, as envisaged in the Agreement, in the continuing negotiations and those scheduled to begin no later than 1 January 2000. In this context, we look forward to full MFN agreements based on improved market access commitments and national treatment. Accordingly, we will:

- achieve a successful conclusion to the negotiations on basic telecommunications in February 1997; and
- resume financial services negotiations in April 1997 with the aim of achieving significantly improved market access commitments with a broader level of participation in the agreed time frame.

With the same broad objectives in mind, we also look forward to a successful conclusion of the negotiations on Maritime Transport Services in the next round of negotiations on services liberalization.

In professional services, we shall aim at completing the work on the accountancy sector by the end of 1997, and will continue to develop multilateral disciplines and guidelines. In this connection, we encourage the successful completion of international standards in the accountancy sector by IFAC, IASC, and IOSCO. With respect to GATS rules, we shall undertake the necessary work with a view to completing the negotiations on safeguards by the end of 1997. We also note that more analytical work will be needed on emergency safeguards measures, government procurement in services and subsidies.

## **ITA and Pharmaceuticals**

18. Taking note that a number of Members have agreed on a Declaration on Trade in Information Technology Products, we welcome the initiative taken by a number of WTO Members and other States or separate customs territories which have applied to accede to the WTO, who have agreed to tariff elimination for trade in information technology products on an MFN basis as well as the addition by a number of Members of over 400 products to their lists of tariff-free products in pharmaceuticals.

## **Work Programme and Built-in Agenda**

19. Bearing in mind that an important aspect of WTO activities is a continuous overseeing of the implementation of various agreements, a periodic examination and updating of the WTO Work Programme is a key to enable the WTO to fulfil its objectives. In this context, we endorse the reports of the various WTO bodies. A major share of the Work Programme stems from the WTO Agreement and decisions adopted at Marrakesh. As part of these Agreements and decisions we agreed to a number of provisions calling for future negotiations on Agriculture, Services and aspects of TRIPS, or reviews and other work on Anti-Dumping, Customs Valuation, Dispute Settlement Understanding, Import Licensing, Preshipment Inspection, Rules of Origin, Sanitary and Phyto-Sanitary Measures, Safeguards, Subsidies and Countervailing Measures, Technical Barriers to Trade, Textiles and Clothing, Trade Policy Review Mechanism, Trade-Related Aspects of Intellectual Property Rights and Trade-Related Investment Measures. We agree to a process of analysis and exchange of information, where provided for in the conclusions and recommendations of the relevant WTO bodies, on the Built-in Agenda issues, to allow Members

to better understand the issues involved and identify their interests before undertaking the agreed negotiations and reviews. We agree that:

- the time frames established in the Agreements will be respected in each case;
- the work undertaken shall not prejudice the scope of future negotiations where such negotiations are called for; and
- the work undertaken shall not prejudice the nature of the activity agreed upon (i.e. negotiation or review).

### **Investment and Competition**

20. Having regard to the existing WTO provisions on matters related to investment and competition policy and the built-in agenda in these areas, including under the TRIMs Agreement, and on the understanding that the work undertaken shall not prejudice whether negotiations will be initiated in the future, we also agree to:

- establish a working group to examine the relationship between trade and investment; and
- establish a working group to study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices, in order to identify any areas that may merit further consideration in the WTO framework. These groups shall draw upon each other's work if necessary and also draw upon and be without prejudice to the work in UNCTAD and other appropriate intergovernmental fora. As regards UNCTAD, we welcome the work under way as provided for in the Midrand Declaration and the contribution it can make to the understanding of issues. In the conduct of the work of the working groups, we encourage cooperation with the above organizations to make the best use of available resources and to ensure that the development dimension is taken fully into account. The General Council will keep the work of each body under review, and will determine after two years how the work of each body should proceed. It is clearly understood that future negotiations, if any, regarding multilateral disciplines in these areas, will take place only after an explicit consensus decision is taken among WTO Members regarding such negotiations.

### **Transparency in Government Procurement**

21. We further agree to:

- establish a working group to conduct a study on transparency in government procurement practices, taking into account national policies, and, based on this study, to develop elements for inclusion in an appropriate agreement; and
- direct the Council for Trade in Goods to undertake exploratory and analytical work, drawing on the work of other relevant international organizations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area.

### **Trade Facilitation**


22. In the organization of the work referred to in paragraphs 20 and 21, careful attention will be given to minimizing the burdens on delegations, especially those with more limited resources, and to coordinating meetings with those of relevant UNCTAD bodies. The technical cooperation programme of the Secretariat will be available to developing and, in particular, least-developed country Members to facilitate their participation in this work.

### **50th anniversary**

23. Noting that the 50th anniversary of the multilateral trading system will occur early in 1998, we instruct the General Council to consider how this historic event can best be commemorated.

Finally, we express our warmest thanks to the Chairman of the Ministerial Conference, Mr. Yeo Cheow Tong, for his personal contribution to the success of this Ministerial Conference. We also want to express our sincere gratitude to Prime Minister Goh Chok Tong, his colleagues in the Government of Singapore and the people of Singapore for their warm hospitality and the excellent organization they have provided. The fact that this first Ministerial Conference of the WTO has been held at Singapore is an additional manifestation of Singapore's commitment to an open world trading system. 13.12.96 12:05 Final

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# World Trade Organization

(98-0000)

**WT/MIN(98)/DEC/1**

May 1998

**MINISTERIAL CONFERENCE**

**Second Session**

**Geneva, 18 and 20 May 1998**



## MINISTERIAL DECLARATION

Adopted on 20 May 1998

1. This Second Session of the Ministerial Conference of the WTO is taking place at a particularly significant time for the multilateral trading system, when the fiftieth anniversary of its establishment is being commemorated. On this occasion we pay tribute to the system's important contribution over the past half-century to growth, employment and stability by promoting the liberalization and expansion of trade and providing a framework for the conduct of international trade relations, in accordance with the objectives embodied in the Preambles to the General Agreement on Tariffs and Trade and the World Trade Organization Agreement. We agree, however, that more remains to be done to enable all the world's peoples to share fully and equitably in these achievements.

2. We underline the crucial importance of the multilateral rule-based trading system. We reaffirm the commitments and assessments we made at Singapore, and we note that the work under existing agreements and decisions has resulted in significant new steps forward since we last met. In particular, we welcome the successful conclusion of the negotiations on basic telecommunications and financial services and we take note of the

implementation of the Information Technology Agreement. We renew our commitment to achieve progressive liberalization of trade in goods and services.

3. The fiftieth anniversary comes at a time when the economies of a number of WTO Members are experiencing difficulties as a result of disturbances in financial markets. We take this opportunity to underline that keeping all markets open must be a key element in a durable solution to these difficulties. With this in mind, we reject the use of any protectionist measures and agree to work together in the WTO as in the IMF and the World Bank to improve the coherence of international economic policy-making with a view to maximizing the contribution that an open, rule-based trading system can make to fostering stable growth for economies at all levels of development.

4. We recognize the importance of enhancing public understanding of the benefits of the multilateral trading system in order to build support for it and agree to work towards this end. In this context we will consider how to improve the transparency of WTO operations. We shall also continue to improve our efforts towards the objectives of sustained economic growth and sustainable development.

5. We renew our commitment to ensuring that the benefits of the multilateral trading system are extended as widely as possible. We recognize the need for the system to make its own contribution in response to the particular trade interests and development needs of developing-country Members. We welcome the work already underway in the Committee on Trade and Development for reviewing the application of special provisions in the Multilateral Trade Agreements and related Ministerial Decisions in favour of developing country Members, and in particular the least-developed among them. We agree on the need for effective implementation of these special provisions.

6. We remain deeply concerned over the marginalization of least-developed countries and certain small economies, and recognize the urgent need to address this issue which has been compounded by the chronic foreign debt problem facing many of them. In this context we welcome the initiatives taken by the WTO in cooperation with other agencies to implement in an integrated manner the Plan of Action for the least-developed countries which we agreed at Singapore, especially through the High-Level Meeting on Least-Developed Countries held in Geneva in October 1997. We also welcome the report of the Director-General on the follow-up of this initiative, to which we attach great importance. We commit ourselves to continue to improve market access conditions for products exported by the least-developed countries on as broad and liberal a basis as possible. We urge Members to implement the market-access commitments that they have undertaken at the High-Level Meeting.

7. We welcome the WTO Members who have joined since we met in Singapore: Congo, Democratic Republic of Congo, Mongolia, Niger and Panama. We welcome the progress made with 31 applicants currently negotiating their accession and renew our resolution to ensure that the accession processes proceed as rapidly as possible. We recall that accession to the WTO requires full respect of WTO rules and disciplines as well as meaningful market access commitments on the part of acceding candidates.

8. Full and faithful implementation of the WTO Agreement and Ministerial Decisions is imperative for the credibility of the multilateral trading system

and indispensable for maintaining the momentum for expanding global trade, fostering job creation and raising standards of living in all parts of the world. When we meet at the Third Session we shall further pursue our evaluation of the implementation of individual agreements and the realization of their objectives. Such evaluation would cover, *inter alia*, the problems encountered in implementation and the consequent impact on the trade and development prospects of Members. We reaffirm our commitment to respect the existing schedules for reviews, negotiations and other work to which we have already agreed.

9. We recall that the Marrakesh Agreement Establishing the World Trade Organization states that the WTO shall provide the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the agreements in the Annexes to the Agreement, and that it may also provide a forum for further negotiations among its Members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference. In the light of paragraphs 1-8 above, we decide that a process will be established under the direction of the General Council to ensure full and faithful implementation of existing agreements, and to prepare for the Third Session of the Ministerial Conference. This process shall enable the General Council to submit recommendations regarding the WTO's work programme, including further liberalization sufficiently broad-based to respond to the range of interests and concerns of all Members, within the WTO framework, that will enable us to take decisions at the Third Session of the Ministerial Conference. In this regard, the General Council will meet in special session in September 1998 and periodically thereafter to ensure full and timely completion of its work, fully respecting the principle of decision-making by consensus. The General Council's work programme shall encompass the following:

(a) recommendations concerning:

(i) the issues, including those brought forward by Members, relating to implementation of existing agreements and decisions;

(ii) the negotiations already mandated at Marrakesh, to ensure that such negotiations begin on schedule;

(iii) future work already provided for under other existing agreements and decisions taken at Marrakesh;

(b) recommendations concerning other possible future work on the basis of the work programme initiated at Singapore;

(c) recommendations on the follow-up to the High-Level Meeting on Least-Developed Countries;

(d) recommendations arising from consideration of other matters proposed and agreed to by Members concerning their multilateral trade relations.

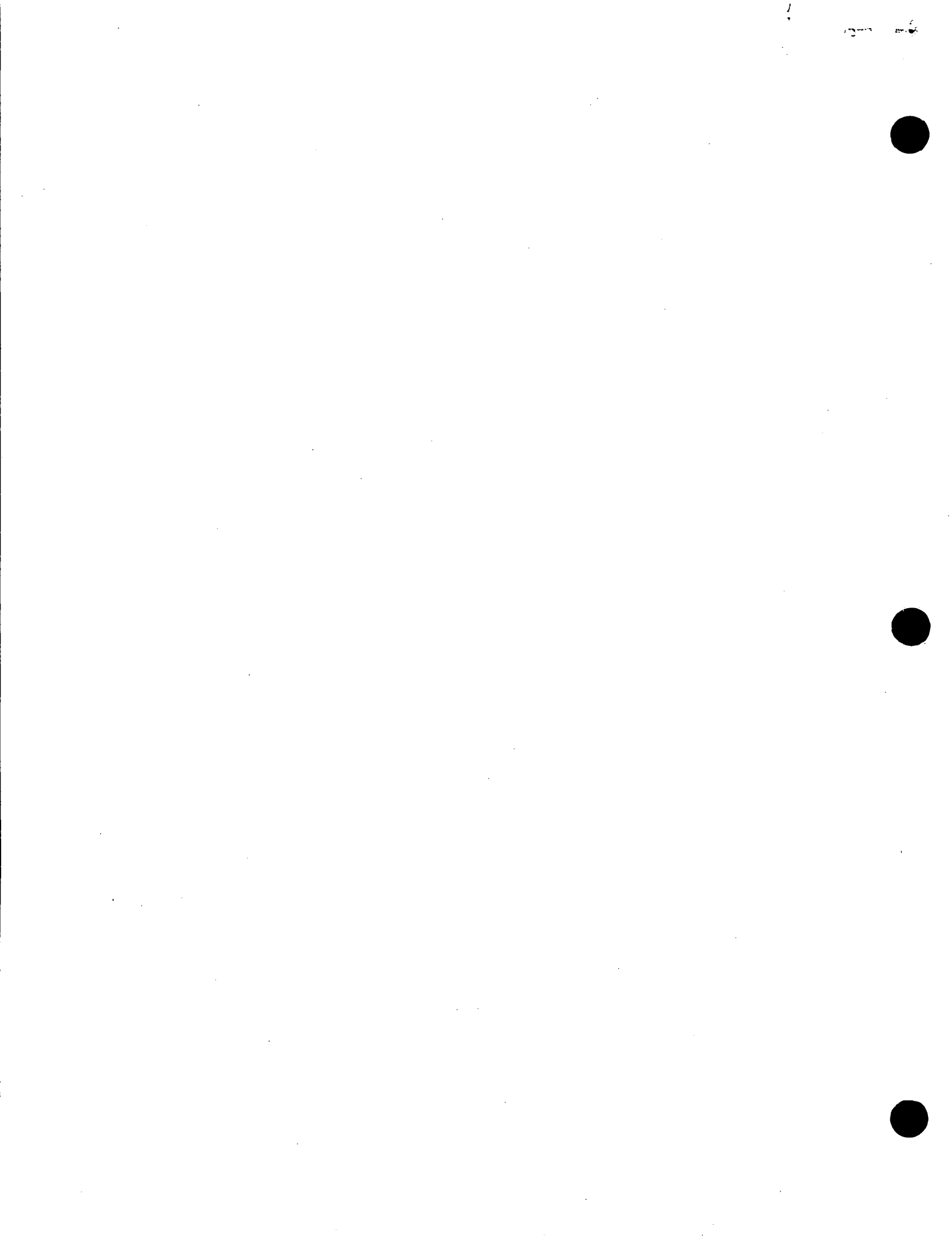
10. The General Council will also submit to the Third Session of the Ministerial Conference, on the basis of consensus, recommendations for decision concerning the further organization and management of the work programme arising from the above, including the scope, structure and time-frames, that will ensure that the work programme is begun and concluded expeditiously.

11. The above work programme shall be aimed at achieving overall balance of interests of all Members.

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## **QUADRILATERAL TRADE MINISTERS (QUAD) - STATEMENTS**

<b>May 3-5, 1995</b>	<b>26<sup>th</sup> Quadrilateral Trade Ministers Meeting, Whistler, BC, Canada</b>
<b>October 20-21, 1995</b>	<b>27<sup>th</sup> Quadrilateral Trade Ministers Meeting, Yorkshire, United Kingdom</b>
<b>April 19-21, 1996</b>	<b>28<sup>th</sup> Quadrilateral Trade Ministers Meeting, Kobe, Japan</b>
<b>September 27-28, 1996</b>	<b>29<sup>th</sup> Quadrilateral Trade Ministers Meeting, Singapore</b>
<b>April 30-May 2, 1997</b>	<b>30<sup>th</sup> Quadrilateral Trade Ministers Meeting, Toronto, Canada</b>
	<b>31<sup>st</sup> (Reference 32<sup>nd</sup> Quadrilateral)</b>
<b>April 29-30, 1998</b>	<b>32<sup>nd</sup> Quadrilateral Trade Ministers Meeting, Paris, France</b>
<b>May 11-12, 1999</b>	<b>33<sup>rd</sup> Quadrilateral Trade Ministers Meeting, Tokyo, Japan</b>



## The 33<sup>rd</sup> Quadrilateral Trade Ministers Meeting, Tokyo

May 11-12, 1999

### CHAIR'S STATEMENT

Ministers from Canada, the European Union, Japan and the United States met in Tokyo for the 33<sup>rd</sup> Quadrilateral Trade Ministers Meeting to review recent developments in international trade and investment and to discuss preparations for the Third Ministerial Conference of the World Trade Organization in Seattle at the end of this year.

We recognized that the multilateral and rule-based trading system embodied in the WTO has played an important role in promoting international trade and investment and enhancing economic growth, employment and social progress. Recognizing the importance of the WTO as the primary forum for reducing trade barriers and administering multilateral trade rules, we reaffirmed our strong support for the WTO and the multilateral trading system. We stressed the contribution that the WTO system can make towards the objectives of sustainable development. We emphasized that, to support progressive stabilization and restoration of growth in the world economy it is essential for all countries to maintain open markets, resist protectionist pressure and develop the momentum for further liberalization by building on current levels of market access, undertaking regulatory and structural reforms and providing a receptive climate for investment.

We underlined the importance of the preparatory process for the Seattle Ministerial Conference. That process should result in recommendations to Ministers setting out in precise terms the scope and modalities of future negotiations. We expressed our strong hope that future summit and ministerial-level meetings, including the OECD Ministerial Council, Cologne Summit, APEC Leaders Meeting, ASEM Meeting and the informal meeting of Ministers in Budapest, would address the next round of negotiations, increasing the momentum toward building consensus on the new round.

We agreed that the WTO should become a more universal organization. We therefore agreed that we should accelerate the negotiations to facilitate the early accession of applicants on the basis of mutually acceptable and commercially viable market access commitments and adherence to the WTO rules in time for the launching of the next round, and to maintain flexibility in addressing the particular circumstances of acceding least developed countries. We welcomed progress made in respect of the accession of China, and will continue our respective discussions with a view to completing these accession negotiations prior to the Seattle Ministerial so as to enable China to participate in the next round as a WTO Member. We look forward to similar progress with respect to the accession of other trading partners. We agreed that participation in new negotiations should be open to all countries whose application has been accepted by the General Council, it being understood that the final outcome would be decided by WTO Members.

We agreed that the next round of negotiations, to be decided at the Seattle Ministerial Conference, should be broad-based, covering other issues in addition to the built-in agenda agreed upon at the conclusion of the Uruguay Round, with a view to achieving timely, manageable and digestible results. We also agreed that we would continue to examine issues that might be suggested by other Members for inclusion in the agenda. We discussed modalities for negotiations, bearing in mind the need to ensure that each WTO Member should be able to obtain a balance of interests and the desirability of concluding negotiations in three years. With a view to attaining this goal and to achieving timely progress to this end, we affirmed the importance of accelerating and deepening preparatory work between now and Seattle and the establishment of specific schedules and timetables for the conduct of negotiations, and by regular ministerial-level involvement. We discussed various options and modalities for negotiations, including the principle of a "single undertaking" and the possibility of achieving results in the course of negotiations.

We reaffirmed that developing countries, especially the least developed among them, should be integrated into the multilateral trading system more fully and that they should acquire and enhance their ability to capitalize on the advantages gained from this system. Specifically, we agreed on the importance of better coordination among individual WTO Members, the WTO and other international organizations in providing technical assistance for capacity-building in full partnership with developing countries. In this regard, implementation of WTO commitments under existing agreements and maintaining a sound macroeconomic and regulatory environment both contribute to growth and employment. We also noted that developing countries expressed considerable interests in improved access to the developed country markets as well as more effective special and differential treatment. We confirm our openness to discussing these concerns and priorities. We noted that investment, competition, trade facilitation and electronic commerce contain elements that can enhance development.

We urge the WTO to pursue further policy coherence with the International Monetary Fund and the World Bank, as well as cooperation with UNCTAD, UNEP, the ILO and other international organizations. We aim to support such cooperation and complementarity of actions between relevant institutions to assist developing countries to benefit fully from further trade liberalization and to enhance their domestic capacity. We stress the importance of securing a commitment by the time of the Seattle Ministerial for closer cooperation among international organizations in support of capacity building and to develop on that basis a work program on coherence. We encouraged both the World Bank and the WTO to give higher and more immediate priority to assistance in the financing of developing countries' Uruguay Round implementation programs.

For broad-based liberalization of trade in services, we agreed that the forthcoming negotiations should cover all service sectors, including those of interest to developing countries. We also agreed to elaborate modalities for the negotiations, including, where possible, horizontal approaches as well as to develop multilateral disciplines on domestic regulations. We

welcomed active initiatives taken by the private sector and encouraged further discussions among service industries, domestic regulators, and other groups.

The Quad reaffirmed the commitments on **agriculture** that they undertook at the conclusion of the Uruguay Round. We look forward to our Agriculture Ministerial colleagues pursuing an open and frank exchange of views on the future prospects for the negotiations at the forthcoming Quint Ministerial meeting, to be held in Vancouver on July 17-18.

We agreed that the next round of negotiations should include negotiations regarding **non-agricultural tariffs** and non-tariff barriers, including those of interest to developing countries. We agreed to consider ways to recognize autonomous, bound tariff liberalization in these negotiations. We confirmed our determination to conclude ITA2 expeditiously. Given the market relevance of standards and technical regulations, we underscored the importance of transparency in regulatory policy and formulation of international standards, as well as acceptance of such standards.

We agreed that work on **investment** should proceed on a progressive basis, including the development of objectives toward negotiations of WTO rules on investment, as appropriate, as part of a forward workplan. Any such rules must be consistent with host countries' ability to regulate economic activity in their territory and promote sustainable development. We will explore all possible approaches that could be supported by a consensus - both within our territories and internationally. Ministers reaffirmed that MAI negotiations at the OECD have ended. We agreed to seek the support of all WTO Members towards next steps on the creation of investment rules in the WTO. We share the view that work on investment should be based on the WTO fundamental principles including transparency and non-discrimination. With respect to the Agreement on Trade-Related Investment Measures (TRIMs) we stressed the importance of the elimination of TRIMs by the expiration of the transition at the end of 1999.

On **trade and competition**, we stressed that effective competition laws are a necessary complement to trade liberalization and that the WTO can make an important contribution in this regard. We strongly support the WTO Working Group on interaction between trade and competition policy, and will consider, after it has completed its work, whether negotiations on this issue in the new round are appropriate.

We noted the concerns expressed by a number of WTO Members about the adequacy and implementation of rules governing **trade remedies**, including anti-dumping and subsidies. We expressed support for the efforts of the Chairman of the WTO Committee on Subsidies and Countervailing Measures in respect of the question of the extension of Articles 6.1 (serious prejudice) and 8 and 9 (non-actionable subsidies) of the Subsidies Agreement.

On **intellectual property**, we underlined the importance of full and timely implementation of the TRIPS Agreement, noting the impending expiration of the transitional period on January 1, 2000. We reaffirmed the need to continue our efforts to assist developing countries in implementing the TRIPS Agreement. In this regard, we welcomed the joint WTO/WIPO program to provide such assistance. We noted the impact of new technologies on intellectual property protection. We welcomed the informal meeting of the heads of Patent Offices in developed nations to be held in Tokyo next week.

We reaffirmed the importance of the contribution that the WTO can make to **trade facilitation** in the interest of the international trading and business community. We confirmed again the priority we attach to full and effective implementation of WTO agreements such as Customs Valuation as important building blocks towards a framework of appropriate commitments in the WTO. We stand ready to assist developing countries to build capacity in customs and other trade-related administration.

We agreed on the importance of improving **transparency of the WTO**, with a view to making the organization more responsive to the concerns of civil society, while preserving the government-to-government nature of the organization. Recognizing the important role played by the Internet in improving transparency of the WTO, we support the efforts undertaken by the Secretariat for dissemination of information through the Internet. Furthermore, we urge agreement in the WTO at the earliest opportunity regarding the earlier derestriction of WTO documents, including the release of dispute settlement panel reports. With a view to promoting greater public understanding of and engagement in the work of the WTO, we agreed on the importance of broad and ongoing domestic consultations with stakeholders throughout civil society, and also agreed on the need to encourage enhanced dialogues in the WTO with organizations of civil society.

On **social dimensions of trade**, we noted the important contribution made by international trade in expanding earnings and employment opportunities for workers. The challenge for governments is to ensure that citizens benefit from globalization while minimizing the costs of adjustment. Effective policies in the areas of social protection systems, labor law and industrial relations, education and training, among others, combined with promotion of internationally agreed social norms and standards, can help. We reaffirmed that core labor standards should be more widely respected throughout the world. We expressed our high hopes for the ILO to promote the new Declaration on Fundamental Principles and Rights at Work. We reiterated importance of enhanced cooperation among the WTO, ILO and other international organizations.

On **environment**, we reaffirmed that trade policy and environment policy should be mutually supportive and that the WTO should contribute to sustainable development. As negotiations proceed, consideration should be given to how environmental implications had been taken into account. We support the work of the WTO Committee on Trade and Environment in this regard. In considering the issue of trade and environment, we agreed that it was vital for us to pay due consideration to the concerns of civil society. In this regard, we welcomed the contribution of the High Level Symposium on Trade and Environment in identifying issues for discussions and negotiations.

Recognizing that increased predictability in the procurement process assists developed and developing countries alike in sound management of government spending, we affirmed the need to accelerate the work on transparency in government procurement and reaffirmed our commitment to the aim of completing the work by November 1999. We recognized that this work would compliment work in other international fora. We also agreed to pursue constructively the review of the Agreement on Government Procurement.

We reaffirmed our commitments in the May 1998 Ministerial Declaration that established a comprehensive work program to examine trade-related issues relating to global electronic commerce and that continued the current practice of not imposing customs duties on electronic transmissions. Regarding the work program, we took note of the progress made to date and of the Interim Reports to be presented to the General Council shortly. We called for further progress to be made, in order to achieve a balanced package, on the basis of consensus, that continues the existing moratorium, builds on covered trade issues, clarifies and complements current WTO rules and ensures an open, enabling, transparent and predictable trade environment for electronic commerce.

We highly valued the achievements of the WTO dispute settlement mechanism, which has worked generally effectively since its inception. We reaffirmed our shared interest in completing the DSU review, with particular attention to clarifying the rules, by the end of July, in order to eliminate the risk of divergent interpretations of key provisions. We also agreed that WTO Members should work together now to further improve transparency in dispute settlement as well as the efficacy of consultations and panel procedures. We are committed to ensuring that the dispute settlement system remains responsive to the needs of developing countries, and to explore the most effective means of providing assistance in this field.

We regretted that it has not been possible to agree as yet on the appointment of the next Director-General of the WTO. We agreed on the necessity of appointing the next Director-General on the basis of consensus. We underscored the urgency of addressing this situation.

Finally, we agreed to meet again in the United States.



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## **Chairman's Statement**

### **26th Quadrilateral Trade Ministers Meeting Whistler, B.C., May 3-5, 1995**

It has been less than six months since the coming into force of the Uruguay Round Agreements and the establishment of the WTO. Our discussions over the past two days have been motivated by a collective commitment to the full implementation of the Agreements, to the consolidation of this new institution and to the conclusion of on-going negotiations. We have looked beyond this agenda to how we might make progress on the new generation of issues that must be addressed if we are to maintain the momentum of trade liberalization. We have also looked beyond this meeting to the G-7 Summit in Halifax and future multilateral meetings, including the 1996 WTO Ministerial Meeting.

We have discussed the actions necessary to build the WTO as a strong and credible institution. We intend to work vigorously with other members of the WTO to resolve outstanding issues regarding the mandate and resources of the Secretariat so that it will be able to fulfil the role intended for it. This must include establishing an effective working relationship between the WTO, the IMF, the World Bank, and other international institutions. We regard the Dispute Settlement Understanding, with the Appellate Body to be created pursuant to it, as one of the crowning achievements of the Uruguay Round.

We discussed the importance of enhancing the transparency of the WTO and steps that could be taken to facilitate the public's understanding of the WTO and its operations, including in the area of dispute settlement. We recognize the need to continue to pursue this issue and continue to make improvements.

The accession to the WTO of emerging economies and economies in transition was discussed. We look forward to their integration into the global trading system in accordance with the rules that apply to all WTO members. In this regard we exchanged views on the upcoming meeting with the representatives of China. We are seeking an indication of further commitment on the part of China to the action necessary to bring policy fully into line with the rules-based trading system. We are prepared to respond to such an initiative by China.

Services and investment are critical areas of economic activity and the improved rules and commitments that we are working to achieve can contribute enormously to trade liberalization and economic growth.

We reviewed current negotiations in services sectors (financial services, telecommunications, movement of persons, maritime transport services). We emphasize the need for substantial further progress in the financial services negotiations before the end of June. We reaffirmed our strong shared commitment to a successful completion of the process and urged all countries to make necessary and specific efforts to improve their offers so as to create the conditions for a liberal, MFN regime for financial services under the WTO.

We took note of the significant offers made in the negotiations for movement of persons and would consider additions to them in response to improved offers in other areas. We will work closely together in the weeks remaining to June 30 and are actively considering appropriate actions to bring these negotiations to a successful conclusion.

We recognize the importance of completing the negotiations on basic telecommunications services by April 1996. We agree that the early liberalization within this sector of services, infrastructure and investment is the most effective way to promote a global information infrastructure. This would help achieve the objectives jointly agreed at the February G-7 Ministerial Conference on the Information Society. To provide impetus to the negotiations and to examine obstacles to their completion.

We welcome the consensus to launch ambitious negotiations in the OECD on a multilateral agreement in investment. Global investment flows have grown dramatically. A multilateral agreement would provide a comprehensive framework for international investment and would strengthen the international trading system. We will ask the OECD to consult with non-members during these negotiations and to provide observer status to the WTO Secretariat. In view of the increased importance of investment flows globally, we call on our partners in the WTO to begin discussions on investment.

Businesses in all Quad countries have told us that we must tackle the significant barriers that exist inside borders such as standards and regulations. The information technology industry, for example, is a sector that is hampered by differing standards on testing and certification. We have agreed to pursue initiatives individually and jointly to address these barriers through such means as Mutual Recognition Agreements. We are committed to continued regulatory reform. We regard this as an effective way for governments to promote growth, job creation and trade. We are pleased with the work done in the OECD in the area of regulatory reform and support further efforts there and elsewhere.

We discussed the impact on market access of domestic policies in the area of competition law. We have agreed that we should deepen our work in the OECD and elsewhere to bring us to a point where decisions can be made about a possible multilateral agreement to strengthen competition and trade principles worldwide.

Our discussions included a review of work underway in the OECD and the WTO on the relationship between rules in the areas of trade and environment. We are satisfied that progress is being made towards the objective of making rules in these areas complementary while not jeopardizing the goal of continued trade liberalization. We also took note of work underway in the OECD and the ILO to examine the current mechanisms for the promotion of labour standards. We support this analytical work. We welcome the progress being made in the OECD on the issues at stake and believe that they deserve broader debate among the world players.

The orientation of our discussions over the past two days reflects the emergence of new challenges for the trading system and new opportunities for trade liberalization. We do not intend to limit our future discussions to these sectors and issues - as important as they may be. We will actively pursue elimination of remaining barriers and senior officials of the Quad will study how this can best be done.

As we look towards the future agenda for trade negotiations, the first WTO Ministerial Meeting in 1996 presents an opportunity to maintain the momentum of trade liberalization.

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**October 23, 1995 No. 195**

## **27TH QUADRILATERAL TRADE MINISTERS' MEETING OCTOBER 20-21, 1995**

### **CHAIRMAN'S STATEMENT**

Sir Leon Brittan, Vice President of the European Commission, issued the following statement as Chairman of the 27th Quadriateral Trade Ministers' meeting in Yorkshire, United Kingdom, on October 21, 1995. Also attending the meeting were Roy MacLaren, Canada's Minister for International Trade, Mickey Kantor, U.S. Trade Representative, and Ryutaro Hashimoto, Japanese Deputy Prime Minister and Trade Minister.

### **STATEMENT BY SIR LEON BRITTAN**

This was the 27th Ministerial Meeting of the Quadriateral. We have had detailed and useful informal talks over two days on the full range of current issues confronting us.

We welcome the positive start made by the WTO [World Trade Organization]. We intend to give the WTO our full support as the leader of the open trading system. We will contribute fully to its efficient functioning as an institution.

We intend to work to expand WTO membership as rapidly as possible, on the basis of respect for WTO rules and the achievement of meaningful market access.

Now and in the run-up to the Singapore Ministerial Meeting, we must strengthen the multilateral process and give it fresh momentum. We have agreed on the need to demonstrate more widely the benefits of the multilateral liberalization process and to broaden active support for it. We have decided to increase our co-operative efforts to complete the unfinished business of the Uruguay Round. We look forward to the Singapore Ministerial Meeting itself, where we expect the WTO not only to review implementation of the Uruguay Round Agreements and consider the results of work since Marrakesh, but also to expand its work program to include new issues.

In the most urgent area of negotiations, on basic telecommunications, we have agreed to work together on a number of fronts in order to achieve a substantial success by the April deadline. We have also discussed the need to pay close attention to maritime transport.

Taking into account the work already done on trade and the environment, we have discussed how to bring into the WTO other new issues (trade and investment, trade and competition, trade and labour standards).

Finally, as concerns regional trade initiatives, we have agreed that greater transparency is desirable, and that it would be helpful to seek agreement in the WTO to create a single committee that could both enable the WTO to devote more attention to the review work in hand and help us to ensure that our regional trade efforts contribute to strengthening the multilateral trading system.

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Ministère des Affaires étrangères  
et du Commerce international

April 22, 1996 No. 76

## 28th QUADRILATERAL TRADE MINISTERS' MEETING APRIL 19-21, 1996 CHAIRMAN'S STATEMENT

Shunpei Tsukahara, Japan's Minister of International Trade and Industry, issued the following statement as Chairman of the 28th Quadrilateral Trade Ministers' meeting in Kobe, Japan on April 21, 1996. Also attending the meeting were Art Eggleton, Canada's Minister for International Trade, Charlene Barshefsky, Acting U.S. Trade Representative, and Sir Leon Brittan, Vice President of the European Commission.

### STATEMENT BY SHUNPEI TSUKAHARA

Ministers from Canada, the European Union, Japan and the United States held the 28th Quadrilateral Meeting in Kobe to review recent developments in international trade and to continue planning and preparation for the Singapore Ministerial Conference of the WTO [World Trade Organization].

We emphasized the need for full implementation of the WTO Agreements by all members, to reinforce the credibility of the WTO. We agreed to keep under review the situation regarding implementation, bearing in mind recent measures in violation of WTO obligations, such as TRIMs [Trade-related Investment Measures]. We look forward to the report of the General Council on implementation.

We affirmed our strong commitment to the work of the Committee on Trade and Environment on all items on its agenda. We reviewed its agenda with particular focus on eco-labelling and the relation between multilateral environmental agreements [MEAs] and WTO provisions. We recognized that these topics might be more ripe for specific recommendations to be endorsed by ministers. We also decided to support the establishment of this Committee on a permanent basis.

We, the Quad, strongly support the negotiation of an Information Technology Agreement [ITA], which is an initiative for trade liberalization in the information technology industry, and reaffirmed our efforts toward its realization on the basis of mutual benefit.

We also instructed officials to explore the possibility of acceleration of tariff reduction commitments under the Uruguay Round results, to explore the possibility of further tariff reductions, and to report back to us at the earliest opportunity with a view to maintaining momentum for further liberalization.

As a further contribution to liberalization, we agreed on the desirability of completing the work program on accountancy by the time of the Singapore Ministerial Conference, of expanding the work program in 1997, and of the development of generic rules that could be applied to several professions.

Ministers responsible for the WTO basic telecommunications negotiations reviewed the current status of negotiations and reaffirmed their commitment to a successful conclusion by April 30. They decided to redouble their efforts to complete the negotiations by presenting their best MFN-based offers, and strongly urged the other WTO members to follow suit. They concluded that other participants must significantly improve their offers. They reaffirmed the need to make additional commitments on regulatory principles by referring to the reference paper, which would substantiate market access commitments. Ministers reviewed the outstanding issues in the talks, particularly the possible risk that monopolies could distort competition in international services.

We reaffirmed the importance of concluding the maritime transport negotiations by June 30, and discussed the need for contributions from all participants in order to conclude the negotiations

successfully.

Noting the built-in agenda under the various WTO Agreements, we welcomed the offer by Canada to prepare a discussion paper on ways and means by which the successful completion of future work and negotiations contemplated under these agreements might be facilitated.

We reaffirmed our urgent commitment to successfully concluding negotiations on a Multilateral Agreement on Investment under OECD [Organization for Economic Co-operation and Development] auspices in the spring of 1997. We recognize that informal discussions on investment have already begun in Geneva. Without in any way detracting from our determination to reach the OECD agreement, we agreed that an informal WTO Working Group should now be set up in Geneva with a view to establishing a formal WTO Working Group at the Singapore Ministerial Conference.

Recognizing that core labour standards are matters of human rights and that their development is the responsibility of the International Labour Organization, we agreed that the relation between trade and labour standards should be discussed at the Singapore Ministerial Conference, with a view to determining how to proceed.

We agreed on the importance of enhancing the coherence between trade and competition policy, and agreed that this issue should be discussed at the Singapore Ministerial Conference with a view to determining how to proceed.

We took note of the important advances in the OECD to combat bribery and corruption in international trade.

We agreed to renew our efforts to expand membership in the WTO Agreement on Government Procurement [GPA], and to improve its disciplines through reducing barriers to government procurement. As a first step, we agreed to initiate work on an interim arrangement on transparency, openness and due process in government procurement, which would help reduce corruption as an impediment to trade.

We emphasized the importance of transparency to enhancing the credibility of the WTO, and agreed to urge other WTO members to agree on procedures for de-restriction of panel reports and other WTO documents.

We affirmed our view that we intend to work to expand WTO membership as rapidly as possible, on the basis of respect for WTO rules and the achievement of meaningful market access. In this connection, we believe that effective enforcement of intellectual property rights protection is necessary for confidence building among the members needed for accession.

With regard to regional trade initiatives, the last Quad Meeting suggested the establishment of the new WTO Committee on Regional Trade Agreements, and we welcome its establishment. We believe that regional trade initiatives must be consistent with and complementary to the multilateral trading system. With a view to building confidence in the relation between regional initiatives and the WTO, we exchanged information on our respective regional initiatives in the interests of transparency.

On regulatory reform, we agreed that ongoing work at the OECD should be supported, and agreed to explore a plurilateral Mutual Recognition Agreement [MRA] for telecommunications equipment to remove regulatory barriers to trade.

We also underlined the need to deal with trade and development, having in mind the commitments taken at Marrakesh.

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For further information, media representatives may contact:

# Quadrilateral Trade Ministers Meeting Seattle, Washington-September 27-28,1996

## Chairperson's Summary

Ministers from Canada, the European Union, Japan and the United States met in Seattle for the 29th Quadrilateral Meeting to access preparations for the World Trade Organization's (WTO) first ministerial meeting to be held in Singapore, December 9-13,1996.

Quad partners recognized that we must provide leadership for the Singapore meeting. At Singapore, we will have the opportunity to ensure that the WTO is a dynamic forum for on-going liberalization, consultation and discussion. We look forward to a business-like, practical meeting where we can consolidate the gains already achieved and take stock of the work to date in implementing the Uruguay Round agreements, the current work program of the WTO including the so-called build in agenda and the future work program of the WTO.

We have much work ahead of us if the WTO is to exercise its central role as the engine for progressive liberalization of the world economy as we approach the next century. The WTO's ambitious built-in agenda for further negotiation and reviews provides an important basis for our work. We need to ensure that the agreed timeframes for these negotiations are respected, and to utilize existing institutional machinery for further work - the process of analysis and information exchange which would allow Members to understand the issues involved and to identify their interests in respect of them before undertaking the mandated negotiations and reviews.

We reaffirm the importance we attach to expanding the membership of the WTO on the basis for respect for WTO rules and achievement of meaningful market access commitments by who are seeking to join the WTO. Recognizing these requirements, rapid progress on all the accessions remains a high priority.

Similarly, we agreed that the continued integration of developing countries into the WTO's system of rights and obligations is vital to the smooth functioning of the trading system. It is incumbent upon those who have reaped the benefits of the open multilateral system to more rapidly assume their full obligations to the rules, commensurate with their role in the global economy.

We had a detailed discussion of WTO implementation issues and concluded that on the whole Uruguay Round agreements had been satisfactorily put into operation. However, we identified a number of areas where greater effort was needed. From the systematic standpoint, it is clear that the quality of notifications under many agreements need to be improved; that some Members have so far failed to translate commitments into updated national legislation and implementing regulations; that certain Members are not observing their legal obligations, with the problem being particularly acute in TRIMs (e.g. certain countries' auto regimes); that additional attention must be paid to monitoring and enforcement of commitments made; and, that the least developed countries are in need of greater technical assistance to help them meet their implementation obligations. We instructed our officials to ensure that the committee reports to the Singapore meeting reflect an accurate assessment of the state of implementation and provide direction for the work ahead.

Recognizing that considerable progress has been made in the work of the Committee on Trade and Environment, it is our shared hope that further progress might be registered in the weeks to come before Singapore. The Committee's report should be comprehensive and show where consensus has been possible as well as where more work will be required. What we have done so far should enable us to sharpen our focus and the Committee should continue to pursue its mandate beyond the Ministerial Conference. Ecolabelling and the relationship between MEAs and the WTO were raised as important elements of the work program.

We reaffirmed the importance we attach to the successful conclusions of the negotiations for harmonizing non-preferential rules of origin within the agreed deadline.

We considered the plight of the least developed countries and agreed that preferential policies and liberalization efforts in their favor should continue to be the focus of international discussions and autonomous national decisions and that the more advanced developing countries should also be asked to take measures designed to facilitate access to their markets by LLDC exporters. We agreed that further consideration should be given to additional multilateral action and coordination. Recognizing that the LLDCs are in need of infrastructural improvement before they can take full advantage of trade opportunities, we agreed we would support the organization of a meeting in Geneva early next year which would group WTO Member governments and their aid agencies with international financial institutions and the LLDCs in an effort to increase coherence and efficiency in the provision of technical assistance.

We reconfirmed our commitment to conclude the basic telecommunications negotiations in February 1997 and agreed that Quad countries should urgently review their offers and make best efforts to improve them before the Singapore Ministerial Conference. The United States and the European Union announce their intention to table improved offers in advance of the Ministerial in the belief that these improved offers would assist in obtaining high quality offers from a critical mass of countries. We also acknowledged the importance of making further progress by the Singapore Ministerial in resolving the outstanding issues relating to international services and satellites. Improved offers and resolution of these issues will be necessary if the negotiations are to conclude successfully.

We urge that financial services negotiations be resumed in early 1997 with the aim of achieving significantly improved commitments that would provide financial services suppliers with substantially full market access and national treatment on a non-discriminatory basis.

On professional services, we agreed to redouble our efforts so as to complete the work on accountancy as early as possible in 1997. We also agreed on the desirability of expanding the work program in 1997 and of the development of generic rules that could be applied to several professions, building on the accountancy work.

All of us recognized that expanding market access opportunities in industrial products would be an important contribution to the package for Singapore. The Quad countries are determined to providing the leadership necessary to complete the Information Technology Agreement and to work together urgently to conclude the ITA by the Singapore Conference and reaffirmed our efforts towards its realization on the basis of mutual benefit. The ITA could serve as a centerpiece for a broader market access package to be agreed at Singapore. We intend to vigorously pursue an intensive work program on all relevant issues so as to ensure that broad participation from countries can be agreed at Singapore.

As a part of the package, we noted that the further expansion of the 0/0 agreement on pharmaceuticals was already agreed and should be implemented by the beginning of April, 1997. We also agreed to work together to see what other elements could be added to the package, including acceleration of reductions already agreed and further liberalization more generally.

Looking beyond Singapore, we agreed that the Ministerial should assure that additional opportunities for further liberalization of industrial tariffs will be considered by the Market Access Committee as part of the WTO's future work program.

At Singapore, we are determined to achieve a consensus on the rapid negotiation of an interim agreement that will provide transparency and due process in government procurement regimes of all Members. This will be an important first step in achieving an expansion of the membership and an improvement in the disciplines of the Agreement on Government Procurement.

We agreed that for the WTO to remain a dynamic institution, it should also embrace work in a number of new areas to broaden understanding of emerging issues and, as appropriate, prepare the ground for possible negotiations at a subsequent stage. We agreed to work together to develop the necessary consensus in Geneva on an agenda that reflects the interests and concerns of all parties.

With respect to investment, we reaffirmed our commitment to successfully conclude the OECD MAI

negotiations by the Spring of 1997. Quad Ministers agreed that more open international investment rules are needed in the interest of all participants in the world economy. Building on our agreement in Kobe to seek establishment of a working party on investment at Singapore, we agreed to focus our efforts on developing a mandate to be agreed at Singapore. We also agreed that the mandate should both focus on educative and analytical work, and provide for next step, and agreed to use the joint Canadian-Japanese paper as a basis for further work.

At our last meeting at Kobe, we agreed that the relationship between trade and core labor standards should be discussed at the Singapore meeting with a view to determining how to proceed. Quad Ministers agree that our relations in the field of trade should be conducted with a view to raising standards of living and ensuring full employment. Since Kobe, this issue has been discussed in Geneva on several occasions, with the result that the Director General has been able to identify four areas of common ground with respect to core labor standards. We agreed that we would work together to build a consensus based on the Director General's assessment with a view to determining how to proceed at Singapore, recognizing the importance of cooperation with the ILO and other relevant institutions. We agreed that the discussion of this issue would not be used as a pretext for introducing protectionist measures.

We had a further discussion of the proposals on the table in respect of competition policy. Quad Ministers agreed that effective competition rules rigorously enforced are necessary to safeguard market access opportunities and to avoid trade problems. Noting that the issues were extremely complex, we nevertheless considered that we would support the initiation in Geneva of a more in-depth discussions of competition policy issues, provided that the terms of reference for any such discussion are acceptable to all WTO member.

We pledge our continued support for the Director-General and the Chairman of the General Council in their efforts to bring together a successful first Ministerial Conference of the WTO.

Finally, we briefly discussed regulatory reform and agreed that it is essential to promote entrepreneurship, job creation, expanded market access opportunities, trade and investment, technological change, and economic efficiency. In this respect, we support the on-going work at the upcoming Tokyo Symposium on regulatory reform this December. We look forward to the results.



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Department of Foreign Affairs  
and International Trade

Ministère des Affaires étrangères  
et du Commerce international

May 2, 1997 No. 82

## 30th QUADRILATERAL TRADE MINISTERS' MEETING TORONTO,

APRIL 30 - MAY 2, 1997

### CHAIR'S STATEMENT

Minister for International Trade Art Eggleton today issued the following statement as Chair of the 30th Quadrilateral Trade Ministers' meeting in Toronto. Also attending the meeting were Charlene Barshefsky, U.S. Trade Representative, Shinji Sato, Japan's Minister for International Trade and Industry, and Sir Leon Brittan, Vice President of the European Commission and Commissioner Responsible for Commercial Policy.

### STATEMENT BY MINISTER EGGLETON

Ministers from Canada, the European Union, Japan and the United States met in Toronto for the 30th Quadrilateral Meeting to review developments in international trade since the Singapore Ministerial Conference of the World Trade Organization (WTO) and to consider future directions in international trade in an evolving world economy.

We noted that the rules-based international trading system enshrined in the Agreement Establishing the WTO, has successfully contributed to remarkable growth in trade in goods and services and in international investment, and thereby to economic growth and employment in member countries. We therefore affirmed our strong support for the WTO as a global forum for ongoing liberalization, consultation and discussion, and examined in detail implementation of the Uruguay Round agreements, the current work program of the WTO, including both the pre-existing built-in agenda and additional work assigned to the WTO at Singapore, and prospects for future progress. We also affirmed our belief that the WTO should enjoy universal participation; we thus confirmed our support for the early accession of applicants on commercially viable terms in a manner that preserves the integrity of WTO rules. We encourage those acceding to move their negotiations forward as quickly as possible, including on market access for goods and services.

We agreed that full implementation of existing WTO obligations ensures the certainty and predictability essential for traders and investors. We discussed developments that could carry significant implications for the trading system. In this regard, we look forward to reviewing plans for removal of balance-of-payment restrictions on imports at upcoming consultations in Geneva, and agreed to exercise continued vigilance respecting trade-related investment measures of certain countries that appear to contravene WTO disciplines.

We reviewed the WTO's ambitious built-in agenda for further negotiations, such as those called for in agriculture and services, and reviews, such as those to be undertaken on technical barriers to trade and sanitary and phytosanitary measures, in accordance with agreed timeframes. We acknowledged that fulfilling this mandate requires the commitment of all WTO members to engage in the necessary analysis and exchange of information, and to anticipate developments in commerce and technology that may affect international trade. Building on our earlier initiatives in support of transparency, including through de-restriction of documents and domestic consultations, we invite the Director General to consult with members regarding appropriate means for encouraging informal dialogue between WTO working groups and committees to engage business, non-governmental organizations and other interested parties, in the belief that such dialogue will contribute to broader understanding of and support

We discussed the important role of the OECD in support of trade and investment liberalization and rule-making. Recognizing that a number of outstanding issues will require further work, we confirmed our commitment to concluding negotiations on a Multilateral Agreement on Investment (MAI) by the time of the 1998 OECD Ministerial Meeting. We will continue to work together at the OECD to address the issue of bribery of foreign officials, which distorts markets, hinders economic development and undermines the democratic accountability of the rule of law essential to the effective functioning of the global economy. We look forward later this month at the OECD Ministerial Meeting to taking further steps in criminalizing foreign commercial bribery and to assure enforcement to accompany national efforts to eliminate the tax deductibility of bribes paid to foreign officials and commitments undertaken in other fora, including the UN, to address this problem. We support fully the work of the OECD on regulatory reform, with its focus on good regulatory practices, and endorse peer review of regulatory policies in the interest of greater transparency. We encourage increased dialogue and collaboration between the OECD, the WTO and the International Standards Organization to reduce the rapid expansion of technical barriers to trade.

We exchanged views on the contribution that the WTO can make for the benefit of the least developed countries, and agreed to participate actively in preparations for the high-level WTO/UNCTAD/International Trade Centre meeting later this year to increase the capacity of those countries to enjoy the benefits that flow from increased trade and investment, including through increased co-ordination of technical assistance among national donor agencies and international institutions. We also discussed current programs, policies and proposals related to the least developed countries, including work in the G-7 aimed at further integrating the economies in Africa into the trading system. We welcomed our respective commitments to exploring favourably opportunities to increase market access for the least developed countries through different means, and call on the most advanced developing countries to participate in this effort.

We also exchanged views and information on the various regional initiatives in which we are engaged. We reaffirmed the primacy of the multilateral trading system and our commitment at Singapore to ensuring that regional trade agreements are complementary to and consistent with WTO rules. We welcomed the constructive work undertaken to date by the WTO Committee on Regional Trade Agreements, and agreed to work together to expedite completion of its examination of agreements notified and to support further work on the systemic dimensions of regional trade agreements.

In an increasingly global economy, where the world trading system provides an essential vehicle for economic growth and jobs through increased exports of goods and services and investment opportunities abroad, and increased efficiency through foreign direct investment and increased competition at home in support of our national economic objectives, we affirmed our commitment to political engagement in the WTO at the ministerial level on an ongoing basis. We look forward to commemorating the 50th anniversary of the GATT — the predecessor of the WTO — in the first half of 1998, and to using that occasion to take stock of further progress and to reflect on future directions at a ministerial conference.

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**Quadrilateral Ministerial Meeting**  
**Versailles, France**  
**April 29 to 30, 1998**

**CHAIRMAN'S STATEMENT**

Ministers from Canada, the European Union, Japan and the United States met in Versailles for the 32nd Quadrilateral Meeting to review recent developments in international trade and investment, and to consider future directions.

We reaffirmed our belief in the central role of the multilateral, rule-based trading system embodied in the World Trade Organization [WTO]. This system has successfully contributed to remarkable growth in trade in goods and services, and in international investment, thereby benefiting economic growth, employment and social progress. We affirmed our support for the WTO as the primary forum for trade liberalization, and agreed that building on recent successes, we must continue to pursue further, broad-based multilateral liberalization.

We agreed that a major task for all members of the WTO in future is to ensure that the contribution of the WTO to enhancing sustainable growth, prosperity, jobs and to improving environmental protection is better communicated to the public, and that the WTO remains open and responsive to the concerns of society in general. We agreed also on the need to intensify efforts to ensure that WTO activities contribute to achieving the objectives of sustainable development. We look forward to a positive outcome of the June ILO [International Labour Organization] meeting aimed at a declaration on core labour standards and a follow-up mechanism, and agreed to jointly review the results.

We discussed the prospects for the WTO Ministerial in May 1998, and agreed on the contribution that the Quad could make to the success of that meeting. First, a reaffirmation by all of the primacy of the multilateral system for trade issues. Second, reaffirmation of the importance that all members attach to the full and timely implementation of their WTO commitments. Third, recognition of the benefits — to sustainable development, growth and jobs — of further and broad-based liberalization within the WTO framework including in new areas. And fourth, the need to make the WTO a truly global organization both through expanding its membership and assisting the full integration of least-developed countries into the global trading system.

We agreed that the 1998 WTO Ministerial should set in motion a process that would enable decisions to be taken in 1999 on the scope and modalities of such further liberalization, and that it should encompass the subjects of the WTO's built-in agenda, issues arising from the decisions made at the Singapore Ministerial, and further issues of interest to members, including remaining barriers to trade in industrial products. We agreed that further liberalization must be sufficiently broad-based to appeal to the range of WTO members' concerns, and must be capable of bringing timely results and benefits.

We reviewed progress on a number of important, specific issues likely to be addressed at the WTO May Ministerial or, subsequently, as part of the WTO's work program.

On the economic difficulties facing several Asian economies, we affirmed our belief that with full implementation of the necessary regulatory and structural reforms, continued market openness and strong mutual support, stability would be restored. We noted the Japanese action plan should contribute to Japanese recovery as well as to that of other countries in the region. We recognized, however, that the current difficulties continue to pose challenges for the international trading system. In this respect, we concluded that it should be in the interests of all WTO members to commit to keeping markets open, to continue with economic reform, and to pursue further multilateral liberalization building on current levels of market access as the best means to overcome protectionist pressures. In this regard, we stress the importance of improved co-ordination between the IMF [International Monetary Fund] and the WTO Secretariat, and look forward to receiving progress reports. Stable and predictable rules for foreign direct investment would also contribute significantly to restoring growth in the affected Asian markets.

On investment issues, we therefore welcomed the fresh sense of direction created by the recent outcome of the OECD [Organization for Economic Co-operation and Development] Ministerial meeting, and are determined to pursue the work underway at the WTO. As we agreed at the OECD Ministerial meeting, we will seek the support of all our partners for the next steps toward the creation of investment rules in the WTO.

On the accession of new countries to the WTO, we agreed that it is essential that all trading nations become members of WTO. We undertook to intensify our efforts to obtain the early accession of candidate countries, large and small, on the basis of mutually acceptable and commercially viable market access commitments and adherence to WTO rules. We requested our officials to review the status of all pending accessions in that light and to report back to us.

On the integration of the least developed countries into the WTO system, we agreed to consider what additional measures, further to last year's high level meeting, could be taken to increase market access opportunities for products originating in these countries, and to urge other WTO members to do the same. We agreed also to continue to co-ordinate the provision of technical assistance to strengthen their participation in the international trading system, as well as to assist their full and timely implementation of WTO commitments.

On transparency, we agreed on the importance of strengthening public confidence in the multilateral system through improvements that will provide for better transparency in the WTO's work. Accordingly, the Quad agreed to encourage the Director General to explore means within the WTO that would allow for enhanced consultations with representatives of civil society. Ministers recalled the 1996 WTO decision on derestriction adopted with a view to making the WTO more transparent including in the area of dispute settlement. Noting that this decision will be reviewed in July of this year, we agreed to actively encourage a review of all relevant issues of transparency, while preserving the government-to-government nature of the institution.

On trade and the environment, we affirmed our commitment to a high level meeting of trade and environment representatives under the auspices of the WTO well before the 1999 Ministerial meeting. We shall jointly seek to identify the synergies that exist between trade and environment policies and reap — in a way that is visible to our publics — both the environmental and economic benefits they can bring. We invite the CTE [Committee on Trade and Environment] to continue the process of broad-based consultations among members and with interested NGOs [non-governmental organizations] and business groups with a view to improving full understanding of all related issues.

On trade and competition, we stressed that effective competition laws are a necessary complement to trade liberalization and that the WTO can make an important contribution in this regard. We highlighted the merits to all WTO members of implementing core competition principles domestically for the benefit of sound economic development. We strongly support the WTO working group on the interaction between trade and competition policy, and consider the report that is to be presented to the General Council later this year should be forward-looking so as to permit appropriate decisions on the next steps within the WTO.

On trade facilitation, we agreed on the importance of this to the international trading and business community, which is looking to the WTO for solutions. We agreed that the analytical work called for in the Singapore Ministerial Declaration should be undertaken promptly. Recalling the constructive results of the recent symposium on this subject, we agreed to recommend that the General Council assess these results with a view to intensifying forward-looking work.

On procurement, we share the aim of increasing membership of the GPA [Government Procurement Agreement] and of improving the existing agreement. We also reaffirmed our full support for the work of the Working Group on Transparency. We urge all participants to intensify efforts with the aim of completing work and reaching agreements on both issues by the end of 1999, taking due account of the diversity of national policies and practices.

On services, we agreed that we needed to set in train proper preparations in consultation with our private

sectors and other interested parties for the negotiations, given the considerable benefits to be gained for all members of the WTO. Major employment and wealth creation for both developed and developing countries would result from further wide-ranging liberalization of trade in services. We therefore agreed to work to ensure that conditions be in place for negotiations to begin promptly and in earnest at the beginning of the year 2000. We note the progress made in the accountancy sector, which we want to bring into force as a basis for further access-oriented work.

On agriculture, the Quad reaffirmed the commitments that they undertook at the conclusion of the Uruguay Round.

Electronic commerce will be an engine of economic growth in the 21st century. It includes a vast array of issues, such as privacy and domain names. The subject is being actively studied on several tracks, including the OECD, leading to the Ottawa Ministerial Conference, the U.S. initiative pursuant to its "Framework for Global Electronic Commerce," the wide range of test-bed projects conducted by Japan, and EU [European Union] ideas for an International Charter. Recognizing that electronic commerce is critical to the effective functioning of the multilateral trading system, Quad Ministers agreed to work together towards agreement on a declaration on the trade-related aspects of global electronic commerce, in time for the 50th anniversary celebration of the WTO. Ministers expect this to lead to a comprehensive work program in the WTO covering trade-related issues, including work on the market access treatment of crossborder commerce. Ministers are encouraged by discussions to date with all their partners and will work to develop as soon as possible consensus on a standstill to preserve current practices of not imposing customs duties on electronic transmissions. This would be without prejudice inter alia to current practices regarding customs duties on goods ordered electronically but delivered physically and the treatment of the electronic value integral to goods, and to the outcome of the examination that is undertaken in the broader context of the WTO work program on electronic commerce. Quad Ministers believe that the work program should be completed in time for the inclusion of any recommendations for action on the agenda of the 3rd Ministerial Conference to be held in 1999.

On intellectual property and customs valuation, we underlined the importance of full and timely implementation by all members. In light of the impending expiration of the transitional periods envisaged in the agreements, we are ready to further assist members in their efforts to bring their laws and practices in line with their obligations, in co-ordination with the WTO, other multilateral institutions and the private sector.

On ITA [Information Technology Agreement] II, building on the agreement reached at Singapore, we endorse the agreed upon work program, including the expansion of product coverage, resolving classification divergences, and ensuring unhindered market access for IT [information technology] products. We urge participants to complete their work to expand product coverage within the agreed upon timetable (June 30, 1998), and to move forward on the other elements of the program including in particular non-tariff measures. We also encourage broader country participation in the ITA, including those acceding to the WTO.

Finally, we agreed to meet again in Japan no later than spring 1999.

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Canada



**INFORMAL MINISTERIAL MEETINGS**

**November 23-24, 1995**

**July 1-2, 1996**

**November 20, 1998**

**May 28-29, 1999**

**October 25-26, 1999**

**Vancouver Informal Ministerial Meeting**

**Lausanne Informal Ministerial Meeting**

**Hong Kong Informal Ministerial Meeting**

**Budapest Informal Ministerial Meeting**

**Lausanne Informal Ministerial Meeting**



Informal Lausanne Ministerial Meeting, 25-26 October 1999

Summary by the Chairman, Minister for Economic Affairs of Switzerland,  
Mr. Pascal Couchepin

The Ministers and Government Representatives of Argentina, Australia, Brazil, Canada, Chile, Costa Rica, Czech Republic, Egypt, European Union, Hong Kong China, Hungary, India, Japan, Mexico, Morocco, New Zealand, Norway, Pakistan, Republic of Korea, Singapore, South Africa, Switzerland, Thailand, United States and Uruguay met in Lausanne on 25 and 26 October 1999 to examine, at the political level, the issues at stake and the ambitions of the third Ministerial Conference of the WTO to be held in Seattle (United States) from 30 November to 3 December 1999. The Lausanne meeting took place in the framework of the various informal gatherings organized with a view to preparing the Seattle Ministerial Conference. The Chairman of the General Council and the Director-General of the WTO also participated in the work of the meeting.

The Lausanne meeting took place at a critical juncture in the preparatory process for the third WTO Ministerial Conference. It enabled participants to reiterate their commitment to a strong and open multilateral trading system, to take stock of the progress made in the preparations and to clarify their positions with respect to the content of the decisions they would be called upon to take at the Seattle Conference. The Ministers examined ways of bringing their views closer together on the key elements of the future WTO work programme. In doing so, they outlined their positions on the negotiations already mandated by the Marrakesh Agreements (agriculture and services), the other possible subjects of negotiation, questions relating to the implementation of the WTO Agreements and the decisions with immediate effect that could be taken in Seattle. During the discussions, the Ministers highlighted the development dimension. They also discussed the nature of the dialogue to be established between the WTO and public opinion.

The Lausanne meeting contributed to a better understanding of the problems facing the participants in drawing up a programme of negotiations which addresses the concerns and interests of all Members.

The Ministers agreed that their representatives in Geneva should focus their efforts over the next few days on the identification of issues for negotiation that are essential to achieving a consensus in Seattle. Once this has been done, the parameters of the negotiations to be conducted on each issue will have to be defined.

The Ministers confirmed their determination to overcome the remaining divergences and to adopt, in Seattle, a balanced programme of negotiations that would address the interests of all WTO Members. Drawing on the lessons and analyses of the Lausanne meeting, the Ministers agreed to show the flexibility needed to give the preparatory process a new impetus so that they would have a clear, concise and explicit basis for a final decision.



Rencontre ministérielle informelle de Lausanne, 25-26 octobre 1999  
Résumé du Président, le Ministre de l'économie suisse Pascal Couchepin

Les Ministres et représentants gouvernementaux de l'Afrique du Sud, de l'Argentine, de l'Australie, du Brésil, du Canada, du Chili, du Costa Rica, de l'Égypte, des États-Unis, de Hong Kong Chine, de la Hongrie, de l'Inde, du Japon, du Maroc, du Mexique, de la Norvège, de la Nouvelle-Zélande, du Pakistan, de la République de Corée, de la République tchèque, de Singapour, de la Suisse, de la Thaïlande, de l'Union européenne et de l'Uruguay se sont rencontrés à Lausanne les 25 et 26 octobre 1999 pour examiner, au niveau politique, les ambitions et les enjeux de la troisième Conférence ministérielle de l'OMC qui se tiendra à Seattle (USA) du 30 novembre au 3 décembre 1999. La réunion de Lausanne s'est inscrite dans le cadre de diverses rencontres informelles organisées en vue de préparer la Conférence ministérielle de Seattle. Le Président du Conseil général et le Directeur général de l'OMC ont également pris part aux travaux de la réunion.

La réunion de Lausanne est intervenue à un moment critique du processus de préparation de la troisième Conférence ministérielle de l'OMC. Elle a permis aux participants de réitérer leur engagement en faveur d'un système commercial multilatéral fort et ouvert, de faire le point sur les préparatifs et de clarifier leurs positions quant à la teneur des décisions qu'ils seront appelés à prendre lors de la Conférence de Seattle. Les Ministres ont examiné les moyens de rapprocher leurs vues sur les éléments-clés du futur programme de travail de l'OMC. Ce faisant, ils ont présenté leurs positions sur les négociations déjà prescrites par les accords de Marrakech (agriculture et services), les autres sujets possibles de négociation, les questions relevant de la mise en œuvre des accords de l'OMC ainsi que les décisions à effets immédiats qui pourraient être prises à Seattle. Au cours de ces discussions les Ministres ont souligné la dimension développement. Ils ont par ailleurs traité de la nature du dialogue qu'il convient d'établir entre l'OMC et l'opinion publique.

La rencontre de Lausanne a contribué à une meilleure compréhension des problèmes auxquels les participants sont confrontés dans la définition d'un programme de négociations qui réponde aux préoccupations et intérêts de tous les membres.

Les Ministres sont convenus que leurs représentants à Genève devraient, ces prochains jours, concentrer leurs efforts sur l'identification des thèmes de négociation indispensables à la

réalisation d'un consensus à Seattle. Une fois ceci fait, il s'agira de préciser les paramètres des négociations qui devraient être menées sur chacun de ces thèmes.

Les Ministres ont confirmé leur résolution de surmonter les divergences qui subsistent à ce stade afin d'adopter, à Seattle, un programme de négociations équilibré, répondant aux intérêts de l'ensemble des Membres de l'OMC. Forts des enseignements et des analyses qui se sont dégagés de la réunion de Lausanne, les Ministres sont convenus de faire preuve de la flexibilité nécessaire à insuffler un nouveau dynamisme au processus de préparation afin qu'ils disposent, à Seattle, d'une base de décision claire, concise et explicite.

**Budapest Ministerial Conference**  
**28 May, 1999**

**Chairman's Summary**

The following summary notes have been prepared on the Chairman's own responsibility. They are not intended to prejudge in any way the individual positions of the participants. Rather, they compile some of the impressions gained in the course of an in-depth, constructive discussion among Ministers.

Ministers from Argentina, Australia, Brazil, Canada, Chile, Costa Rica, the Czech Republic, the European Union, Hong Kong China, Hungary, India, Japan, the Republic of Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland, Thailand, the United States and Uruguay met in Budapest on 28 May, 1999 to discuss, at the political level, the objectives, expectations and ambitions with respect to the new round of multilateral negotiations to be launched at the third WTO Ministerial Conference in Seattle on 30 November – 3 December 1999. The Ministers stated that the Budapest Conference took place at a critical stage in the preparatory process for the WTO Ministerial Conference at which the trade agenda for the first decade of the next Millennium was going to be set. The Ministers discussed how the preparatory process could be made more efficient, how the success of the Seattle Ministerial Conference could be ensured and exchanged views on the expectations for outcomes from Seattle.

In light of the serious financial crisis of the past two years Ministers praised and recognised the resilience of the multilateral trading system based on WTO-rules and acknowledged its positive role in preventing a reversion to protectionism. There was agreement that, by keeping the markets open, the WTO system had contributed significantly to the containment of the crisis and had to play an important role in a broad and early recovery.

Bearing in mind the stabilising role played by the multilateral trading system, Ministers reaffirmed their strong commitment to the WTO and agreed that a successful Ministerial Conference in Seattle could convey a needed message to the public that the multilateral trading system was healthy and on the right track, paving the way for further liberalisation.

There was consensus among Ministers that the WTO should become a more universal organisation. There was agreement that the early accession of candidates, preferably before the start of the next round of negotiations should be given priority, on condition that the applicants were able to accept the rules and disciplines of the WTO and were ready to undertake meaningful market access commitments. There was also strong support to find the proper means for all countries whose application had been accepted by the WTO to be allowed to participate in the upcoming negotiations.

On the issue of how to create a balanced negotiating agenda, sufficiently broad based to respond to the range of interests and concerns of all Members many of the Ministers were of the firm view that this challenge could best be met through a broad-based and balanced round of negotiations. They stressed that only such an approach could ensure that the diverse interests of all Members, developed, developing and transition economies alike, were reflected. It was a widely held view that the negotiations on the built-in-agenda elements would bring more substantive results if placed within a broader negotiating framework. A broad-based and balanced round would help governments to exercise their influence on developments in the face of rapid and far-reaching economic changes. Liberalisation that serves as a means of improving living standards, growth and employment in all countries at all levels of development, would be strongly backed by public opinion.

There was agreement on the importance of faithful implementation of WTO Agreements. Some Ministers drew the attention to the difficulties experienced in the process of implementation and cautioned against overloading the WTO's negotiating agenda.

There was consensus that in creating a balance for the new series of negotiations the interests of the developing countries and particularly the least developed WTO Members were to be fully taken into account with a view to expedite their integration into the international trading system. Therefore areas where liberalisation would bring significant tangible benefits for the developing countries should be identified and such priority issues should be included in the negotiating agenda. It was emphasised that the problems related to the implementation of WTO Agreements, including the possible adjustment of existing rules, needed to be given adequate attention. There was a broad agreement that co-operation to address human resource and infrastructure constraints, particularly in the least developing WTO Members, should be integrated into the new round; support for capacity building and trade related technical assistance should be available for all developing Members.

On the question of the negotiating agenda there was broad agreement that - in addition to the mandated negotiations on agriculture and services - at least industrial tariffs should be covered in the upcoming talks. Some Ministers argued for the inclusion of investment, competition policy and trade facilitation in the scope of negotiations. In addition, it was emphasised that trade and environmental policies should be mutually supportive and jointly serve the objective of sustainable development. It was also strongly stressed that in putting together the negotiating agenda the common wish that the upcoming negotiations should achieve timely and manageable results had to be taken into account.

When discussing the modalities for the upcoming negotiations many Ministers strongly favoured the single undertaking approach, i.e. that the results of the round should be adopted in their entirety and apply to all WTO Members. They emphasised that this principle constituted the guarantee that the round would bring benefits to all Members and the best means to ensure an end result acceptable to all. Some other

Ministers preferred to have an agreement first on the scope of negotiations on the basis of which modalities can be agreed upon. There was agreement that, in light of the rapid changes in the global economy, the upcoming negotiations should be concluded in a relatively short period of time, much quicker than the Uruguay Round. Most Ministers preferred three years as a target for bringing the negotiations to a successful conclusion.

Participants supported that the Seattle Ministerial Declaration should be clear, concise and explicit, so as to avoid different interpretations. Participants expressed their view that, in addition to the adoption of the Ministerial Declaration specific decisions could be taken at Seattle. Many Ministers stated that these decisions should strike a balance and should support the successful launching of the new round. A number of possible subjects for decisions were mentioned, including the conclusion of the review of the Dispute Settlement Understanding and an upfront commitment to provide improved market access in favour of the least developed countries.

On the subject of improving the efficiency of and public support for the organisation many Ministers agreed that more could be done to explain to society the benefits of trade liberalisation and that of the multilateral trading system, as well as to enhance dialogue with organisations of the civil society, for example in the form of High Level Symposia. Different views were expressed on what could and should be the WTO's contribution to the tackling of some of the problems or issues in relation to which the civil society shows great and growing interest, namely the legitimate protection of the environment and the protection of consumers. Many Ministers supported the idea that within the WTO transparency should be further improved.

Ministers discussed how political level meetings could be best used to induce public support for the WTO and the new round of negotiations. In exchanging views on what other fora could and should be used to support the preparatory process, among others, the upcoming meeting of APEC trade ministers, ASEM and G7/G8 meetings were mentioned. Ministers expressed support for a further informal ministerial level meeting of the "Friends of a New Round" in October this year that could positively contribute to the preparation for the Seattle Ministerial Conference. Switzerland kindly offered to host this meeting.



INFORMAL MINISTERIAL MEETING,  
VANCOUVER  
NOV 23, 24, 1995

CHAIRMAN'S STATEMENT

Honourable Roy MacLaren,  
Minister for International Trade,  
Canada

The two day discussion among the eleven Ministers and five senior representatives participating in these informal meetings has demonstrated the profound commitment we share to the World Trade Organization and the rules-based trading system. Our frank and constructive exchange is one of several informal meetings involving WTO members in the run-up to the first Ministerial Conference of the WTO in Singapore in December 1996.

Ministers from Australia, Hong Kong, Hungary, Indonesia, Morocco, New Zealand, Norway, Singapore, South Africa and Thailand and senior representatives from Argentina, Brazil, Chile, Mexico and Switzerland discussed the challenges facing the WTO and the preparations for the first Ministerial Conference. The presence of the WTO Director General Renato Ruggiero added greatly to these discussions. We did not meet to come to decisions but rather to develop an understanding of what needs to be done to implement existing obligations and to identify new issues which should be discussed in the WTO.

The exchange began on the theme of domestic priorities: using the multilateral trading system to help governments and the private sector achieve their economic goals. While WTO members represented at the meeting are at different levels of development, we were able to identify areas where we share domestic economic goals. We recognize that increased trade is essential to the realization of these goals. We discussed the need to assist the least developed countries including better market access by all WTO members in sectors where they are competitive.

From the perspective of our domestic priorities we discussed the type of agenda we would like to see developed for the first Ministerial Conference. The agenda must be a balanced one, meeting the needs of all members, especially the least developed. It must be based on a realistic assessment of what can be achieved against the backdrop of implementing fully our Uruguay Round obligations. And it must be ambitious to position the WTO to be the dynamic negotiating forum that we as governments require in an evolving and a globalizing economy.

On this basis, we noted that preparatory work should be initiated before, or at, Singapore to help us fulfil the commitments for further work incorporated in the Uruguay Round Agreements. We

noted the commitment for further liberalization in the areas of agriculture and services to commence no later than 1998 and 2000. We noted the commitments to review the rules in several agreements. We had a useful discussion on the WTO built-in future agenda; views were expressed as to the sufficiency and timing of its various elements.

Beyond the existing commitments, we discussed the impact of economic and political trends that have become more marked since the Uruguay Round was conceived and even since the agreements were signed in 1994. Among these are the rapid growth in investment flows, the linkages between trade and competition policy and the potential trade impact of regulatory reform programs which point to the need to begin discussion of these issues in the WTO. We discussed the increasing number of regional trade arrangements. We agreed on the critical importance of ensuring that these initiatives contribute to the strength of the multilateral trading system. We will work with our partners in these arrangements and with our partners in the WTO to achieve this.

The issue of trade and labour standards was discussed. We concluded that a consensus does not yet exist for a constructive dialogue in the WTO on this topic. We noted the work now underway in other relevant institutions, particularly the ILO. Several observed that the onus is on those who advocate a discussion in the WTO to establish a sound analytical basis for such a dialogue. This must include a clear definition of the issues and agreement on the parameters of the discussion. Such parameters must reflect the trade-related competence of the WTO, the consensual nature of the WTO and the commitment of WTO members to a rules-based trading system.

We reviewed the negotiations in services sectors undertaken since WTO ministers last gathered at Marrakesh. This discussion included on-going negotiations in basic telecommunications and maritime services where we acknowledged the need for intensive negotiations and the benefits that would flow from their success. We discussed some of the difficulties experienced with the start-up of the new institution. And we considered the future negotiations process of the multilateral trading system with the inauguration of biennial Ministerial Conferences beginning with the 1996 Singapore Conference. We will continue to discuss with our WTO partners how to provide the necessary political guidance for the trading system.

Our commitment to the multilateral trading system has many sources. It rests on our experience of growth and prosperity flowing from increased trade and investment. It reflects our belief in the equity of a rules-based system shaped by the agreement of all participating governments. These are the inspirations that will guide us as we discuss with our partners in the WTO the preparations for the Singapore Ministerial Conference and the Conferences to follow it in 1998 and 2000.



Lausanne, 2 July 1996

## **Lausanne Informal Ministerial Meeting, 1-2 July 1996**

**Conclusions of the Chairman of the Meeting, Jean-Pascal Delamuraz,  
President of the Confederation**

### **1 Objectives of the Lausanne Meeting**

The Lausanne informal meeting enabled the nine Ministers and seven senior representatives who participated to reconfirm their countries' commitment to an open multilateral trading system. We held a constructive exchange in the context of the informal meetings organized to prepare the first WTO Ministerial Conference, to be held in Singapore from 9 to 13 December 1996.

Ministers from Brazil, Hong Kong, Indonesia, Mexico, Morocco, Norway, Singapore, South Africa and Thailand and senior representatives from Argentina, Australia, Canada, Chile, Hungary, New Zealand and Switzerland discussed the implementation of the Uruguay Round Agreements and the future challenges of the World Trade Organization. The Director-General of the WTO, Renato Ruggiero, also took an active part in the meeting. Our discussions fostered a mutual understanding of the problems we face in a context of increasing economic globalization. I am happy to note that on many issues we reached a common analysis of the situation.

### **2 Status of preparations for the Singapore Ministerial Conference**

The exchange of views on the substantive issues to be taken up at Singapore was preceded by a review of the preparations for the Ministerial Conference in December. We noted that the overall structure of the agenda currently under discussion in the WTO (implementation of the Uruguay Round Agreements; ongoing or unfinished business - including in the services and environment areas; further liberalization; and the future agenda of the WTO) represented a suitable framework for the scheduled Ministerial debates. We considered that on this basis the ongoing dialogue within the WTO should be stepped up in order to develop, through a consensual approach, a set of balanced results at Singapore. We thought it desirable that we should have initial specific recommendations on possible areas for action sufficiently in advance of the Conference. We also stressed the importance we attach to the preparatory process for the Singapore Conference under way in Geneva under the direction of the Director-General of the WTO and the Chairman of the General Council.

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### **3 Implementation of the results of the Uruguay Round**

Our exchange on the implementation of the results of the Uruguay Round and unfinished business led us to recognize that it was essential to preserve the balance embodied in the Marrakesh Agreements. We emphasized that we intended to comply strictly with the commitments we had entered into, in particular with regard to transposing those commitments into domestic legislation. We recognized that a number of the least-developed developing countries might be faced with special difficulties in this respect. We therefore encouraged the Director-General of the WTO, if necessary in collaboration with other international organizations, in particular UNCTAD, to furnish these countries with the support they might need. We assured the Director-General of the WTO of our countries' support in carrying out this task.

### **4 Follow-up to the Marrakesh Agreements**

#### **4.1 Work programme**

With regard to the work programme built into the Marrakesh Agreements, we recognized that it was already very comprehensive and in most cases included precise deadlines. We therefore stressed our intention that these deadlines be strictly observed, in particular with a view to the future negotiations already provided for by the Marrakesh Agreements.

#### **4.2 Unfinished negotiations**

We noted that the objectives we had set ourselves at Marrakesh for the completion of the negotiations in various services sectors had not been met or had only partially been achieved. We regret this, while recognizing the specific difficulties faced in some of these sectors. We believe that the Singapore Conference should provide the occasion for reaffirming at the political level our commitment to finalizing these negotiations in accordance with the agreed new timetables.

#### **4.3 Trade and environment**

Our discussion of the relationship between trade and the environment enabled us first of all to take note of a broad consensus on the importance of a debate on this issue within the WTO and on the fact that the WTO increasingly appears as the key forum for considering this nexus and developing appropriate rules for guiding it. We are encouraged by the keen interest shown by our governments in the interaction between trade and the environment. We also noted with satisfaction the many proposals already tabled within the WTO Committee on Trade and Environment. We are aware that considerable work remains to be done and that in some cases the positions and approaches of the various participants are still far apart. We are nevertheless confident that it should be possible to present specific recommendations for action at Singapore.

#### 4.4 Further liberalization

Our exchange of views on the continuation of the liberalization process led us to note that efforts to improve market access remain a central concern of the WTO, just as they had been at the heart of GATT's action. While aware that our highest priority in the field of liberalization was to ensure strict implementation of the major market opening commitments made under the Uruguay Round, we nevertheless considered that, from the standpoint of the Singapore Conference, it was timely to begin considering areas for possible new initiatives. In this connection, mention was made in particular of the elimination of residual tariffs, the possibility of launching new sectoral initiatives, for example in the sector of information technology, and the establishment of principles of transparency and multilateral disciplines for government procurement. We will pursue our dialogue on these subjects.

#### 4.5 Needs of developing countries

In connection with possible further liberalizing efforts, we noted the specific needs of the least-developed countries, and that special attention must be devoted to them. In this regard we are particularly mindful of ensuring that such countries enjoy the full benefits of liberalization in accordance with our Uruguay Round commitments. We also recognized these countries' needs in terms of accompanying measures in the form of multilateral and bilateral development aid.

#### 4.6 Regionalism

Finally, we noted with satisfaction the recent setting up of the WTO Committee on Regional Trade Arrangements. We consider it of the utmost importance that the welcome efforts aimed at regional liberalization and cooperation should develop in compliance with the fundamental principles of the multilateral trading system and contribute to strengthening it. This is something that should be reaffirmed at the Singapore Ministerial Conference.

### 5 Cross-cutting issues

Our discussion on "cross-cutting" issues enabled us to exchange views on a number of new subjects stemming from the globalization process. In particular, we discussed the relationship between trade and investment and between trade and competition. Some of us also raised the issue of trade and internationally recognized labour standards, on which there is the greatest divergence of views.

We recognized that each of these issues was different in nature, including from the standpoint of the desirability of tackling it within the framework of the WTO. We also noted that the debate at international level on each of them had reached a very different level of maturity. We agreed to pursue our dialogue on these subjects in an open-minded spirit and in a search for consensus. We also recognized that the issues of trade/investment and trade/competition, aspects of which are covered by specific provisions of the WTO Agreements, are the most suitable for focussed consideration in the WTO.

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## **6 Closing remarks**

The fact that we represent a group of medium-sized trading nations which together account for a large part of world trade explains our attachment to a strong multilateral trading system. We all know from experience that our economies cannot make the most of their development potential in isolation from one another. Moreover, we are especially aware of the effects of new forms of interdependence arising out of economic globalization. It is in this spirit that we intend to prepare the Singapore Ministerial Conference, together with all the WTO Members.

Lausanne, le 2 juillet 1996

## **Conférence ministérielle informelle de Lausanne, 1-2 juillet 1996**

**Conclusions du Président de la conférence M. Jean-Pascal Delamuraz,  
Président de la Confédération**

### **1 Objectifs de la Conférence de Lausanne**

La conférence informelle de Lausanne a permis aux neuf Ministres et aux sept autres représentants gouvernementaux qui y ont participé de réitérer l'engagement de leurs pays en faveur d'un système commercial multilatéral ouvert. Nous avons procédé à un échange de vues constructif qui s'inscrit dans le cadre des diverses réunions informelles organisées en vue de préparer la première Conférence ministérielle de l'OMC qui se tiendra à Singapour du 9 au 13 décembre 1996.

Les Ministres de l'Afrique du Sud, du Brésil, de Hong Kong, de l'Indonésie, du Maroc, du Mexique, de la Norvège, de Singapour et de la Thaïlande ainsi que les représentants gouvernementaux de l'Argentine, de l'Australie, du Canada, du Chili, de la Hongrie, de la Nouvelle Zélande et de la Suisse ont traité de la mise en oeuvre des résultats du Cycle d'Uruguay et des futurs défis de l'Organisation mondiale du commerce (OMC). Le Directeur général de l'OMC a également pris une part active à la réunion. Nos travaux ont favorisé une compréhension mutuelle des problèmes auxquels nous sommes confrontés dans un contexte de globalisation croissante des économies. Je me réjouis de constater que, sur de nombreux points, nous sommes parvenus à une analyse commune de la situation.

### **2 Etat de la préparation de la Conférence ministérielle de Singapour**

L'échange de vues sur les questions de substance qui seront abordées à Singapour a été précédé d'une discussion sur l'état de la préparation de la conférence ministérielle de décembre. A cet égard, nous avons constaté que la structure générale de l'ordre du jour actuellement en discussion au sein de l'OMC (mise en vigueur des Accords du Cycle d'Uruguay, travaux en cours ou inachevés - y compris les services et la relation entre le commerce et l'environnement - poursuite du processus de libéralisation et futur ordre du jour de l'OMC) représentait un cadre approprié pour les débats ministériels prévus. Nous avons jugé qu'il convenait, sur cette base, d'accélérer au cours de ces prochains mois le processus de concertation au sein de l'OMC dans le but de développer, par une approche consensuelle, un ensemble de résultats équilibré à Singapour. Nous avons estimé souhaitable de pouvoir disposer, suffisamment tôt avant la Conférence, de premières recommandations concrètes sur des domaines d'action possible. Nous avons aussi souligné l'importance que nous attachions au processus de préparation de la Conférence de Singapour mené à Genève sous la conduite du Directeur général de l'OMC et du Président du Conseil général.

### **3 Mise en oeuvre des résultats du Cycle d'Uruguay**

Nos débats sur la mise en oeuvre des résultats du Cycle d'Uruguay et les travaux inachevés nous ont d'abord amenés à constater qu'il convenait impérativement de préserver les équilibres convenus au titre des accords de Marrakech. Nous avons souligné que nous entendions respecter strictement les engagements auxquels nous avons souscrit, notamment en ce qui concerne la transposition en droit national de ces engagements. Nous avons reconnu qu'un certain nombre de pays en développement parmi les moins avancés pouvaient être confrontés à des difficultés particulières en la matière. Nous avons dès lors encouragé le Directeur général de l'OMC, si nécessaire en collaboration avec d'autres institutions internationales, en particulier avec la CNUCED, d'apporter à ces pays le soutien dont ils pourraient avoir besoin. Nous avons assuré le Directeur général de l'OMC de l'appui de nos pays dans cette tâche.

### **4 Suivi des Accords de Marrakech**

#### **4.1 Programme de travail**

En ce qui concerne le programme de travail découlant des Accords de Marrakech, nous avons constaté qu'il était d'ores et déjà fort complet et assorti d'échéances précises dans la plupart des cas. Nous avons dès lors souligné notre volonté d'observer strictement ces échéances, notamment dans la perspective des futures négociations déjà prévues par les Accords de l'OMC.

#### **4.2 Négociations inachevées**

Nous avons pris note que les objectifs que nous nous étions fixés à Marrakech pour l'achèvement des négociations dans divers secteurs des services n'ont pas pu être atteints, ou ne l'ont été que partiellement. Nous le regrettons tout en reconnaissant les difficultés spécifiques que représentent certains de ces secteurs. Nous estimons qu'il conviendra, à l'occasion de la Conférence de Singapour, de réaffirmer, au niveau politique, notre engagement de mener à terme ces négociations selon les nouvelles échéances convenues.

#### **4.3 Commerce et environnement**

Notre discussion sur la question de la relation entre le commerce et l'environnement nous a d'abord permis de constater un large consensus sur l'importance d'un débat en la matière au sein de l'OMC et sur le fait que celle-ci apparaît de plus en plus comme le forum-clé dans lequel cette relation peut être examinée et où des règles propres à l'encadrer peuvent être développées. Nous sommes encouragés par le vif intérêt que l'interaction du commerce et de l'environnement suscite auprès de nos gouvernements. Nous avons également pris connaissance avec satisfaction des multiples propositions qui ont déjà été présentées dans le cadre des travaux du Comité du commerce et de l'environnement de l'OMC. Nous sommes conscients qu'un travail considérable reste à faire et que dans certains cas les positions et approches des différents participants restent encore éloignées les unes des autres. Nous sommes toutefois confiants que des recommandations en vue d'actions concrètes devraient pouvoir être présentées à Singapour.

#### **4.4 Poursuite du processus de libéralisation**

Notre échange de vues sur la poursuite du processus de libéralisation nous a tout d'abord amenés à noter que les efforts visant à améliorer l'accès aux marchés restaient au centre de la vocation de l'OMC comme ils avaient été au coeur de l'action du GATT. Tout en étant conscients que notre première priorité en matière de libéralisation était d'assurer la stricte mise en oeuvre des importants engagements d'ouverture des marchés convenus au titre du Cycle d'Uruguay, nous avons néanmoins estimé opportun de réfléchir, dans la perspective de la Conférence de Singapour, aux domaines qui pourraient se prêter à de nouvelles initiatives. A ce titre, l'élimination des droits de douane résiduels, la possibilité de lancer de nouvelles initiatives sectorielles, par exemple dans le secteur des technologies de l'information, ainsi que l'établissement de principes de transparence et de disciplines multilatérales en matière d'achats publics ont notamment été mentionnés. Nous poursuivrons notre concertation sur ces domaines.

#### **4.5 Besoins des pays en développement**

Nous avons aussi noté, en relation avec d'éventuels nouveaux efforts de libéralisation, les besoins spécifiques des pays les moins avancés et la nécessité d'y vouer une attention toute particulière. Nous entendons à cet égard faire en sorte que ces pays puissent bénéficier pleinement des avantages de la libéralisation des échanges conformément à nos engagements au titre des Accords du Cycle d'Uruguay. Nous avons aussi reconnu les besoins de ces pays en matière de mesures d'accompagnement au titre de la coopération au développement multilatérale et bilatérale.

#### **4.6 Régionalisme**

Nous avons enfin pris note avec satisfaction du récent établissement du Comité sur le régionalisme de l'OMC. Nous attachons la plus grande importance à ce que les efforts bienvenus de libéralisation et de coopération au niveau des régions se développent dans le respect des principes fondamentaux du système commercial multilatéral et soient une contribution à son renforcement. Il conviendrait que cela soit réaffirmé à l'occasion de la Conférence de Singapour.

### **5 Questions horizontales**

La discussion que nous avons menée sur les questions "horizontales" nous a donné l'occasion d'échanger nos vues sur un certain nombre de nouvelles questions découlant du processus de globalisation. Nous avons ainsi notamment abordé la relation entre le commerce et l'investissement et le commerce et la concurrence. La question des interactions du commerce et des normes du travail internationalement reconnues, sur laquelle les opinions divergent le plus fortement, a également été évoquée par certains d'entre nous.

Nous avons constaté que chacune de ces questions revêtait un caractère différent, y compris en ce qui concerne l'opportunité de les aborder au sein de l'OMC. Nous avons aussi constaté que le débat international sur chacune d'elles avait un degré de maturité fort différent. Nous avons convenu de poursuivre notre dialogue en la matière dans un esprit d'ouverture et de recherche du consensus. Nous avons aussi reconnu que les

sujets commerce-investissement et commerce-concurrence, dont certains aspects font d'ores et déjà l'objet de dispositions des Accords de l'OMC, se prêtent le mieux à des travaux ciblés au sein de l'OMC.

## **6 Remarques finales**

Le fait que nous représentons un groupe de nations commerçantes de moyenne dimension qui réalisent collectivement une part importante du commerce mondial explique notre attachement à un système commercial multilatéral fort. Nous savons tous d'expérience que nos économies ne peuvent tirer le meilleur profit de leur potentiel de développement isolément les unes des autres. Nous sommes de plus particulièrement sensibles aux effets des nouvelles interdépendances nées de la globalisation des économies. C'est dans cet esprit que nous entendons préparer, avec l'ensemble des membres de l'OMC, la Conférence ministérielle de Singapour.



Informal Ministerial Meeting in Hong Kong  
20 November 1998

Joint Ministerial Statement

Ministers and their representatives from Argentina; Australia; Chile; the Czech Republic; Hong Kong, China; Hungary; Republic of Korea; Mexico; New Zealand; Singapore; Switzerland; Thailand and Uruguay met in the Hong Kong Special Administrative Region on 20 November 1998 and discussed preparations for the World Trade Organisation's Third Ministerial Conference, which is to take place in the United States just over a year from now.

We recalled that successive rounds of multilateral trade negotiations have laid the foundation for the expansion of international trade under a rule-based system.

We agreed that the challenge now – especially in the light of the financial crisis – was to build on that foundation through continuing to strengthen the multilateral framework of rules and through further progressive trade liberalisation.

We reaffirmed that markets must be kept open. Binding WTO commitments have so far prevented backsliding into protectionism. We agreed that full and timely implementation of existing WTO agreements and obligations is crucial for the realisation of further broad-based negotiations. But we did not regard the status quo as enough.

Our exchange led us to a common perception that economies now needed more opportunities to trade their way to renewed prosperity and improved employment. In other words, we regarded the further expansion of international trade as an urgently needed part of the solution to the financial crisis.

WTO Members are already committed to resume negotiations in certain areas from 31 December 1999. However, we concluded that a new comprehensive round of multilateral trade negotiations is the best way to maximise gains for all WTO Members. We felt that a single undertaking, with results binding on all WTO Members, would produce greater benefits for all than any other approach.

All of us emphasised the need for balance. We recognised that new negotiations would need to pay particular attention to and take full account of the special concerns of developing and least developed economies.

We noted that the momentum in favour of further broad-based negotiations was growing. But views were expressed that increasingly active, collective leadership would be required, including from the major trading economies and the United States as the host of the Third Ministerial Conference, and that greater efforts would be needed in order to build consensus among all WTO Members.

In the light of these very fruitful discussions, we agreed that WTO Members could, and should, provide a powerful response to the financial crisis by agreeing to launch a further round of broad-based and balanced negotiations in the year 2000. Our objective would be to secure a high quality outcome within a short duration. Such a commitment would in our view send a strong signal that the multilateral trading system will act expeditiously to strengthen the basis for improved long-term prosperity.

## G7/8 SUMMITS - TRADE EXCERPTS

November 15-17, 1975	Rambouillet Economic Summit
June 27-28, 1976	Puerto Rico Economic Summit
May 6-8, 1977	London Economic Summit
June 16-17, 1978	Bonn Economic Summit
June 28-29, 1979	Tokyo Economic Summit
June 22-23, 1980	Venice Economic Summit
June 19-21, 1981	Ottawa Economic Summit
June 4-6, 1982	Versailles Economic Summit
May 28-30, 1983	Williamsburg Economic Summit
June 7-9, 1984	London Economic Summit
May 2-4, 1985	Bonn Economic Summit
May 4-6, 1986	Tokyo Economic Summit
June 8-10, 1987	Venice Economic Summit
June 19-21, 1988	Toronto Economic Summit
June 14-16, 1989	Paris Economic Summit
July 9-11, 1990	Houston Economic Summit
July 15-17, 1991	London Economic Summit
July 6-8, 1992	Munich Economic Summit
July 7-9, 1993	Tokyo Economic Summit
July 8-10, 1994	Naples Economic Summit
June 15-17, 1995	Halifax Economic Summit
June 28, 1996	Lyon Economic Summit
June 22, 1997	Denver Economic Summit
May 17, 1998	Birmingham Economic Summit
June 18-20, 1999	Koln Economic Summit
July 21-23, 2000	Okinawa Economic Summit
June/July, 2001	Genoa, Italy



## G8 COMMUNIQUÉ OKINAWA 2000

Okinawa, 23 July 2000

### Preamble

1. We, the Leaders of eight major industrialised democracies and the President of the European Commission, met together here in Okinawa for the 26th Summit in the year which heralds a new millennium. We reflected upon the challenges faced and progress made since the First Summit in Rambouillet in working toward peace and prosperity throughout the world, and we discussed the role the G8 should play as it evolves in the 21st century.
2. During the last quarter of the 20th century, the world economy has achieved unprecedented levels of prosperity, the Cold War has come to an end, and globalisation has led to an emerging common sense of community. Driving these developments has been the global propagation of those basic principles and values consistently advocated by the Summiteers—democracy, the market economy, social progress, sustainable development and respect for human rights. Yet we are keenly aware that even now in many parts of the world poverty and injustice undermine human dignity, and conflict brings human suffering.
3. As we make the transition into the new century, we will continue to exercise leadership and responsibility in addressing these persistent problems and squarely face new challenges as they arise. We must tackle the root causes of conflict and poverty. We must bravely seize the opportunities created by new technologies in such areas as information and communications technology (IT) and life sciences. We must acknowledge the concerns associated with globalisation, while continuing to be innovative in order to maximise the benefits of globalisation for all. In all our endeavours we must build on our basic principles and values as the foundations for a brighter world in the 21st century.
4. In a world of ever-intensifying globalisation, whose challenges are becoming increasingly complex, the G8 must reach out. We must engage in a new partnership with non-G8 countries, particularly developing countries, international organisations and civil society, including the private sector and non-governmental organisations (NGOs). This partnership will bring the opportunities of the new century within reach of all.
5. We hope that our discussions in Okinawa provide a positive contribution to the United Nations Millennium Summit, which we expect to articulate, in the spirit of the Secretary-General's report "We the Peoples", a vision that will guide the United Nations as it rises to the challenges of the new century. To that end, we will continue to work for a strengthened, effective and efficient United Nations and remain convinced that reforms of the United Nations, including the Security Council, are indispensable.
6. A new era dawns. Let us move forward together, with hope, toward a 21st century of greater prosperity, deeper peace of mind and greater stability.

# **Toward a 21st century of greater prosperity**

## **World Economy**

7. The 20th century has achieved unprecedented economic progress. Yet the financial and economic crises of the past few years have presented enormous challenges for the world economy. Together with many of our partners around the world, we have devoted ourselves to alleviating the adverse effects of the crisis, stimulating economic recovery, and identifying ways to help prevent future upheavals, including measures to strengthen the international financial architecture. The world economy will grow strongly this year, and we are particularly encouraged by the strength of recovery in most crisis-affected countries.
8. While the pace of recovery varies across Asia, trade is expanding and indeed some countries have achieved dynamic growth. Reform efforts must now focus on maintaining the momentum behind financial and corporate sector reforms, improving public and private sector governance and transparency, and strengthening social safety nets to ensure strong, sustainable growth and avoid future instability.
9. Despite recent positive developments in the world economy, we recognise that there is no time for complacency as globalisation intensifies and the rapid diffusion of IT brings about fundamental structural changes to our economies. There are encouraging signs of a new reality in the improvement of productivity in the United States and, to a lesser extent, in other G8 economies. But to capitalise on the opportunities before us, we must renew our unwavering commitment to structural change in our own economies, including greater competition and more adaptable labour markets, underpinned by appropriate macro-economic policies.

## **Information and Communications Technology (IT)**

10. IT empowers, benefits and links people the world over, allows global citizens to express themselves and know and respect one another. It also has immense potential for enabling economies to expand further, countries to enhance public welfare and promote stronger social cohesion and thus democracy to flourish. Access to the digital opportunities must, therefore, be open to all.
11. We clearly recognise that the process of globalisation and the fast pace at which IT is advancing have engendered various concerns. We need to address such concerns so that we can contribute to greater peace of mind for all. Acting in concert, we will maximise the benefits of IT and ensure that they are spread to those at present with limited access. In this regard, we welcome contributions from the private sector, such as those of the Global Digital Divide Initiative of the World Economic Forum and Global Business Dialogue on Electronic Commerce (GBDe).
12. In support of these goals, we commit ourselves to pursuing the aims and ambitions set out in the Okinawa Charter on the Global Information Society. We will set up a Digital Opportunities Task Force (dot force), which will be asked to report to our next meeting its findings and recommendations on global action to bridge the international information and knowledge divide.

## **Development**

13. The 21st century must be a century of prosperity for all, and we commit ourselves to the agreed international development goals, including the overarching objective of reducing the share of the world's population living in extreme poverty to half its 1990 level by 2015. We welcome the Report on Poverty Reduction by Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) which we requested in Cologne, and we look forward to receiving an annual poverty report as we review progress each year in reducing poverty across the globe. This report shows that progress is possible where the right conditions are created for growth and social development. But it reminds us of the vast challenges that remain. While the percentage of poor in developing countries declined from 29% in 1990 to 24% in 1998, there are still 1.2 billion people living on less than one dollar a day and there are marked differences both within and between regions. In particular, many developing countries, notably in Africa, are growing too slowly. The HIV/AIDS pandemic aggravates the situation.
14. As the report indicates, many countries have made significant progress in overcoming poverty in the past quarter century, and their example is a beacon of hope for others. From their success, we have learned that poverty can best be overcome in resilient, peaceful, and democratic societies with freedom and opportunity for all, growing and open economies and dynamic private sectors, and strong and accountable leaders and institutions.
15. Robust, broad-based and equitable economic growth is needed to fight poverty and rests on expanding people's capabilities and choices. Government must, in co-operation with the private sector and broader civil society, establish economic and social foundations for broad-based, private sector growth. Small and medium sized enterprises, together with the opportunities presented by IT can be powerful tools for development. We will work with developing countries to put in place policies, programmes and institutions that offer people a fair chance to better their lives. We therefore welcome the constructive discussions of the Tenth Meeting of the United Nations Conference on Trade and Development (UNCTAD X) in Bangkok, and will work in the United Nations and other fora to further reduce poverty, especially in the Least Developed Countries (LDCs).
16. We also welcome the increasing co-operation between the International Labour Organisation (ILO) and the International Financial Institutions (IFIs) in promoting adequate social protection and core labour standards. We urge the IFIs to incorporate these standards into their policy dialogue with member countries. In addition, we stress the importance of effective co-operation between the World Trade Organisation (WTO) and the ILO on the social dimensions of globalisation and trade liberalisation.
17. Trade and investment are critical to promoting sustainable economic growth and reducing poverty. We commit ourselves to put a higher priority on trade-related capacity-building activities. We are also concerned that certain regions remain marginalised as regards foreign direct investment, and that the 48 LDCs attract less than 1% of total foreign direct investment flows to the developing countries. We urge multilateral development organisations and financial institutions to support developing countries' efforts to create a favourable trade and investment climate, including through the Poverty Reduction Strategy Papers (PRSPs) and the Integrated Framework (IF).
18. We are particularly concerned about the severity of the challenges facing the LDCs, particularly those in Africa, which are held back from sharing in the fruits of globalisation by a debilitating and self-reinforcing combination of conflict,

poverty and weak governance.

19. We are committed to mobilising the instruments and resources of the international community to support and reinforce the efforts of these countries to combat and overcome these challenges, with particular priority on promoting equitable distribution of the benefits of growth through sound social policies, including regarding health and education. To this end, as we set out in detail below, we have agreed to:
  - Push forward the Heavily Indebted Poor Countries (HIPC) debt initiative;
  - Provide significantly improved access to our markets;
  - Strengthen the effectiveness of our official development assistance (ODA);
  - Implement an ambitious plan on infectious diseases, notably HIV/AIDS, malaria and tuberculosis (TB);
  - Follow up vigorously the conclusions of the recent Dakar Conference on Education by ensuring that additional resources are made available for basic education;
  - Address the widening digital divide;
  - Implement measures to prevent conflict, including by addressing the issue of illicit trade in diamonds.
20. ODA is essential in the fight against poverty. We commit ourselves to strengthening the effectiveness of our ODA in support of countries' own efforts to tackle poverty, including through national strategies for poverty reduction. We will take a long-term approach favouring those countries where governments have demonstrated a commitment to improve the well-being of their people through accountable and transparent management of resources devoted to development. To achieve increased effectiveness of ODA, we resolve to untie our aid to the Least Developed Countries on the basis of progress made in the Organisation for Economic Co-operation and Development (OECD) to date and a fair burden-sharing mechanism that we will agree with our OECD partners. We believe that this agreement should come into effect on 1 January 2002. In the meantime, we urge those countries which maintain low levels of untying of ODA to improve their performance. We will also seek to demonstrate to the public that well-targeted ODA gets results, and on that basis will strive to give increased priority to such assistance. Well co-ordinated assistance is helpful for developing countries and we will consider how best to improve such co-ordination.
21. We also agree to give special attention to three issues - debt, health, and education, as a spur to growth.

#### *Debt*

22. Last year in Cologne, we agreed to launch the Enhanced HIPC Initiative to deliver faster, broader and deeper debt relief, releasing funds for investment in national poverty reduction strategies. We welcome endorsement of this initiative by the international community last autumn.
23. Since then, while further efforts are required, progress has been made in implementing the Enhanced HIPC Initiative. Nine countries (Benin, Bolivia,

Burkina Faso, Honduras, Mauritania, Mozambique, Senegal, Tanzania and Uganda) have already reached their Decision Points and are seeing the benefits of the Initiative. Total debt relief under the HIPC Initiative for these countries should amount to more than US\$15 billion in nominal terms (US\$8.6 billion in Net Present Value).

24. We welcome the efforts being made by HIPCs to develop comprehensive and country-owned poverty reduction strategies through a participatory process involving civil society. IFIs should, along with other donors, help HIPCs prepare PRSPs and assist their financial resource management by providing technical assistance. We are concerned by the fact that a number of HIPCs are currently affected by military conflicts which prevent poverty reduction and delay debt relief. We call upon these countries to end their involvement in conflicts and to embark quickly upon the HIPC process. We agree to strengthen our efforts to help them prepare and come forward for debt relief, by asking our Ministers to make early contact with the countries in conflict to encourage them to create the right conditions to participate in the HIPC Initiative. We will work together to ensure that as many countries as possible reach their Decision Points, in line with the targets set in Cologne, giving due consideration to the progress of economic reforms and the need to ensure that the benefits of debt relief are targeted to assist the poor and most vulnerable. We will work expeditiously together with HIPCs and the IFIs to realise the expectation that 20 countries will reach the Decision Point within the framework of the Enhanced HIPC Initiative by the end of this year. In this regard, we welcome the establishment of the Joint Implementation Committee by the World Bank and the IMF. We for our part will promote more responsible lending and borrowing practices to ensure that HIPCs will not again be burdened by unmanageable debt.
25. We note the progress made in securing the required financing of the IFIs for effective implementation of the Enhanced HIPC Initiative, and welcome pledges including those to the HIPC Trust Fund. We reaffirm our commitment to make available as quickly as possible the resources we have pledged in the spirit of fair burden sharing.

### *Health*

26. Health is key to prosperity. Good health contributes directly to economic growth whilst poor health drives poverty. Infectious and parasitic diseases, most notably HIV/AIDS, TB and malaria, as well as childhood diseases and common infections, threaten to reverse decades of development and to rob an entire generation of hope for a better future. Only through sustained action and coherent international co-operation to fully mobilise new and existing medical, technical and financial resources, can we strengthen health delivery systems and reach beyond traditional approaches to break the vicious cycle of disease and poverty.
27. We have committed substantial resources to fighting infectious and parasitic diseases. As a result, together with the international community, we have successfully arrived at the final stage of polio and guinea worm eradication, and have begun to control onchocerciasis.
28. But we must go much further and we believe that the conditions are right for a step change in international health outcomes. We have widespread agreement on what the priority diseases are and basic technologies to tackle much of the health burden are in place. In addition there is growing political leadership and recognition in the most afflicted countries that health is central to economic development. We particularly welcome the success of the recent HIV/AIDS



conference held in Durban and the importance attached to tackling HIV/AIDS by African leaders, donors, international financial institutions and the private sector.

29. We therefore commit ourselves to working in strengthened partnership with governments, the World Health Organisation (WHO) and other international organisations, industry (notably pharmaceutical companies), academic institutions, NGOs and other relevant actors in civil society to deliver three critical UN targets:
- Reduce the number of HIV/AIDS-infected young people by 25% by 2010 (UN Secretary-General Report to the General Assembly on 27/3/2000);
  - Reduce TB deaths and prevalence of the disease by 50% by 2010 (WHO Stop TB Initiative);
  - Reduce the burden of disease associated with malaria by 50% by 2010 (WHO Roll Back Malaria).
30. In order to achieve this ambitious agenda our partnership must aim to cover:
- Mobilising additional resources ourselves, and calling on the MDBs to expand their own assistance to the maximum extent possible;
  - Giving priority to the development of equitable and effective health systems, expanded immunisation, nutrition and micro-nutrients and the prevention and treatment of infectious diseases;
  - Promoting political leadership through enhanced high-level dialogue designed to raise public awareness in the affected countries;
  - Committing to support innovative partnerships, including with the NGOs, the private sector and multilateral organisations;
  - Working to make existing cost-effective interventions, including key drugs, vaccines, treatments and preventive measures more universally available and affordable in developing countries;
  - Addressing the complex issue of access to medicines in developing countries, and assessing obstacles being faced by developing countries in that regard;
  - Strengthening co-operation in the area of basic research and development on new drugs, vaccines and other international public health goods.
31. We note with encouragement new commitments in these areas. We strongly welcome the World Bank's commitment to triple International Development Association (IDA) financing for HIV/AIDS, malaria, and TB. We also welcome the announcements to expand assistance in this area made by bilateral donors.
32. In addition, we will convene a conference in the autumn this year in Japan to deliver agreement on a new strategy to harness our commitments. The conference should look to define the operations of this new partnership, the areas of priority and the timetable for action. Participation of developing country partners and other stakeholders will be essential. We will take stock of progress at the Genoa Summit next year and will also work with the UN to organise a conference in 2001 focusing on strategies to facilitate access to AIDS treatment and care.

## Education

33. Every child deserves a good education. But in some developing countries access to education is limited, particular for females and the socially vulnerable. Basic education not only has intrinsic value, but is also key to addressing a wide range of problems faced by developing countries. Without accelerated progress in this area, poverty reduction will not be achieved and inequalities between countries and within societies will widen. Building on the Cologne Education Charter, we therefore support the Dakar Framework for Action as well as the recommendations of the recently concluded follow-up to the Fourth World Conference on Women, and welcome the efforts of developing countries to implement strong national action plans. We reaffirm our commitment that no government seriously committed to achieving education for all will be thwarted in this achievement by lack of resources.
34. We therefore commit ourselves to strengthen efforts bilaterally and together with international organisations and private sector donors to achieve the goals of universal primary education by 2015 and gender equality in schooling by 2005. We call on IFIs, in partnership with developing countries, to focus on education in their poverty reduction strategies and provide greater assistance for countries with sound education strategies. These strategies should maximise the potential benefits of IT in this area through distance learning wherever possible and other effective means.

## Trade

35. The multilateral trading system embodied by the WTO, which represents the achievements of half a century of untiring efforts on the part of the international community to realise rule-based free trade, has provided its Members, developed and developing countries alike, with enormous trade opportunities, spurring economic growth and promoting social progress. In order to extend these benefits to a greater number of countries in a more tangible manner, the system needs to better address legitimate concerns of its developing country members, particularly the LDCs. The adoption of the short-term package in Geneva, regarding implementation of Uruguay Round undertakings, increased market access for the LDCs, technical assistance for enhanced capacity building as well as improvement in WTO transparency, was an important first step in this direction and must be pursued expeditiously. We recognise the need to go further with greater urgency in this area. And we will do so. In particular, in view of critical importance of trade for the development of developing countries, trade-related capacity building should be substantially expanded, which would be conducive to the more effective participation of developing countries in the system, and especially to fuller utilisation of improved market access in their favour. We also commend bilateral and regional initiatives in this regard. We commit ourselves to playing a leading role by strengthening our support to developing country members for capacity building in line with their individual needs. We also call on international organisations including the WTO, the World Bank, the IMF, the United Nations Development Programme (UNDP), and UNCTAD, to join with us in working collectively toward this objective.
36. We must ensure that the multilateral trading system is strengthened and continues to play its vital role in the world economy. Recognising this responsibility, we are firmly committed to a new round of WTO trade negotiations with an ambitious, balanced and inclusive agenda, reflecting the interests of all WTO members. We agree that the objective of such negotiations should be to enhance market access, develop and strengthen WTO rules and disciplines, support developing countries in achieving economic growth and

integration into the global trading system, and ensure that trade and social policies, and trade and environmental policies are compatible and mutually supportive. We agree to intensify our close and fruitful co-operation in order to try together with other WTO members to launch such a round during the course of this year.

37. We recognise that more comprehensive partnership must be developed to help address the challenges of globalisation. In this regard, international and domestic policy coherence should be enhanced, and co-operation between the international institutions should be improved. We also underline the importance of our engagement with our publics to establish a constructive dialogue on the benefits and challenges of trade liberalisation.
38. It is in our common interest to integrate all economies into the multilateral trading system. We therefore welcome the progress made on China's accession to the WTO and support the efforts of other applicants toward early accession.

### **Cultural Diversity**

39. Cultural diversity is a source of social and economic dynamism which has the potential to enrich human life in the 21st century, as it inspires creativity and stimulates innovation. We recognise and respect the importance of diversity in linguistic and creative expression. We welcome the work of relevant international organisations, in particular the United Nations Educational, Scientific and Cultural Organisation (UNESCO), in this field.
40. Increased interaction among peoples, groups and individuals is bringing greater understanding of and appreciation for what is interesting and good in every culture. Promoting cultural diversity enhances mutual respect, inclusion and non-discrimination, and combats racism and xenophobia. We renew our strong support for the work of the United Nations in its preparations for the UN World Conference against Racism to be held in South Africa in 2001. The first steps toward enhancing cultural diversity are the preservation and promotion of cultural heritage. We welcome efforts already made to preserve tangible heritage and call for further efforts toward the preservation and promotion of intangible heritage. We encourage programmes dedicated to protect movable art and archaeological wealth in developing countries, as well as UNESCO's projects on Masterpieces of the Oral and Intangible Heritage of Humanity.
41. Increased encounters between different cultures foster creative cultural interaction. IT opens up unprecedented opportunities for individuals to create and share cultural content and ideas inexpensively and world wide. Experience shows that diversity can arouse interest, engender initiative and be a positive factor in communities seeking to improve their economies, particularly when assisted by the extraordinary means of the IT society. We shall strive to promote the digitalisation of cultural heritage through, for example, fostering international links between national museum systems, with a view to enhancing public access.
42. To maximise the benefits of cultural interaction, we must encourage our peoples to learn to live together by nurturing interest, understanding and acceptance of different cultures. We therefore welcome the results of the G8 Education Ministers' Meeting on the promotion of education that fosters understanding of different cultures and non-mother tongue languages and encourage competent authorities to promote exchange of students, teachers, researchers and administrators with the goal of doubling the rate of mobility over the next ten years.

# Toward a 21st century of deeper peace of mind

## Crime and Drugs

43. Everyone deserves a life free from the threat of crime. Rapid globalisation has opened up new opportunities for pursuing more fulfilling lives. But it has also created new room for criminal exploitation, challenging the basic rules of our social, economic and political systems. We reaffirm our support for the adoption by the end of 2000 of the United Nations Transnational Organised Crime Convention and three related Protocols on firearms, smuggling of migrants and trafficking in persons for the establishment of an effective legal framework against transnational organised crime (TOC). We are particularly concerned to fight against those who organise and take advantage of illegal immigration and human trafficking. We appreciate the work undertaken by the Lyon Group in the fight against TOC, and request them to report back to our next meeting. We also endorse the results of the Moscow G8 Ministerial Conference on Combating Transnational Organised Crime.
44. We must take a concerted approach to high-tech crime, such as cyber-crime, which could seriously threaten security and confidence in the global information society. Our approach is set out in the Okinawa Charter on Global Information Society. Taking this forward, we will promote dialogue with industry, including at the joint Berlin meeting in October. We welcome the results and the momentum created by the Government/Industry Dialogue on Safety and Confidence in Cyberspace in Paris, and look forward to the second High-level Meeting on High-tech Crime with industry to be held in Japan.
45. We reaffirm our concern at the increasing global threat posed by the trafficking and use of illegal drugs. We remain committed to reducing demand in our own countries, and to countering the threat from the production and trafficking of illicit drugs globally. We will work with other countries, the UN system and other groups to reduce both supply and demand. We will support regional initiatives to end narcotics production and trafficking. We urge universal implementation of the conclusions of the 1998 UN Special Session on countering the world drugs problem. We are also committed to strengthening international co-operation to:
  - Combat the illicit diversion of precursor chemicals for the production of illegal drugs;
  - Address the growing new threat from amphetamines and other synthetic drugs, and will convene an ad hoc meeting of drugs experts by the end of this year;
  - Accelerate the pace of work on asset confiscation;
  - Examine, by means of an international conference hosted by the United Kingdom, the global economy of illegal drugs.
46. Financial crime, including money laundering, poses a serious threat to our economies and societies. We hereby declare our commitment to take all necessary national and international action to effectively combat financial crime, in line with international standards.
47. We renew our commitment to combat corruption. We stress the need for transparency in government in this regard, and call for the ratification and

effective implementation of the OECD Anti-Bribery Convention by all signatory parties. Working with other countries, we will prepare for the launch of negotiations in the United Nations on a new instrument against corruption, and instruct the Lyon Group to pursue work on this issue. We look forward to the Second Global Forum to be hosted by the Netherlands as a continued response to our call at Birmingham.

48. Enhanced investigation and prosecution of crime requires enhanced judicial co-operation. We direct our experts to find ways to do so.
49. We must assist capacity-building efforts in the more vulnerable jurisdictions to strengthen their criminal justice systems, in order to prevent criminal groups from threatening their social, economic and political structures and exploiting them as loopholes in the global framework to fight crime.
50. We must also protect vulnerable groups and the young in the fight against crime, and provide particular care for the victims of crime. We reaffirm the need for effective co-operation among competent authorities and for measures to be taken in co-operation with civil society.

### Ageing

51. The progressive ageing of our populations compels us to rethink the conventional concept of a three-stage life cycle of education, employment and retirement. As the vitality of our societies increasingly depends on active participation by older people, we must foster economic and social conditions, including IT-related developments, that allow people of all ages to remain fully integrated into society, to enjoy freedom in deciding how to relate and contribute to society, and to find fulfilment in doing so. The concept of "active ageing", as articulated at the Denver Summit, remains our guiding principle in this endeavour.
52. The central challenge is to promote a culture that values the experience and knowledge that come with age. To this end, we will:
  - Make further efforts to remove inappropriate disincentives for people below retirement age to stay in the labour market;
  - Counter age prejudice in employment;
  - Encourage life-long learning so that people can remain active through the accelerating transition toward an information society;
  - Pursue healthy ageing policies that permit a continued high quality of life;
  - Seek to increase relevant cross-national research, including comparable longitudinal surveys;
  - Engage with the private sector and civil society in promoting older people's participation in community and volunteer activities.
53. In pursuing these objectives we attach continued importance to international co-operation and policy dialogue, and encourage the OECD to continue its work in this area.
54. We look forward to the upcoming meeting of G8 Labour and Social Affairs Ministers in Italy in November.

### *Biotechnology/Food Safety*

55. Maintenance of effective national food safety systems and public confidence in them assumes critical importance in public policy. We are committed to continued efforts to make systems responsive to the growing public awareness of food safety issues, the potential risks associated with food, the accelerating pace of developments in biotechnology, and the increasing cross-border movement of food and agricultural products.
56. The commitment to a science-based, rule-based approach remains a key principle underlying these endeavours. The on-going work in international fora to develop and refine such an approach needs to be accelerated. In particular, we attach strong importance to the work of the CODEX Alimentarius Commission (CAC), the principal standard-setting body in food safety, and encourage its Ad Hoc Intergovernmental Task Force on Foods Derived from Biotechnology to produce a substantial interim report before completion of its mandate in 2003. We also support the efforts of the CAC's Committee on General Principles to achieve greater global consensus on how precaution should be applied to food safety in circumstances where available scientific information is incomplete or contradictory.
57. Policy dialogue, engaging all stakeholders and including both developed and developing countries, must be intensified to advance health protection, facilitate trade, ensure the sound development of biotechnology, and foster consumer confidence and public acceptance. The report by the OECD Ad Hoc Group on Food Safety and the work of the Task Force for the Safety of Novel Foods and Feeds and the Working Group on Harmonisation of Regulatory Oversight of Biotechnology represent a useful step in this direction. We welcome the further work agreed by OECD ministers. We note with approval that the OECD will continue to undertake analytical work and to play an effective role in international policy dialogue on food safety, maintaining its engagement with civil society and seeking to share its work in this area with countries outside the organisation's membership. Drawing on its comparative advantages, the work of the OECD will effectively complement the activities of other international organisations, in particular the Food and Agriculture Organisation (FAO) and WHO. We also encourage the FAO and WHO to organise periodic international meetings of food safety regulators to advance the process of science-based public consultations.
58. In pursuing this dialogue we will pay particular attention to the needs, opportunities and constraints in developing countries. We will work to strengthen our support for their capacity building to harness the potentials of biotechnology, and encourage research and development as well as data and information sharing in technologies, including those that address global food security, health, nutritional and environmental challenges and are adapted to specific conditions in these countries.
59. Open and transparent consultation with and involvement of all stakeholders, including representatives of civil society, supported by shared scientific understanding, is a key component of a credible food and crop safety system. We note the proposal to establish an independent international panel put forward at the recent OECD Edinburgh Conference. Building on the success of that Conference, we will explore, in consultation with international organisations and

interested bodies including scientific academies, the way to integrate the best scientific knowledge available into the global process of consensus building on biotechnology and other aspects of food and crop safety.

### *Human Genome*

60. Advances in life science continuously improve our quality of life. Opening new medical frontiers points to unprecedented opportunities for the benefit of humankind and will have to be achieved taking account of principles of bioethics.
61. The announcement of the nearly complete mapping of the human genome, a momentous discovery in itself, constitutes a further dramatic and welcome step in this development.
62. We consider this mapping to be critically important for all humanity and call for the further rapid release of all raw fundamental data on human DNA sequences as such. We also emphasise the importance of pursuing the post genome-sequence research on the basis of multilateral collaboration.
63. We recognise the need for a balanced and equitable intellectual property protection for gene-based inventions, based wherever possible on common practices and policies. We encourage further efforts in relevant international fora to achieve broad harmonisation of patenting policies of biotechnological inventions. Environment
64. We must all work to preserve a clean and sound environment for our children and grandchildren. We welcome the results of the G8 Environment Ministers' Meeting in Otsu. We also welcome the conclusion of the Cartagena Protocol on Biosafety, and encourage the parties concerned to work for its early entry into force.
65. We will endeavour with all our partners to prepare a future-oriented agenda for Rio+10 in 2002. We are strongly committed to close co-operation among ourselves and with developing countries to resolve as soon as possible all major outstanding issues, with a view to early entry into force of the Kyoto Protocol. To that end, we are determined to achieve a successful outcome at the Sixth Conference of the Parties to the Framework Convention on Climate Change (COP6), in order to achieve the goals of the Kyoto Protocol through undertaking strong domestic actions and supplemental flexibility mechanisms.
66. Working together and with existing institutions to encourage and facilitate investment in the development and use of sustainable energy, underpinned by enabling domestic environments, will assist in mitigating the problems of climate change and air pollution. To this end, the increased use of renewable energy sources in particular will improve the quality of life, especially in developing countries. We therefore call on all stakeholders to identify the barriers and solutions to elevating the level of renewable energy supply and distribution in developing countries. We invite stakeholders to join in a Task Force to prepare concrete recommendations for consideration at our next Summit regarding sound ways to better encourage the use of renewables in developing countries.
67. We fully endorse the conclusions of our Foreign Ministers regarding sustainable forest management. In this regard, we attach particular importance to projects that help indigenous and local communities practice sustainable forest management. We will also examine how best we can combat illegal logging,

including export and procurement practices.

68. Export credit policies may have very significant environmental impacts. We welcome the adoption of the OECD work plan to be completed by 2001. We reaffirm our commitment to develop common environmental guidelines, drawing on relevant MDB experience, for export credit agencies by the 2001 G8 Summit. We will co-operate to reinvigorate and intensify our work to fulfil the Cologne mandate.
69. Strengthening international maritime safety is vital for the protection of the ocean environment, a global heritage. We will jointly co-operate with the International Maritime Organisation (IMO) to improve maritime safety. We endorse efforts by the IMO to strengthen safety standards, in particular for ships carrying dangerous or polluting cargo, and to verify implementation and enforcement of the application of international standards by flag States. We also endorse efforts by coastal states to enhance safety of navigation and protection of their marine environment through the use, where appropriate, of IMO-adopted routing and reporting measures. We encourage the early achievement of these goals.
70. We welcome the IMO efforts to pursue practical reform of current international regimes on maritime pollution, in particular the 1992 Convention on Civil Liability for Oil Pollution Damage and the 1992 International Oil Pollution Compensation (IOPC) Convention with respect to, inter alia, better compensation.

### **Nuclear Safety**

71. We renew the commitment we made at the 1996 Moscow Summit to safety first in the use of nuclear power and achievement of high safety standards world wide. We agreed to continue to co-operate in promoting a high standard of nuclear safety. We continue to attach great importance to the full and timely implementation of the Nuclear Safety Account Grant Agreement.

### **Toward a 21st century of greater world stability**

#### **Conflict Prevention**

72. The international community should act urgently and effectively to prevent and resolve armed conflict. Many people have been sacrificed and injured, many economies have been impoverished, and much devastation has been visited upon the environment. In an ever more interdependent world such negative effects spread rapidly. Therefore, a "Culture of Prevention" should be promoted throughout the global community. All members of the international community should seek to promote the settlement of disputes by peaceful means in accordance with the Charter of the United Nations.
73. We underline the importance of the work done by our Foreign Ministers on conflict prevention since their special meeting in December 1999 in Berlin and the Conclusions of their July 2000 meeting in Miyazaki. We commit ourselves to work for their implementation particularly with respect to economic development and conflict prevention, children in conflict, and international civilian police. We express special concern that the proceeds from the illicit trade in diamonds have contributed to aggravating armed conflict and humanitarian crises, particularly in Africa. We therefore call for an international conference, whose results shall be submitted to the UN, building on the UN



Security Council Resolution 1306 and inter alia the 'Kimberley' process launched by the Government of South Africa, to consider practical approaches to breaking the link between the illicit trade in diamonds and armed conflict, including consideration of an international agreement on certification for rough diamonds. The UN Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects next year requires strong support to ensure a successful outcome, including earliest possible agreement on the Firearms Protocol. We invite the international community to exercise restraint in conventional arms exports, and are committed to work jointly to this end. We invite our Foreign Ministers to examine further effective measures to prevent conflicts.

### **Disarmament, Non-proliferation and Arms Control**

74. We welcome the successful outcome of the 2000 Nuclear Non-Proliferation Treaty (NPT) Review Conference. We are determined to implement the conclusions reached at this Conference, including the early entry into force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) and the immediate commencement and the conclusion within five years of negotiations for the Fissile Material Cut-Off Treaty. We remain committed to promoting universal adherence to and compliance with the NPT.
75. We look forward to the early entry into force and full implementation of the Strategic Arms Reduction Treaty (START) II and to the conclusion of START III as soon as possible, while preserving and strengthening the Anti-Ballistic Missile (ABM) Treaty as a cornerstone of strategic stability and as a basis for further reductions of strategic offensive weapons, in accordance with its provisions. We welcome the ratification of the CTBT and START II by Russia.
76. The transparent, safe, secure, environmentally sound and irreversible disposition and management of weapon-grade plutonium no longer required for defence purposes remains vital. The agreement on plutonium disposition reached between the United States and Russia, reinforced by their statement of intention concerning non-separation of additional weapon-grade plutonium, marks a critical milestone. The co-operation among the G8 countries has yielded significant results and our next steps should build on this co-operation and related international projects.
77. Our goal for the next Summit is to develop an international financing plan for plutonium management and disposition based on a detailed project plan, and a multilateral framework to co-ordinate this co-operation. We will expand our co-operation to other interested countries in order to gain the widest possible international support, and will explore the potential for both public and private funding.
78. We welcome the reinforcement of global regimes to prevent proliferation of weapons of mass destruction and their delivery systems. We also recognise the need to examine and promote further multilateral measures to curb missile proliferation. In this regard, we strongly support the important work of the Missile Technology Control Regime (MTCR) and will consider the proposal for a Global Monitoring System. We will work to increase the level of international contributions to the Russian chemical weapons destruction programme. We commit ourselves to work with others to conclude the negotiations on the Verification Protocol to strengthen the Biological Weapons Convention as early as possible in 2001.

### **Terrorism**

79. We renew our condemnation of all forms of terrorism regardless of their motivation. We are determined to combat them. We call for the urgent strengthening of international co-operation, in particular in exchanges of counter-terrorism information, improving measures against the financing of terrorist activities, and working together to bring terrorists to justice. We welcome the adoption of the International Convention for the Suppression of the Financing of Terrorism. We call for all states to become parties to the twelve international counter-terrorism conventions to enhance international co-operation against terrorism.

80. We are deeply concerned at the increased number of terrorist acts, including hijacking and taking of hostages. We express our great concern over the continuing pattern of terrorist activities in many regions. We will continue to raise this in our bilateral contacts, carefully monitor developments and maintain close co-operation between us.

81. In this regard, emphasising the international concern over the terrorist threat emanating from Afghan territory under the control of the Taliban, we call for full implementation of the UNSCR 1267.

#### Next Summit

82. We have accepted the invitation of the Prime Minister of Italy to meet in Genoa next year. To enhance communications in the meantime, we have agreed to establish an e-mail network among ourselves.

## G8 COMMUNIQUÉ KÖLN 1999

1. We, the Heads of State and Government of eight major democracies and the President of the European Commission, met in Köln for the 25th Economic Summit. On the threshold of the new millennium we discussed growing opportunities as well as forward-looking solutions to the challenges facing our nations and the international community.

2. Globalization, a complex process involving rapid and increasing flows of ideas, capital, technology, goods and services around the world, has already brought profound change to our societies. It has cast us together as never before. Greater openness and dynamism have contributed to the widespread improvement of living standards and a significant reduction in poverty. Integration has helped to create jobs by stimulating efficiency, opportunity and growth. The information revolution and greater exposure to each others' cultures and values have strengthened the democratic impulse and the fight for human rights and fundamental freedoms while spurring creativity and innovation. At the same time, however, globalization has been accompanied by a greater risk of dislocation and financial uncertainty for some workers, families and communities across the world.

3. The challenge is to seize the opportunities globalization affords while addressing its risks to respond to concerns about a lack of control over its effects. We must work to sustain and increase the benefits of globalization and ensure that its positive effects are widely shared by people all over the world. We therefore call on governments and international institutions, business and labor, civil society and the individual to work together to meet this challenge and realize the full potential of globalization for raising prosperity and promoting social progress while preserving the environment.

### I. Getting the World Economy on Track for Sustained Growth

4. Since we met last year in Birmingham, the world economy has faced major challenges. Progress has been achieved in addressing the crisis and laying the foundations for recovery. Policy steps aimed at supporting growth in the major industrialized countries and important policy actions leading to stronger performance in some emerging markets have improved the economic outlook. A number of substantial challenges still remain. We therefore renew our commitment to pursue appropriate macroeconomic policies and structural reforms. These will contribute to more balanced growth in the world economy, thereby reducing external imbalances.

5. The world economy is still feeling the effects of the financial crises that started in Asia two years ago. Without an open, rules-based world trading system and the beneficial flows of goods and services it encourages, the countries affected would be having much greater difficulty recovering from these crises and stabilizing their economies.

6. We welcome the outline agreements recently reached by Russia with the IMF and the World Bank and look forward to their speedy implementation as a further important

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step in Russia's reform program. Once an IMF agreement is in place, we encourage the Paris Club to act expeditiously to negotiate a debt rescheduling agreement with Russia. In order to support Russia's efforts towards macroeconomic stability and sustainable growth, we encourage the Paris Club to continue to deal with the problem of the Russian debt arising from Soviet era obligations, aiming at comprehensive solutions at a later stage once Russia has established conditions that enable it to implement a more ambitious economic reform program.

7. We agreed to intensify our dialogue within the G8 structures on the longer term social, structural and economic reform in Russia. To this end, we have instructed our personal representatives to ensure the overall continuity and cohesion of the work among the G8 on this subject. Particular emphasis should be given to concrete areas of cooperation such as small business development, strengthened cooperation with regions, health, the social impact of economic transformation. We agreed to deepen our cooperation on law enforcement, fighting organized crime and money laundering, including as they relate to capital flight.

## II. Building a World Trading System That Works for Everyone

8. The multilateral trading system incorporated in the World Trade Organization (WTO) has been key to promoting international trade and investment and to increasing economic growth, employment and social progress. We therefore renew our strong support for the WTO and our commitment to an open trade and investment environment. We call on all nations to resist protectionist pressures and to open their markets further. We encourage those states not yet members of the WTO to join it, by accepting its principles.

9. Given the WTO's vital role, we agree on the importance of improving its transparency to make it more responsive to civil society while preserving its government-to-government nature. We pledge to work for a successful ministerial meeting in Seattle in order to launch the new round. We will also seek a more effective way within the WTO for addressing the trade and environment relationship and promoting sustainable development and social and economic welfare worldwide.

10. We therefore call on all nations to launch at the WTO Ministerial Conference in Seattle in December 1999 a new round of broad-based and ambitious negotiations with the aim of achieving substantial and manageable results. All members should have a stake in the process. We encourage all members to make proposals for progress in areas where developing countries and in particular least developed countries can make solid and substantial gains; all countries should contribute to and benefit from the new round. An effective new round of trade negotiations should help pave the way for the further integration of the developing countries into the world economy. In this context we reaffirm our commitment made in Birmingham last year to the least developed countries on improved market access. We also urge greater cooperation and policy coherence among international financial, economic, labor and environmental organizations.

11. Because trade is increasingly global, the consequences of developments in biotechnology must be dealt with at the national and international levels in all the appropriate fora. We are committed to a science-based, rules-based approach to addressing these issues.

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### III. Designing Policies for More Employment

12. One of the most urgent economic problems is the high level of unemployment in many countries. We reaffirm the importance of intensified international cooperation and enhanced efforts at the national level to design the right policies for more employment. To strengthen the foundations for sustainable growth and job creation, we strongly emphasize a two-tiered approach:

- promoting structural reforms to enhance the adaptability and competitiveness of our economies and to help the long-term unemployed to return to the labor market;
- pursuing macroeconomic policies for stability and growth and ensure that monetary and fiscal policies are well balanced.

13. The greater the adaptability of our economies, the greater the likelihood that economic growth will result in more employment. We therefore strongly support the elimination of structural rigidities in labor, capital and product markets, the promotion of entrepreneurship and innovation, investment in human capital, reform of the tax/benefit systems to strengthen economic incentives and encourage employment, and development of an innovative and knowledge-based society.

14. We also endorse the G8 Labor Ministers' conclusions at their conference in Washington last February, namely to provide social safety nets that support employment, to prevent long-term unemployment by early action, to facilitate job search by offering labor market information and employment services, to promote lifelong learning and new forms of work organization, to ensure equal access to the labor market for all workers, including job entrants and older workers, and to take forward the social dialogue.

### IV. Investing in People

15. Basic education, vocational training, academic qualifications, lifelong upgrading of skills and knowledge for the labor market, and support for the development of innovative thinking are essential to shape economic and technical progress as we move towards a knowledge-based society. They also enrich individuals and foster civic responsibility and social inclusion.

16. In support of these goals, we agree to pursue the aims and ambitions set out in the Köln Charter.

17. Adaptability, employability and the management of change will be the primary challenges for our societies in the coming century. Mobility between jobs, cultures and communities will be essential. And the passport to mobility will be education and lifelong learning for everyone.

18. To this end, we support an increase in exchanges of teachers, administrators and students among the nations of the Eight and with other nations and invite our experts to identify the main obstacles to increased exchanges and to come forward with appropriate proposals before the next Summit. We call upon the Organization for Economic Cooperation and Development (OECD) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) to study how different countries are attempting to raise education standards, for example by looking at best practices in the recruitment, training, compensation and accountability of the teaching profession internationally. We commit ourselves to explore jointly ways to work together and through international institutions to

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help our own countries as well as developing nations use technology to address learning and development needs, for example, through distance learning.

## V. Strengthening Social Safeguards

19. As the process of globalization has gained momentum, it has brought with it important social and economic progress. At the same time, rapid change and integration has left some individuals and groups feeling unable to keep up and has resulted in some dislocation, particularly in developing countries. We therefore need to take steps to strengthen the institutional and social infrastructure that can give globalization a "human face" and ensure increasing, widely shared prosperity.

20. Social security policies, including social safety nets, must be strong enough to encourage and enable individuals to embrace global change and liberalization and to improve their chances on the labor market, while enhancing social cohesion. We recognize that faced with financial constraints, it is vital to strike a sustainable balance between social support programs and greater personal responsibility and initiative.

21. We are convinced that the countries most seriously affected by the recent economic and financial crises will sustain a speedier recovery if they create and improve the necessary social infrastructure. It is therefore particularly important to maintain investment in basic social services during times of crisis. Budgetary priorities and flexibility should enhance the quality of social infrastructure and investment.

22. Democracy, the rule of law, good governance and respect for human rights and for core labor standards are further indispensable prerequisites for social stability. The development of well-functioning and corruption-free institutions that are cost-effective, transparent and accountable to the public must complement the process of liberalization.

23. We call on the International Financial Institutions (IFIs) to support and monitor the development of sound social policy and infrastructure in developing countries. We commend actions already being taken in this regard. We urge the International Monetary Fund (IMF) to give more attention to this issue in designing its economic programs and to give particular priority to core budgets such as basic health, education and training to the extent possible, even during periods of fiscal consolidation. We welcome the efforts of the World Bank, in collaboration with the UN, to develop principles of good practice in social policy and their work to strengthen partnerships with borrower countries through the comprehensive development network. We invite the World Bank and the IMF to work together to develop a set of policies and practices that can be drawn upon, by donors and borrowers alike, in the design of adjustment programs that ensure the protection of the most vulnerable.

24. We support improved exchange of information, including analysis of the cost and benefits of social safety nets, within the UN, the OECD, and in other appropriate fora on the design and implementation of social reforms.

25. We commit ourselves to promote effective implementation of the International Labor Organization's (ILO) Declaration On Fundamental Principles and Rights at Work and its Follow-up. We also welcome the adoption of the ILO Convention on the Elimination of the Worst Forms of Child Labor. We further intend to step up work with developing countries to improve their capacity to meet their obligations. We support the strengthening of the ILO's capacity to assist countries in implementing core labor standards.

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26. We also welcome the increasing cooperation between the ILO and the IFIs in promoting adequate social protection and core labor standards. We urge the IFIs to incorporate these standards into their policy dialogue with member countries. In addition, we stress the importance of effective cooperation between the WTO and the ILO on the social dimensions of globalization and trade liberalization.

## VI. Deepening the Development Partnership

27. Developing countries are essential partners in a globalized world. We are committed to working with them, especially with the poorest countries, to eradicate poverty, launch effective policies for sustainable development and develop their capacity to integrate better into the global economy, thus benefiting from the opportunities offered by globalization.

- We will continue to provide substantial support and assistance to developing and transition economies in support of their own efforts to open and diversify their economies, to democratize and improve governance, and to protect human rights.
- We will strive gradually to increase the volume of official development assistance (ODA), and to put special emphasis on countries best positioned to use it effectively.
- To ease future debt burdens and facilitate sustainable development, we agree to increase the share of grant-based financing in the ODA we provide to the least developed countries.
- Non-governmental organizations also have an important role to play.
- While international assistance and debt relief are clearly important, their positive effects depend on sound national efforts towards economic and structural reform and good governance, where the private sector and civil society are able to play productive roles.
- We intend to step up work with developing countries and multilateral institutions to improve developing country capacity to exercise their rights and meet their obligations in the global trading system so as to ensure that they derive the full benefits of liberalized trade and thus contribute to global economic growth.
- We call on the UN and the IFIs to help developing countries mobilize sufficient means for social services and basic infrastructure and continue to support and to mainstream democratization, good governance and the rule of law into country development strategies.
- We reaffirm our support for the OECD mandate to finalize a recommendation on untying aid to the least developed countries. We call on OECD members to bring this effort to a successful conclusion as soon as possible.

28. We reaffirm our commitment to contribute to the achievement of economic and social development in Africa, Asia and Latin America. We will review the situation in that regard every year, on the basis of reports by the IFIs and the relevant regional development banks, on the alleviation of poverty.

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## VII. Launching the Köln Debt Initiative

29. We have decided to give a fresh boost to debt relief to developing countries. In recent years the international creditor community has introduced a number of debt relief measures for the poorest countries. The Heavily Indebted Poor Countries (HIPC) framework has made an important contribution in this respect. Recent experience suggests that further efforts are needed to achieve a more enduring solution to the problem of unsustainable debt burdens. To this end we welcome the 1999 Köln Debt Initiative, which is designed to provide deeper, broader and faster debt relief through major changes to the HIPC framework. The central objective of this initiative is to provide a greater focus on poverty reduction by releasing resources for investment in health, education and social needs. In this context we also support good governance and sustainable development.

30. We are aware that new proposals will require additional substantial financing. While several means of financing are under consideration, credible progress in identifying additional funding possibilities is needed, and we stand ready to help with financing solutions. In this context we recognize the importance of fair burden sharing among creditors.

## VIII. Redoubling Efforts to Protect the Environment

31. To underscore our commitment to sustainable development we will step up our efforts to build a coherent global and environmentally responsive framework of multilateral agreements and institutions. We support the outcome of the G8 Environment Ministers' meeting in Schwerin and will expedite international cooperation on the establishment, general recognition and continual improvement of environmental standards and norms. We agree that environmental considerations should be taken fully into account in the upcoming round of WTO negotiations. This should include a clarification of the relationship between both multilateral environmental agreements and key environmental principles, and WTO rules.

32. We agree to continue to support the Multilateral Development Banks in making environmental considerations an integral part of their activities and we will do likewise when providing our own support. We will work within the OECD towards common environmental guidelines for export finance agencies. We aim to complete this work by the 2001 G8 Summit.

33. We reaffirm that we consider climate change an extremely serious threat to sustainable development. We will therefore work towards timely progress in implementing the Buenos Aires Plan of Action with a view to early entry into force of the Kyoto Protocol. In particular, we encourage decisions on the operation of the Kyoto mechanisms and on a strong and effective compliance regime. We underline the importance of taking action to reduce greenhouse gas emissions through rational and efficient use of energy and through other cost-effective means. To this end, we commit ourselves to develop and implement domestic measures including under the UN Framework Convention on Climate Change. We also agreed to exchange experience on best practices. We will also promote increasing global participation of developing countries in limiting greenhouse gas emissions. We welcome the action already taken by developing countries and stress the need to support their efforts through financial mechanisms, the development and transfer of technology, and capacity-building. We note the important role that the Clean Development Mechanism (CDM) can play in these areas. We also welcome the intention



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announced by some developing countries in Buenos Aires to undertake further commitments to abate their greenhouse gas emissions.

## **IX. Promoting Non-proliferation, Arms Control and Disarmament**

34. Strengthening the international non-proliferation regime and disarmament measures is one of our most important international priorities. We intend to build a broad international partnership on expanded threat reduction to address security, arms control, decommissioning and non-proliferation requirements while reducing risks to the environment. This will build on efforts currently being undertaken and planned by G8 countries and others. We are committed to increased resources for these purposes and encourage all other interested countries to join us.

35. We recognize the continuing need to protect and manage weapons-grade fissile material, especially plutonium. In past years, G8 countries have worked on the issue of managing weapons-grade nuclear material no longer required for defense purposes. We affirm our intention to establish arrangements for the safe management of such fissile material. We strongly support the concrete initiatives being undertaken by G8 countries and others for scientific and technical cooperation necessary to support future large-scale disposition programs. We invite all interested countries to support projects for early implementation of large-scale programs and urge establishment of a joint strategy. We recognize that an international approach to financing will be required involving both public and private funds, and we will review potential increases in our own resource commitments prior to the next G8 Summit.

36. We are deeply concerned about recent missile flight tests and developments in missile proliferation, such as actions by North Korea. We undertake to examine further individual and collective means of addressing this problem and reaffirm our commitment to the objectives of the Missile Technology Control Regime (MTCR).

37. Effective export control mechanisms are essential for achieving a broad range of our arms control and non-proliferation objectives. We will continue to look for ways to strengthen these mechanisms. At the same time we stress the role of the Nuclear Suppliers' Group in preventing nuclear proliferation.

38. One year after the nuclear tests by India and Pakistan, we reiterate our concerns and reaffirm our statement from the Birmingham Communiqué. Recent missile tests have further increased tension in the region. We encourage both countries to follow first positive steps already undertaken by joining international non-proliferation and disarmament efforts and taking the steps set out in UN Security Council resolution 1172.

## **X. Tackling Global Challenges**

39. In many countries, violent conflicts and civil wars continue to be an obstacle to making good use of the opportunities of globalization. Effective crisis prevention and management must address the root causes of these conflicts. These causes include the political manipulation of ethnic tensions, economic and social inequality, and extreme poverty as well as the absence of democracy, the rule of law and good political and economic governance. They are often exacerbated by human rights violations, environmental degradation, scarcity of resources, rapid population growth and the rapid spread of diseases.

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40. In order to improve our ability to prevent crises, it is necessary, consistent with the principles and purposes of the UN Charter, to:

- enhance the capacity to recognize and address the potential for conflict at an early stage. Risks and causes of violent conflicts must be more effectively monitored and the information shared to forestall them;
- ensure that our security, economic, environmental and development policies are properly coordinated and are conducive to the prevention of violent conflict. We will, in our dialogue with other countries and international institutions, work to coordinate our policies;
- recognize the important role the United Nations plays in crisis prevention and seek to strengthen its capacity in this area;
- monitor systematically military expenditures in the larger context of public expenditure patterns and in the macroeconomic context for growth and development;
- encourage and support the efforts of regional organizations and arrangements to expand their jurisdictional and operational ability, in accordance with international law, to help control and resolve conflict in their area;
- promote a free press, establish fair electoral processes, help improve the democratic accountability and functioning of legislatures, of judicial systems and of the military and the police forces, and improve human rights monitoring and advocacy.

41. We are concerned at the continuing global spread of AIDS. We reaffirm the need to continue efforts to combat AIDS at the national and international level through a combined strategy of prevention, vaccine development and appropriate therapy. We welcome and support the coordinating and catalytic role of UNAIDS in the fight against AIDS. We call on co-sponsors and other partners to cooperate in the formulation of clear goals, strategies and initiatives at both the global and regional level.

42. We also pledge to continue our national and international efforts in the fight against infectious and parasitic diseases, such as malaria, polio and tuberculosis, and their drug-resistant forms. In particular we will continue to support the endeavors of the World Health Organization and its initiatives "Roll Back Malaria" and "Stop TB". We call on governments to adopt these recommended strategies.

43. In light of the increasing importance of issues concerning food safety we invite the OECD Working Group on Harmonization of Regulatory Oversight of Biotechnology and the OECD Task Force for the Safety of Novel Foods and Feeds to undertake a study of the implications of biotechnology and other aspects of food safety. We invite OECD experts to discuss their findings with our personal representatives. We ask the latter to report to us by the next Summit on possible ways to improve our approach to these issues through international and other institutions, taking into account the reflections underway in other fora.

44. We welcome the growing recognition by the international community of the damaging effects of all forms of corruption and the coming into force of the OECD Anti-Bribery Convention in February 1999. We hope that more countries will ratify the Convention. We applaud the results and planned follow-up of the international conference on anti-corruption efforts, attended by over 80 countries including all G8 partners, and the

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OECD conference on anti-corruption efforts, both held in the United States in February 1999. In the context of the UN Crime Convention, we urge that acts of corruption involving public officials be made criminal offenses.

45. We will sustain the momentum of international efforts to combat transnational organized crime and the threat it represents to political, financial and social stability worldwide. We commend the work of the Senior Experts Groups on Transnational Organized Crime and on Terrorism and urge them to continue their work, in particular for an early conclusion of the negotiations of UN conventions and protocols on organized crime. We also call for more rapid progress of negotiations on the UN Convention on the Financing of Terrorism. We ask the two expert groups to report back to us next year. We reaffirm our commitment to tackle the drug issue, in particular through active implementation of the conclusions of the 1998 UN General Assembly Special Session on the World Drug Program. We welcome the upcoming Ministerial Meeting on Crime to be held in Moscow this fall.

46. We renew the commitment we made at the 1996 Moscow Summit to safety first in the use of nuclear power and the achievement of high safety standards worldwide. In this regard, we attach great importance to the results of the Nuclear Safety Convention peer review meeting and to the International Atomic Energy Agency Conference on Strengthening Nuclear Safety in Eastern Europe.

47. We reaffirm our commitment to strengthen cooperation in the field of nuclear safety. We welcome the concerted efforts to address the Year 2000 computer problem ("Millennium Bug") in this area. With regard to the Nuclear Safety Account, we continue to attach great importance to full and timely implementation of the grant agreements.

48. There has been real progress since the Birmingham Summit in tackling the "Millennium Bug". But there is still much to do. We will maintain vigorous programs of action to ensure our own Year 2000 readiness and to minimize the potential impact on our countries and on the world as a whole. We urge all other governments to do the same. In these efforts, high priority should be given to the key infrastructure sectors – energy, telecommunications, financial services, transport and health – as well as to defense, the environment and public safety. Public confidence will be crucial and will depend heavily upon transparency and openness as to the state of preparation in critical sectors. Governments, international organizations, infrastructure providers and information technology suppliers will need to ensure a regular flow of reliable information to the general public. It will be important, as the date approaches, for responsible bodies to have in place contingency plans to cope with system failures that may occur in the most sensitive areas despite intensive preparations. We urge third countries to do the same. We will maintain close cooperation among ourselves and with others on this as well as other aspects of the problem. We shall convene a special G8 conference on contingency planning later this year.

#### Next Summit

49. We have accepted the invitation of the Prime Minister of Japan to meet in Okinawa (Kyushu) on 21-23 July next year.



## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **RAMBOUILLET ECONOMIC SUMMIT**

November 15-17, 1975

8. As domestic recovery and economic expansion proceed, we must seek to restore growth in the volume of world trade. Growth and price stability will be fostered by maintenance of an open trading system. In a period where pressures are developing for a return to protectionism, it is essential for the main trading nations to confirm their commitment to the principles of the OECD (Organization for Economic Cooperation and Development) pledge and to avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social and political fields. There is a responsibility on all countries, especially those with strong balance of payments positions and on those with current deficits to pursue policies which will permit the expansion of world trade to their mutual advantage.

9. We believe that the multilateral trade negotiations should be accelerated. In accordance with the principles agreed to in the Tokyo Declaration, they should aim at achieving substantial tariff cuts, even eliminating tariffs in some areas, and at significantly expanding agricultural trade and at reducing non-tariff measures. They should seek to achieve the maximum possible level of trade liberalization therefrom. We propose as our goal completion of the negotiations in 1977.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### *Appendix*

We are committed to providing strong political leadership for the global effort to expand opportunities for trade and to strengthen the open international trading system. Achievement of these goals is central to world economic prosperity and the effective resolution of economic problems faced by both developed and developing countries throughout the world.

Policies of protectionism foster unemployment, increase inflation and undermine the welfare of our peoples. We are therefore agreed on the need to maintain our political commitment to an open and non-discriminatory world trading system. We will seek both nationally and through the appropriate international institutions to promote solutions that create new jobs and consumer benefits through expanded trade and to avoid approaches which restrict trade.

The Tokyo round of Multilateral Trade Negotiations must be pursued vigorously. The continuing economic difficulties make it even more essential to achieve the objectives of the Tokyo Declaration and to negotiate a comprehensive set of agreements to the maximum benefit of all. Toward this end, we will seek this year to achieve substantive progress in such key areas as:

- 1) A tariff reduction plan of broadest possible application designed to achieve a substantial cut and harmonization and in certain cases the elimination of tariffs;

### **PUERTO RICE ECONOMIC SUMMIT**

June 27-28, 1976

14. In the trade area, despite the recent recession, we have been generally successful in maintaining an open trading system. At the OECD we reaffirmed our pledge to avoid the imposition of new trade barriers.

15. Countries yielding to the temptation to resort to commercial protectionism would leave themselves open to a subsequent deterioration in their competitive standing: the vigor of their economies would be affected while at the same time chain reactions would be set in motion and the volume of world trade would shrink, hurting all countries. Wherever departures from the policy set forth in the recently renewed OECD trade pledge occur, elimination of the restrictions involved is essential and urgent. Also, it is important to avoid deliberate exchange rate policies which would create severe distortions in trade and lead to a resurgence of protectionism.

16. We have all set ourselves the objective of completing the Multilateral Trade Negotiations by the end of 1977. We hereby reaffirm that objective and commit ourselves to make every effort through the appropriate bodies to achieve it in accordance with the Tokyo Declaration.

17. Beyond the conclusion of the trade negotiations we recognize the desirability of intensifying and strengthening relationships among the major trading areas with a view to long-term goal of a maximum expansion of trade.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

In all areas of the negotiations the summit countries look forward to working even more closely with the developing countries. We seek to insure for all participants a sound and balanced result, which adequately takes into account the needs of developing countries, for example, through special and differential treatment, and which brings about their greater participation in the benefits and obligations of the world trading system.

At last year's Downing Street summit we rejected a protectionist course for world trade. We agreed to give a new impetus to the Tokyo Round. Our negotiators have fulfilled that commitment. Today we charge them, in cooperation with the other participants, to resolve the outstanding issues and to conclude successfully the detailed negotiations by Dec. 15, 1978.

18. We note with satisfaction the renewal of the pledge to maintain an open-market oriented economic system made by the OECD Council of Ministers last month. Today's world economic problems cannot be solved by relapsing into open or concealed protectionism.

19. We welcome the statement on positive adjustment policy made by the OECD Ministers. There must be a readiness over time to accept and facilitate structural change. Measures to prevent such change perpetuate economic inefficiency, place the burden of structural change on trading partners and inhibit the integration of developing countries into the world economy. We are determined in our industrial, social, structural and regional policy initiatives to help sectors in difficulties, without interfering with international competition and trade flows.

20. We note the need for countries with large current account deficits to increase exports and for countries with large current account surpluses to facilitate increases in imports. In this context the United States is firmly committed to improve its export performance and is examining measures to this end. The Prime Minister of Japan has stated that he wishes to work for the increase of imports through the expansion of domestic demand and various efforts to facilitate imports. Furthermore, he has stated that in order to cope with the immediate situation of unusual surplus, the Government of Japan is taking a temporary and extraordinary step of calling for moderation in exports with the aim of keeping the total volume of Japan's exports for the fiscal year of 1978 at or below the level of fiscal 1977.

### **LONDON ECONOMIC SUMMIT**

May 6-8, 1977

We will provide strong political leadership to expand opportunities for trade to strengthen the open international trading system, which will increase job opportunities. We reject protectionism: It would foster unemployment, increase inflation and undermine the welfare of our peoples. We will give a new impetus to the Tokyo round of Multilateral Trade Negotiations. Our objective is to make substantive progress in key areas in 1977. In this field structural changes in the world economy must be taken into consideration.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

32. We reaffirm our determination to avoid a harmful export credit race. To this end we shall work with the other participants to strengthen the International Arrangement on Export Credits, with a view to reaching a mutually acceptable solution covering all aspects of the Arrangement by 1 December 1980. In particular, we shall seek to bring its terms closer to current market conditions and reduce distortions in export competition, recognizing the differentiated treatment of developing countries in the Arrangement.

33. As a further step in strengthening the international trading system, we commit our governments to work in the United Nations toward an agreement to prohibit illicit payments to foreign government officials in international business transactions. If that effort falters, we will seek to conclude an agreement among our countries, but open to all, with the same objective.

### **TOKYO ECONOMIC SUMMIT**

June 28-29, 1979

6. The agreements reached in the Tokyo Round are an important achievement. We are committed to their early and faithful implementation. We renew our determination to fight protectionism. We want to strengthen the GATT, both to monitor the agreements reached in the MTNs and as an instrument for future policy in maintaining the open world trading system. We will welcome the full participation of as many countries as possible in these agreements and in the system as a whole.

### **BONN ECONOMIC SUMMIT**

July 16-17, 1978

17. We reaffirm our determination to expand international trade one of the driving forces for more sustained and balanced economic growth. Through our joint efforts we will maintain and strengthen the open international trading system. We appreciate and support the progress as set forth in the framework of understanding on the Tokyo Round of multilateral trade negotiations made public in Geneva, July 13, 1978, even though within this framework of understanding some difficult and important issues remain unresolved.

The successful conclusion of these negotiations, the biggest yet held, would mean not just a major trade-liberalization program extending over the 1980's but the most important progress yet made in the GATT in relation to nontariff measures. Thus the GATT rules would be brought more closely into line with the requirements of the next decade - particularly in relation to safeguards - in ways which would avoid any weakening of the world trading system and be of benefit to all trading countries, developed and developing alike. A substantially higher degree of equity and discipline in the international trading system would be achieved by the creation of new mechanisms in many fields for consultation and dispute settlement. Uniform application of the GATT rules is vital and we shall move in that direction as soon as possible.



## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **OTTAWA ECONOMIC SUMMIT**

July 19-21, 1981

21. We reaffirm our strong commitment to maintaining liberal trade policies and to the effective operation of an open multilateral trading system as embodied in the GATT.
22. We will work together to strengthen this system in the interest of all trading countries, recognizing that this will involve structural adaption to changes in the world economy.
23. We will implement the agreements reached in the Multilateral Trade Negotiations and invite other countries, particularly developing countries, to join in these mutually beneficial trading arrangements.
24. We will continue to resist protectionist pressures, since we recognize that any protectionist measure, whether in the form of overt or hidden trade restrictions or in the form of subsidies to prop up declining industries, not only undermines the dynamism of our economies but also, over time, aggravates inflation and unemployment.
25. We welcome the new initiative represented by the proposal of the Consultative Group of Eighteen that the GATT Contracting Parties convene a meeting at Ministerial level during 1982, as well as that of the OECD countries in their programme of study to examine trade issues.
26. We will keep under close review the role played by our countries in the smooth functioning of the multilateral trading system with a view to ensuring maximum openness of our markets in a spirit of reciprocity, while allowing for the safeguard measures provided for in the GATT.
27. We endorse efforts to reach agreement by the end of this year on reducing subsidy elements in official export credit schemes.

### **VENICE ECONOMIC SUMMIT**

June 22-23, 1980

30. We are resolved further to strengthen the open world trading system. We will resist pressures for protectionist actions, which can only be self-defeating and aggravate inflation.
31. We endorse the positive conclusion of the multilateral trade negotiations and commit ourselves to early and effective implementation. We welcome the participation of some of our developing partners in the new non-tariff codes and call upon others to participate. We also call for the full participation of as many countries as possible in strengthening the system of the General Agreement on Tariffs and Trade. We urge the more advanced of our developing partners gradually to open their markets over the coming decade.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **LONDON ECONOMIC SUMMIT**

June 7-9, 1984

9. to urge all trading countries, industrialised and developing alike, to resist continuing protectionist pressures, to reduce barriers to trade and to make renewed efforts to liberalise and expand international trade in manufactures, commodities and services;

10. to accelerate the completion of current trade liberalisation programmes, particularly the 1982 GATT work programme, in co-operation with other trading partners; to press forward with the work on trade in services in the international organisations; to reaffirm the agreement reached at the OECD Ministerial Meeting in May 1984 on the important contribution which a new round of multilateral trade negotiations would make to strengthening the open multilateral trading system for the mutual benefit of all economies, industrial and developing; and, building on the 1982 GATT work programme, to consult partners in the GATT with a view to decisions at an early date on the possible objectives, arrangements and timing for a new negotiating round.

### **WILLIAMSBURG ECONOMIC SUMMIT**

May 28-30, 1983

3. We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

### **VERSAILLES ECONOMIC SUMMIT**

June 4-6, 1982

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment through trade and growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

20. In the meantime, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay Round as a whole and as a step towards the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilizing world markets, would worsen the negotiating climate and, more generally, damage trade relations.

### **TOKYO ECONOMIC SUMMIT**

May 4-6, 1986

12. The open multilateral trading system is one of the keys to the efficiency and expansion of the world economy. We reaffirm our commitment to halting and reversing protectionism, and to reducing and dismantling trade restrictions. We support the strengthening of the system and functioning of the GATT, its adaption to new developments in world trade and to the international economic environment, and the bringing of new issues under international discipline. The New Round should, inter alia, address the issues of trade in services and trade related aspects of intellectual property rights and foreign direct investment. Further liberalization of trade is, we believe, of no less importance for the developing countries than for ourselves, and we are fully committed to the preparatory process in the GATT with a view to the early launching of the New Round of multilateral trade negotiations. We shall work at the September Ministerial meeting to make decisive progress in this direction.

13. We note with concern that a situation of global structure surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection of agriculture in all our countries. This harms the economics of certain developing countries and is likely to aggravate the risk of wider protectionist pressures. This is a problem which we all share and can be dealt with only in cooperation with each other. We all recognize the importance of agriculture to the well-being of rural communities, but we are agreed that, when there are surpluses, action is needed to redirect policies and adjust structure of agricultural production in the light of world demand. We recognize the importance of understanding these issues and express our determination to give full support to the work of the OECD in this field.

### **BONN ECONOMIC SUMMIT**

May 2-4, 1985

10. Protectionism does not solve problems; it creates them. Further tangible progress in relaxing and dismantling existing trade restrictions is essential. We need new initiatives for strengthening the open multilateral trading system. We strongly endorse the agreement reached by the OECD Ministerial Council that a new GATT round should begin as soon as possible. Most of us think that this should be in 1986. We agree that it would be useful that a preparatory meeting of senior officials should take place in the GATT before the end of summer to reach a broad consensus on subject matter and modalities for such negotiations. We also agree that active participation of a significant number of developed and developing countries in such negotiations is essential. We are looking to a balanced package for negotiation.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

15. Basing ourselves on the Ministerial Declaration on the Uruguay Round and on the principles of the GATT, we call on all Contracting Parties to negotiate comprehensively, in good faith and with all due despatch, with a view to ensuring mutual advantage and increased benefits to all participants. Canada, Japan, the United States and the European Community will table a wide range of substantive proposals in Geneva over the coming months. Progress in the Uruguay Round will be kept under close political review. In this context the launching, the conduct and the implementation of the outcome of the negotiations should be treated as parts of a single undertaking, however, agreements reached at an early stage might be implemented on a provisional or definitive basis by agreement prior to the formal conclusion of the negotiations, and should be taken into account in assessing the overall balance of the negotiations.

16. A strong, credible, working GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. The functioning of the GATT should be improved through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; and through ensuring better coordination between the GATT and the IMF and the World Bank. We consider that it would be useful to have, as appropriate, in the course of the negotiations, a meeting of the Trade Negotiating Committee at the Ministerial level.

17. At Tokyo we recognized the serious nature of the agricultural problem. We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognized the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued the approach outlined at Tokyo, and we take satisfaction from the agreement in the Ministerial Declaration adopted in Punta del Este on the objectives for the negotiations on agriculture in the Uruguay Round.

18. We reaffirm our commitment to the important agreement on agriculture set out in the OECD Ministerial communique of May 13, 1987; in particular, the statement of the scope and urgency of the problem which require that a concerted reform of agricultural policies be implemented in a balanced and flexible manner; the assessment of the grave implications, for developed and developing countries alike, of the growing imbalances in supply of and demand for the main agricultural products; the acknowledgment of shared responsibility for the problems as well as for their equitable, effective and durable resolution; the principles of reform and the action required. The long-term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.

19. We underscore our commitment to work in concert to achieve the necessary adjustments of agricultural policies, both at home and through comprehensive negotiations in the Uruguay Round. In this as in other fields, we will table comprehensive proposals for negotiations in the coming months to be conducted in accordance with the mandate in the Ministerial Declaration, and we intend to review at our next meeting the progress achieved and the tasks that remain.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

the diversity of our agricultural situations, our negotiators in Geneva must develop a framework approach which includes short-term options in line with long-term goals concerning the reduction of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade. The objective of the framework approach would be to make the agricultural sector more responsive to market signals.

19. As the Uruguay Round enters a more difficult phase, it is vital to ensure the momentum of these ambitious negotiations. The Mid-Term Review will provide a unique opportunity to send a credible political signal to the trading world. The greatest possible advance must be made in all areas of the negotiations, including, where appropriate, decisions, so as to reach before the end of the year the stage where tangible progress can be registered. To this end, we support efforts to adopt a framework approach on all issues in the negotiations, i.e. reform of the GATT system and rules, market access, agriculture and new issues (such as trade in services, trade-related intellectual property rights, and trade-related investment measures). For our part, we are committed to ensure that the Mid-Term Review establishes a solid base for the full and complete success of the negotiations, in accordance with the Punta del Este Declaration.

20. We all recognize the critical and expanding role of international investment in the world economy and share a deep concern that increased protectionism would undermine the benefits of open investment policies. We resolve to progressively liberalize international investment policies and urge other countries to do likewise.

### **VENICE ECONOMIC SUMMIT**

June 8-10, 1987

13. We note rising protectionist pressures with grave concern. The Uruguay Round can play an important role in maintaining and strengthening the multilateral trading system, and achieving increased liberalization of trade for the benefit of all countries. Recognizing the interrelationship among growth, trade and development, it is essential to improve the multilateral system based on the principles and rules of the General Agreement on Tariffs and Trade (GATT) and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral discipline. Protectionist actions would be counterproductive, would increase the risk of further exchange rate instability and would exacerbate the problems of development and indebtedness.

14. We endorse fully the commitment to adopt appropriate measures in compliance with the principles of stand-still and rollback which have been reaffirmed in the Ministerial Declaration on the Uruguay Round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### TORONTO ECONOMIC SUMMIT

June 19-21, 1988

14. A successful Uruguay Round will assure the integrity of an open, predictable multilateral trading system based on clear rules and will lead to trade expansion and enhanced economic growth. At Punta del Este, Ministers committed themselves to further trade liberalization across the wide range of goods and services, including such new areas as trade-related intellectual property and trade-related investment measures, to strengthen the multilateral trading system, and to allow for early agreements where appropriate. Countries must continue to resist protectionism and the temptation to adopt unilateral measures outside the framework of GATT rules. In order to preserve a favourable negotiating climate, the participants should conscientiously implement the commitments to standstill and rollback that they have taken at Punta del Este and subsequent international meetings.

15. We strongly welcome the Free Trade Agreement between Canada and the USA, **and the steady progress towards the target of the European Community to complete the internal market by 1992.** It is our policy that these developments, together with other **moves towards regional cooperation** in which our countries are involved, should support the open, multilateral trading system and catalyze the liberalizing impact of the Uruguay Round.

16. We attach major importance to strengthening the GATT itself. It is vital that the GATT become a more dynamic and effective organization, particularly in regard to the surveillance of trade policies and dispute settlement procedures, with greater Ministerial involvement, and strengthened linkages with other international organizations. GATT disciplines must be improved so that members accept their obligations and ensure that disputes are resolved speedily, effectively and equitably.

17. Trade plays a key role in development. We encourage the developing countries, especially the newly industrializing economies, to undertake increased commitments and obligations and a greater role in the GATT, commensurate with their importance in international trade and in the international adjustment process, as well as with their respective stages of development. Equally, developed countries should continue to strive to ensure more open markets for the exports of developing countries.

18. In agriculture, continued political impetus is essential to underpin the politically difficult efforts at domestic policy reform and to advance the equally difficult and related process of agricultural trade reform. Although significant progress was made in 1987 in the Uruguay Round negotiations, with the tabling of major proposals, it is necessary to ensure that the Mid-Term Review in Montreal in December, 1988 adds impetus to the negotiations in this as in other fields. We support efforts to adopt a framework approach, including short as well as long-term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets. This would be facilitated by a device for the measurement of support and protection. Also, ways should be developed to take account of food security and social concerns. To move the issue forward, and noting among other things

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### PARIS ECONOMIC SUMMIT

July 14-16, 1989

17. World trade developed rapidly last year. Yet protectionism remains a real threat. We strongly reaffirm our determination to fight it in all its forms. We shall fulfill the Punta del Este standstill and rollback commitments which, inter alia, require the avoidance of any trade restrictive or distorting measure inconsistent with the provisions of the General Agreement and its instruments. We agree to make effective use of the improved GATT dispute settlement mechanism and to make progress in negotiations for further improvements. We will avoid any discriminatory or autonomous actions, which undermine the principles of the GATT and the integrity of the multilateral trading system. We also are pledged to oppose the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens to undermine the multilateral system and the Uruguay Round negotiations.

18. The successful negotiation of the Trade Negotiations Committee of the Uruguay Round in Geneva last April, thereby completing the mid-term review, is a very important achievement. It gives a clear framework for future work in all sectors including the pursuit of agricultural reform in the short term as well as in the long term. It also gives the necessary framework for substantive negotiations in important sectors not yet fully included in GATT disciplines, such as services, trade-related investment measures and intellectual property.

Developing countries participated actively in these negotiations and contributed to this success. All countries should make their most constructive contribution possible.

We express our full commitment to making further substantive progress in the Uruguay Round in order to complete it by the end of 1990.

19. We note with satisfaction the entry into force of the Free Trade Agreement between Canada and the US, as well as more recent initiatives to intensify the close economic relations between the European Community and EFTA countries. It remains our policy that these and other developments in regional cooperation, should be trade-creating and complementary to the multilateral liberalization process.

20. It is the firm intention of the European Community that the trade aspects of the single market program should also be trade-creating and complementary to the multilateral liberalization process.

21. We note with satisfaction the progress that has been made in strengthening the multilateral disciplines on trade and aid distorting export credit subsidies. This effort must be pursued actively and completed in the competent bodies of the OECD with a view to improving present guidelines at the earliest possible date.

37. Environmental protection is integral to issues such as trade, development, energy, transport, agriculture and economic planning. Therefore, environmental considerations must be taken into account in economic decision-making. In fact good economic policies and good environmental policies are mutually reinforcing.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

24. Negotiations on market access should achieve agreement on a substantial and balanced package of measures. As regards textiles, the objective is to liberalize the textile and clothing sector through progressive dismantling of trade barriers and its integration, under a precise timetable, into GATT on the basis of strengthened GATT rules and disciplines.

25. Negotiations on multilateral rules and disciplines should strengthen GATT rules in areas such as safeguards, balance of payments, rules of origin, and updated disciplines for dumping and antidumping measures. Concerning subsidies, rules are needed which will effectively discipline domestic subsidies so as to avoid trade distortions, competitive subsidization, and trade conflicts. Improved disciplines must also cover countervailing measures so that they do not become barriers to trade.

26. As regards the new areas, the aim is to develop new rules and procedures within the GATT framework, including: a framework of contractually enforceable rules to liberalize services trade, with no sector excluded a priori; an agreement to reduce trade distorting effects of trade-related investment measures; and an agreement to provide for standards and effective enforcement of all intellectual property rights.

27. A successful Uruguay Round is essential for industrialized and developing countries alike. We seek the widest possible participation of developing countries in the Round and their further integration into the multilateral trading system. To achieve this objective, developed countries are prepared to accept greater multilateral disciplines in all areas and to offer improved market access in areas of interest to developing countries such as textiles and clothing, tropical products, and agriculture.

28. For their part, developing countries should substantially reduce their tariffs and increase the percentage of tariffs that are bound; subscribe to balanced and effective restraints on all forms of exceptions, including measures imposed for balance-of-payments difficulties; and participate meaningfully in agreements covering the new areas. The end result should be a single set of multilateral rules applicable to all GATT contracting parties, although some developing countries, especially the least developed, may need longer transition periods or other transitional arrangements on a case by case basis.

29. The wide range of substantive results which we seek in all these areas will call for a commitment to strengthen further the institutional framework of the multilateral trading system. In that context, the concept of an international trade organization should be addressed at the conclusion of the Uruguay Round. We also need to improve the dispute settlement process in order to implement the results of the negotiations effectively. This should lead to a commitment to operate only under the multilateral rules.



## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **HOUSTON ECONOMIC SUMMIT**

July 9-11, 1990

18. The open world trading system is vital to economic prosperity. A strengthened General Agreement on Tariffs and Trade (GATT) is essential to provide a stable framework for the expansion of trade and the fuller integration of Central and Eastern Europe and developing countries into the global economy. We reject protectionism in all its forms.

19. The successful outcome of the Uruguay Round has the highest priority on the international economic agenda. Consequently, we stress our determination to take the difficult political decisions necessary to achieve far-reaching, substantial results in all areas of the Uruguay Round by the end of this year. We instruct our negotiators to make progress and in particular to agree on the complete profile of the final package by the July meeting of the Trade Negotiations Committee.

20. We confirm our strong support for the essential broad objectives of the negotiations: reform of agricultural policies; a substantial and balanced package of measures to improve market access; strengthened multilateral rules and disciplines; the incorporation of new issues of services, trade-related investment measures, and intellectual property protection within the GATT framework; and integration of developing countries into the international trading system.

21. As regards agriculture, achieving the long-term objective of the reform of agricultural policies is critical to permit the greater liberalization of trade in agricultural products. Experience has shown the high cost of agricultural policies which tend to create surpluses. The outcome of the GATT negotiations on agriculture should lead to a better balance between supply and demand and ensure that agricultural policies do not impede the effective functioning of international markets. We therefore reaffirm our commitment to the long-term objective of the reform, i.e., to allow market signals to influence agriculture production and to establish a fair and market-oriented agricultural trading system.

22. The achievement of this objective requires each of us to make substantial, progressive reductions in support and protection of agriculture -- covering internal regimes, market access, and export subsidies -- and develop rules governing sanitary and phytosanitary measures. Variations among countries in the mechanisms of agricultural support reflect differences in the social and economic conditions of farming. The negotiations on agriculture should therefore be conducted in a framework that includes a common instrument of measurement, provides for commitments to be made in an equitable way among all countries, and takes into account concerns about food security. The framework should contain specific assurances that, by appropriate use of the common measure as well as other ways, participants would reduce not only internal support but also export subsidies and import protection in a related way.

23. Agreement on such a framework by the time of the July meeting of the Trade Negotiations Committee is critical to the successful completion of the Uruguay Round as a whole. Accordingly, we commend to our negotiators the text submitted by the Chairman of the Agricultural Negotiating Group as a means to intensify the negotiations. We intend to maintain a high level of personal involvement and to exercise the political leadership necessary to ensure the successful outcome of these negotiations.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

a) market access, where it is necessary, in particular, to cut tariff peaks for some products while moving to zero tariffs for others, as part of a substantial reduction of tariffs and parallel action against non-tariff barriers.

b) agriculture, where a framework must be decided upon to provide for specific binding commitments in domestic support, market access and export competition, so that substantial progressive reductions of support and protection may be agreed in each area, taking into account non-trade concerns.

c) services, where accord on a general agreement on trade in services should be reinforced by substantial and binding initial commitments to reduce or remove existing restrictions on services trade and not to impose new ones.

d) intellectual property, where clear and enforceable rules and obligations to protect all property rights are necessary to encourage investment and the spread of technology.

12. Progress on these issues will encourage final agreement in areas already close to conclusion, such as textiles, tropical products, safeguards and dispute settlement. Agreement to an improved dispute settlement mechanism should lead to a commitment to operate only under the multilateral rules. Taken all together, these and the other elements of the negotiations, including GATT rule-making, should amount to the substantial, wide-ranging package which we seek.

13. We will seek to ensure that regional integration is compatible with the multilateral trading system.

14. As we noted at Houston, a successful outcome of the Uruguay Round will also call for the institutional reinforcement of the multilateral trading system. The concept of an international trade organisation should be addressed in this context.

15. Open markets help to create the resources needed to protect the environment. We therefore commend the OECD's pioneering work in ensuring that trade and environment policies are mutually supporting. We look to the General Agreement on Tariffs and Trade (GATT) to define how trade measures can properly be used for environmental purposes.

16. We are convinced that OECD members must overcome in the near future and, in any case, by the end of the year, remaining obstacles to an agreement on reducing the distortions that result from the use of subsidised export credits and of tied aid credits. We welcome the initiative of the OECD in studying export credit premium systems and structures and look forward to an early report.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **MUNICH ECONOMIC SUMMIT**

July 6-8, 1992

8. A successful Uruguay Round will be a significant contribution to the future of the world economy. An early conclusion of the negotiations will reinforce our economies, promote the process of reform in Eastern Europe and give new opportunities for the well-being of other nations, including in particular the developing countries.

27. The industrial countries have granted substantial trade concessions to the CEECs in order to ensure that their reform efforts will succeed. But all countries should open their markets further. The agreements of the EC and EFTA countries aiming at the establishment of free trade areas with these countries are a significant contribution. We shall continue to offer the CEECs technical assistance in enhancing their export capacity.

28. We urge all CEECs to develop their economic relations with each other, with the new independent States of the former Soviet Union as well as more widely on a market-oriented basis and consistent with GATT principles. As a step in this direction we welcome the special cooperation among the CSFR, Poland and Hungary, and hope that free trade among them will soon be possible.

37. We stress the need for the further opening of international markets to products from the new States. Most-favoured-nation treatment should be applied to trade with the new States and consideration given to further preferential access. The new States should not impede reconstruction by setting up barriers to trade themselves. It is in their own interest to cooperate on economic and monetary policy.

### **LONDON ECONOMIC SUMMIT**

July 15-17, 1991

9. No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round. It will stimulate non-inflationary growth by bolstering confidence, reversing protectionism and increasing trade flows. It will be essential to encourage the integration of developing countries and Central and East European nations into the multilateral trading system. All these benefits will be lost if we cannot conclude the Round.

10. We therefore commit ourselves to an ambitious, global and balanced package of results from the Round, with the widest possible participation by both developed and developing countries. The aim of all contracting parties should be to complete the Round before the end of 1991. We shall each remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level.

11. To achieve our objectives, sustained progress will be needed in the negotiations at Geneva in all areas over the rest of this year. The principal requirement is to move forward urgently in the following areas taken together:-

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### **NAPLES ECONOMIC SUMMIT**

July 8-10, 1994

1. Opening markets fosters growth, generates employment and increases prosperity. The signing of the Uruguay Round Agreements and the creation of the WTO are important milestones in postwar trade liberalisation

2. We are determined to ratify the Uruguay Round Agreements and to establish the WTO by January 1st, 1995 and call on other countries to do the same.

We are resolved to continue the momentum of trade liberalisation. We call on the WTO, IMF, World Bank and the OECD to cooperate within their own areas of responsibility.

3. On new international trade issues we encourage work under way in the OECD to study the interaction of international trade rules and competition policies. We support the further development of international investment rules in order to remove obstacles to foreign direct investment.

4. We welcome the work on the relation between trade and environment in the new WTO. We call for intensified efforts to improve our understanding of new issues including employment and labour standards and their implications for trade policies.

5. In our meeting next year we will review progress on these issues.

### **TOKYO ECONOMIC SUMMIT**

July 7-9, 1993

7. Maintaining and expanding the multilateral trading system is essential for world growth. We are determined to curb protectionism in all its manifestations and agree that no recourse should be made to initiatives and arrangements that threaten to undermine the multilateral open trading system. We also confirm that any regional integration should be complementary to and supportive of the system.

Our highest priority is a successful conclusion to the Uruguay Round. We welcome the recent significant progress made towards a large market access package in goods and services as a major step to the immediate resumption of multilateral negotiations in Geneva. This progress must be matched by comparable market opening measures by other participants. We urge all our trading partners to negotiate constructively on all subjects, recognizing that nothing is agreed until everything is agreed. There remain important issues to be resolved. We renew our determination to resolve them and to achieve with all our partners a global and balanced agreement before the end of the year.

## EXCERPTS ON TRADE FROM SUMMIT COMMUNIQUE

### HALIFAX SUMMIT

June 15-17, 1995

39. We recognize that new investment and increased trade are vital to achieving our growth and employment objectives. In a global market, opportunities for domestic and foreign producers and suppliers of goods and services depend as much on domestic policies as on external barriers. In order to improve market access, we intend to work for the reduction of remaining internal and external barriers.
40. We will implement the Uruguay Round Agreements fully, and reaffirm our commitment to resist protectionism in all its forms. We will build on the Agreements to create new opportunities for growth, employment and global cooperation. We will work together and with our trading partners to consolidate the WTO as an effective institution, and are committed to ensuring a well-functioning and respected dispute settlement mechanism. We endorse closer cooperation between the WTO and other international economic institutions. We recognize the importance of enhancing the transparency of the WTO.
41. We support accession to the WTO in accordance with the rules that apply to all of its members and on the basis of meaningful market access commitments. We are committed to ensuring that our participation in regional trade initiatives continues to be a positive force for the multilateral system.
42. The momentum of trade liberalization must be maintained. We are committed to the successful completion of current negotiations in services sectors and, in particular, significant liberalization in financial and telecommunications services. We will proceed with follow-up work foreseen in the Uruguay Round Final Act. We encourage work in areas such as technical standards, intellectual property and government procurement; an immediate priority is the negotiation in the OECD of a high standard multilateral agreement on investment. We will begin discussions on investment with our partners in the WTO. We recognize that initiatives such as regulatory reform have a particularly important contribution to make to trade liberalization and economic growth by removing administrative and structural impediments to global competition.
43. Consistent with the goal of continued trade liberalization, we will pursue work on:
- trade and environment to ensure that rules and policies in these different areas are compatible;
  - the scope for multilateral action in the fields of trade and competition policy;
  - trade, employment and labour standards.
44. We will work together with our partners in the WTO and other appropriate fora to create the basis for an ambitious first WTO Ministerial Meeting in Singapore in 1996.



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## Economic Communiqué, Lyon G7 Summit, June 28, 1996

### V. ENHANCING THE EFFECTIVENESS OF MULTILATERAL INSTITUTIONS FOR THE BENEFIT OF DEVELOPMENT

38. To be effective in supporting this global partnership for development, the multilateral institutions must pursue their efforts to adapt and reform. We welcome the widespread support for institutional reform that has arisen in the past year and we are determined to help increase this momentum.

39. In Halifax a year ago, we called for reforms of the international financial institutions in order to improve coordination, reduce overlap, and increase their effectiveness. Reform efforts have intensified over the past year. The reform of the Development Committee has made it possible for Ministers from developed and developing countries to consider issues together and provide guidance to the institutions. The World Bank and the IMF are cooperating more closely with tangible results, for example in their joint studies on debt and public spending. Collaboration among the heads of the multilateral development banks has been intensified. Operational and administrative reforms are underway and attention must be directed to effective implementation.

We commend the work undertaken by the Multilateral Development Banks to make procurement processes more transparent. We encourage efforts by all the multilateral institutions to support reforms that will help to promote good governance and to reduce corrupt commercial practices.

A sustained effort is needed in reforming the development banks to achieve better results on the ground, while reducing costs further. We endorse the recommendations of the Development Committee Task Force for closer cooperation between banks at all levels.

40. In Halifax, we committed ourselves to encourage the broadening and deepening of the reform process underway in the United Nations system. We believe that our initiatives have significantly contributed to an increasing awareness of necessary changes in the system as a prerequisite for improved efficiency, with a view to tangible benefits for recipients of the various development activities.

We particularly appreciate the outcome of the 9th session of UNCTAD at Midrand where we succeeded, together with all our partners, to pave the way for a thorough reform which can also be regarded as an important point of reference for the reform of the UN economic and social sector. We also deem significant the recent decision to strengthen the coordinating role of ECOSOC. We welcome the UN regional economic commissions initiatives to examine their activities, adjust priorities, restructure programs and reorganize their staff to increase efficiency and cost effectiveness.

We will work with other members to make rapid progress in the reform of the UN in order to rationalize and strengthen its role in development.

41. The United Nations plays a crucial role in the organization of international cooperation in favour of sustainable development, and in fostering consensus around development objectives and policies.

The UN's priority areas are, notably: reduction of poverty, employment, housing, the provision of essential services, and especially those relating to health and education, the advancement of women and protection of children, and humanitarian assistance in general.

The UN also has a fundamental role to play in promoting democracy, human rights and the rule of law, protection of the environment, emergency relief and post-conflict stabilization, and technical assistance to enable the poorest countries to participate in international trade and investment.

42. In order to be more effective in the field of development, the UN must clarify its role and comparative advantages. It must enhance the efficiency of its Secretariat and operational framework, make them more coherent and ensure genuine coordination at all levels. Proposals to that effect should focus on existing structures and build on ideas which have emerged in various discussions on UN reform.

43. Reform could center upon the following main points :

- the three Secretariat departments responsible for development should be merged under the authority of a single Under Secretary-General ;

- the Under Secretary-General should notably serve as Executive Secretary of ECOSOC in order to enhance the Council's policy formulation and coordinating role ;

- the Secretary-General, assisted by the Under Secretary-General and supported by the Head of the UN Office of Internal Oversight Services, in cooperation with the heads of agencies, should urgently review the roles and mandates of specialized agencies and commissions involved in development with a view to eliminating overlap and improving effectiveness. This review should include an examination of the case for merging their development functions. The Secretary-General should make recommendations in this sense and pursue their implementation through the Administrative Committee on Coordination and ECOSOC ;

- upon being appointed, the Under Secretary-General should support the process by conducting a review of existing UN development funds and programs in close consultation with the heads of relevant individual bodies. Where a strong case for rationalization can be made, funds and programs should be merged into the UNDP, which would thus be enhanced ;

- the Under Secretary-General should also carry forward the rationalization of UN's economic analysis and reporting in consultation with other organizations involved in economic analysis such as the IMF, the World Bank and the OECD, with a view to eliminating duplication ;

- UN field premises and administrative systems in the field should be further consolidated and the timetable for approval of UNDP, UNFPA and UNICEF country programs should be harmonized ;

- savings resulting from improved cost effectiveness should be reinvested in development programs. The Secretary-General should study ways of implementing this goal.

44. UNCTAD IX was a major milestone in the renewal of UNCTAD. In close partnership with the other member States, we succeeded in reforming UNCTAD's intergovernmental machinery and in refocusing its work on a small number of priorities to promote development through trade and investment with the aim of facilitating the integration of developing countries in the international trade system. We are committed to the implementation of these reforms. The LLDC's will be the major beneficiaries of this action. We also welcome the WTO and the renewed UNCTAD initiative to enhance mutual cooperation with each other, with due regard to their respective mandates.

45. We urge greater cooperation between UN agencies, the international financial institutions and the

## WTO :

- regular meetings between the United Nations Secretary General, the IMF Managing Director, the World Bank President and the WTO Director General, and at other levels, would assure the coordinated and concerted action of these institutions. This closer cooperation must take into account the necessity for each institution to concentrate on areas of comparative advantage and to avoid unnecessary duplication ;
- UNDP, other UN agencies, the World Bank, the IMF, the WTO and regional development banks could work together, in full cooperation with the host country, in the preparation of country strategy reports submitted to their respective governing bodies. Regular meetings of donors in each country should be organized to facilitate the exchange of information and the shaping of programs according to the comparative advantages of each institution. Bilateral donors should be involved in this process. The resident United Nations co-ordinator or the World Bank or regional development bank representative could organize these meetings at regular intervals. Such meetings will help coordinate and rationalize the work of donors while reducing costs ;
- the non-military aspects of peace operations (including such tasks as democratization, police training, institution building, and delivery of humanitarian assistance) should be addressed through a comprehensive approach. In this regard, we encourage a closer cooperation between the United Nations, the International Financial Institutions and the relevant regional organizations, in order to facilitate the transition between the emergency intervention phase and the rehabilitation phase. Consultation among multilateral and bilateral donors in post-conflict countries should also be reinforced.

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## Economic Communiqué, Lyon G7 Summit, June 28, 1996

### IV. IMPLEMENTING A NEW GLOBAL PARTNERSHIP FOR DEVELOPMENT: AN AMBITION FOR THE 21ST CENTURY

32. Thanks to sound domestic economic policies and to an increasingly global economy, many developing countries are experiencing robust growth, assisted by their expanding involvement in international trade and capital inflows. But there is a growing divide between these countries and those, mainly low income countries, which are currently unable to benefit from these opportunities and are falling further behind.

33. We need therefore to define a new global partnership between developing countries, developed countries and multilateral institutions. This will involve a fresh look at development policies including development aid, its content and the bilateral and multilateral instruments through which it is provided.

34. This new partnership should set its sights on enabling all developing countries, whatever their stage of development, to share and participate in the benefits of globalization. To that end, it should take the achievement of sustainable development as its fundamental objective. Goals should include the reduction of poverty and social inequities, the respect of internationally recognized labour standards, protection of children, a strengthened civil society, protection of the environment, improved health and education.

35. We want the partnership to achieve concrete results. We emphasize the usefulness of indicators capable of measuring progress toward development objectives in specific countries in areas such as extreme poverty, infant, child and maternal mortality, and primary education. Other essential aspects of development must also be considered, including a number of non-measurable qualitative factors. We welcome the ongoing work of the OECD on this subject.

36. The new development partnership should be mutually beneficial and based on a spirit of solidarity and burden-sharing among all those involved :

- the developing countries have a fundamental responsibility for promoting their own development. This means conducting sound and consistent economic and social policies, promoting a political and legal environment conducive to the development of the private sector, and encouraging domestic and foreign investment. Democracy, human rights and good governance are indispensable components of development. It is up to these countries to give priority to funding social and economic development programs and to avoid unproductive expenditures, in particular excessive military spending, without prejudice to their right to self-defence. It is in their interest to commit themselves actively to the multilateral system and to promote regional cooperation ;

- the developed countries must support the efforts of the developing countries in a spirit of common purpose and efficiency. Their growth and market-opening policies also benefit developing countries. In implementing these policies, they should seek to create an environment which encourages trade and private financial flows in the developing countries direction. Bilateral agreements for investment

protection and generalized preference measures contribute to this objective. We renew our commitment to secure substantial flows of official aid and to improve the quality of this aid. The whole international community should be mobilized in this effort, and new donors should assume growing responsibility, so that the burden is more equally shared ;

- the multilateral development institutions, cooperating among each other and with bilateral donors, play an important role in promoting development and encouraging the developing countries to reduce poverty, to implement sound economic policies and to improve capacity. They must be provided with sufficient and appropriate financial resources for this purpose. Their strength depends on the active participation of all members. Efforts by the multilateral institutions to discourage unproductive expenditures in developing countries should be pursued and supported by donor countries in their own bilateral aid and credits.

37. Within the framework of this new partnership, the priority must be to implement more effectively-targeted policies, with four complementary objectives :

- external financial support should take into full account the differentiation between countries in transition, emerging economies and the poorest countries. Sub-Saharan Africa continues to face unusually severe challenges. We will concentrate resources on those countries that need them most and that can use them effectively, reflecting the fact that their policy program is credible and that their Government is fully committed to implement it. Grants and concessional financing should be directed primarily to meet the financial requirements of the poorest countries which have no or limited access to the international capital markets, once they can demonstrate their commitment to create the conditions to use them effectively ;

- giving more explicit priority to sustainable development and the alleviation of poverty. This should mean adequate ODA funding of essential sectors such as health and education, basic infrastructures, clean water schemes, environmental conservation, micro-enterprises, agricultural research and small-scale agriculture, with for example the help of IFAD ;

- we should support the establishment of a dynamic and competitive private sector in developing countries based on small and medium scale enterprises . ODA can play a catalytic role in creating the conditions in which such a private sector can flourish ;

- lastly, further integrating the Least and Less Developed Countries into the global economy, using the full range of policy instruments having an impact on development. Within the multilateral environment which has emerged from the Uruguay Round Agreement, this should be an essential objective. We will support the LLDCs' efforts to achieve such integration, for example, by responding favourably to requests for technical assistance in the fields of investment, privatisation and export diversification, and encouraging international organisations and programs to do likewise. We will implement the provisions of the Marrakech Decision on Measures in Favour of Least Developed Countries. In this context we will examine what each of us could do to improve their access to our markets and we encourage others to do the same, including other developing countries.

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# VII. TOWARD SUCCESSFUL INTEGRATION OF COUNTRIES IN TRANSITION INTO THE GLOBAL ECONOMY

51. The end of the cold war has given a decisive impetus to globalization by offering former socialist economies the opportunity to assume their rightful place in the world economy.

52. We welcome the good economic results achieved by many countries in transition which have undertaken macro-economic stabilization and structural reform. Many countries, especially in Central Europe, have pursued resolute stabilization and structural reform programs and have achieved robust growth last year. Other countries which have not yet embraced reform fully lagged behind. Most of the countries of the former Soviet Union started reforms later than Central Europe, but many of them are poised to begin growing this year. We encourage all countries in transition to pursue their economic reforms in order to achieve or consolidate these gains. The EBRD plays an important role in supporting these reforms and we welcome the agreement to increase its capital.

53. We support Ukraine's efforts to continue with political and economic reforms and to further integrate into the world economy. In this respect we welcome the latest agreement with the IMF and encourage Ukraine to fully implement the agreed reform program.

We welcome the Moscow Summit declaration relating to Ukraine and the commitment of President KUCHMA to close reactor n° 1 at Chernobyl by the end of 1996, in the framework of the program to close the whole plant by the year 2000. We reaffirm our commitment to full implementation of the Memorandum concluded with Ukraine, through close cooperation with this country and the international financial institutions. In this regard, we welcome the financial decisions already taken by the international community, and we stress that all parties concerned must respect the agreed agenda of the comprehensive program.

54. We support Russia's ongoing political reform and its commitment to democracy. Economic and political reforms are mutually reinforcing and position Russia to play a more significant role in the global economy. We welcome the agreement between the Russian authorities and the IMF on an EFF. This agreement testifies to Russia's continued commitment to financial stabilization and economic reforms. Russia's economic success and its integration in the world economy depend on full implementation of its commitment. Crucial for economic recovery is now private investment which requires a reliable economic, legal and administrative environment. We welcome the historical agreement between Russia and the Paris Club on a comprehensive medium-term rescheduling of Russia's external debt, which will enable this country to exit from the rescheduling cycle. This agreement will enable discussions to take place between Russia and the members of the Paris Club to see whether conditions could be agreed for Russia's participation as a creditor.

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**COMMUNIQUÉ****DENVER, JUNE 22, 1997****INTRODUCTION**

1. We, the participants in the Denver Summit of the Eight, as major industrialized democracies, have discussed the steps necessary, both internationally and domestically, to shape the forces of integration to ensure prosperity and peace for our citizens and the entire world as we approach the twenty-first century. We have agreed to work closely with all willing partners in fostering global partnership for peace, security, and sustainable development that includes strengthening democracy, and human rights, and helping prevent and resolve conflicts.

2. Continuing the important steps we have taken, the Denver Summit of the Eight marks a new and deeper participation by Russia in our efforts. Russia has taken bold measures to complete an historic transformation into a democratic state with a market economy. We are committed to continue the trend of increased Russian participation in the work of our officials between Summits and reiterate our shared commitment to the promotion of a fuller involvement of Russia in the Summit process. Cooperation to integrate Russia's economy into the global economic system represents one of our most important priorities. We welcome the understanding reached between Russia and the Chairman of the Paris Club on the basis for Russia's participation and look forward to the Paris Club and Russia finalizing an agreement in the near future. We support the goal of early Russian accession to the WTO on the basis of conditions generally applicable to newly acceding members. We also look forward to continued Russian progress toward accession to the OECD using the potential of the recently created Liaison Committee between Russia and the OECD.

**ECONOMIC AND SOCIAL ISSUES**

3. The process of globalization, a major factor underlying the growth of world prosperity in the last fifty years, is now advancing rapidly and broadly. Globalization encompasses the expansion of cross-border flows of ideas and information, goods and services, technology and capital. More openness and integration across the global economy create opportunities for increased prosperity as countries specialize in those economic activities which they do best, while also promoting increased competition and efficiency, and the rapid spread of technological innovations. Our task, as we enter the 21st Century, is to make the most of these opportunities.

4. At the same time, globalization may create new challenges. The increasing openness and interdependence of our economies, with deep trade linkages and ever greater flows of private capital, means that problems in one country can spill over more easily to affect the rest. We must cooperate to promote global growth and prosperity. We must also insure that all segments of society, and indeed all countries across the globe, have the opportunity to share in the prosperity made possible by global

integration and technological innovations. It is particularly important that young adults see the path to a successful life, and be adequately prepared to follow that path.

5. Rapid technological change and demographic shifts are also having an important impact on the global economy. We must take advantage of the possibilities for growth to address unemployment and economic insecurity. Sound economic policies and the structural reforms necessary to allow markets to function properly are essential if we are to meet the many domestic and international challenges we all face. Measures that expand the availability of high quality education and training and increase the responsiveness of labor markets to economic conditions will aid the ability of our people to adjust to all types of structural changes. We look forward to the high-level conference on employment that takes place this fall in Japan, which is expected to contribute to the discussion on responses to structural changes. We also welcome the proposal by the United Kingdom to host a conference of ministers responsible for finance and social affairs early next year on growth, employability, and inclusion, to prepare for further discussion of these vital issues at our meeting next year.

#### THE OPPORTUNITIES AND CHALLENGES OF AGING POPULATIONS

6. Increased life expectancy and improved health among our elderly are two major achievements of this century. In the next century, these successes will present us with both opportunities and challenges, as longer life expectancies and lower birth rates significantly raise the proportion of seniors in our countries' populations. Prime Minister Hashimoto's "Initiative for a Caring World" has provided us the opportunity to focus on the implications of these developments.

7. We discussed the idea of "active aging" -- the desire and ability of many older people to continue work or other socially productive activities well into their later years, and agreed that old stereotypes of seniors as dependent should be abandoned. We considered new evidence suggesting that disability rates among seniors have declined in some countries while recognizing the wide variation in the health of older people. We discussed how our nations can promote active aging of our older citizens with due regard to their individual choices and circumstances, including removing disincentives to labor force participation and lowering barriers to flexible and part-time employment that exist in some countries. In addition, we discussed the transition from work to retirement, life-long learning and ways to encourage volunteerism and to support family care-giving.

8. We examined the differing implications of population aging for our nations' pension, health and long-term care systems in the next century. Active aging strategies can be a useful way to advance structural reforms in the areas of health and social welfare. Some of our countries face major challenges in sustaining their public pension systems and would benefit from early action to restore balance. Different ways were suggested to address this issue, including increasing the labor force participation of seniors and raising national savings rates. Investing in human capital, including maximizing opportunities for life-long learning, were mentioned as ways to facilitate the continued work preparedness of mature adults. Some countries will be more affected by the demands of health care financing for seniors. We concluded that efficient and effective management of this challenge should help us to meet the needs of an aging society without overburdening younger generations.

9. We agreed that it is important to learn from one another how our policies and programs can promote active aging and advance structural reforms to preserve and strengthen our pension, health and long-term care systems. Our governments will work together, within the OECD and with other international organizations, to promote active aging through information exchanges and cross-national research. We encourage collaborative biomedical and behavioral research to improve active life expectancy and reduce disability, and have directed our officials to identify gaps in our knowledge and explore developing comparable data in our nations to improve our capacity to address the challenges of population aging into the 21st Century.

#### SMALL AND MEDIUM ENTERPRISES

10. The contributions of small and medium-sized enterprises to employment and economic dynamism in our societies are widely recognized. Fostering a business setting conducive to the growth of dynamic

young enterprises is a key to job creation. In our discussion, we surveyed the obstacles to such growth, including the unavailability of debt or equity capital at critical stages of a firm's growth, unnecessary regulation, difficulties adopting existing innovative technologies, and the problems of smaller businesses in entering global markets. We stress the need to remove these obstacles. We also examined some exemplary practices within our countries to promote the growth of small and medium-sized companies, as well as vocational training and education within these companies, and considered how we might benefit from these successes. Best practices in our countries could also be useful examples for developing and transition-market economies, as development of small and medium-sized enterprises favors creation of jobs and social stability, disseminates entrepreneurial capacities and helps to promote and diversify exports. We will pursue our work in other areas.

## GLOBAL ISSUES

11. Even as global integration and rapid advances in communications and transportation have spurred economic growth, these same trends have exposed us to complex problems that defy unilateral solutions. In recent years our Summits have devoted increasing attention to our cooperative efforts to confront these problems.

## ENVIRONMENT

12. This is a pivotal year for efforts to promote sustainable development and protect the environment. We are determined to address the environmental challenges that will affect the quality of life of future generations and to enhance public awareness, especially among our youth, of the importance of advancing sustainable development goals.

## UN General Assembly Special Session

13. We discussed the progress that has been made since the 1992 Rio Earth Summit in defining and promoting sustainable development, and we commit ourselves to taking action in areas critical to advancing this agenda. Sustainable development demands the full integration of environment, economic and social policies; should be based upon democratic governance and respect for human rights; and should have poverty eradication as one of its ultimate objectives. In this connection, we reaffirm the vital contribution of civil society. We urge the United Nations General Assembly, at its Special Session to be held next week, to reaffirm and give impetus to the Rio commitments, to take stock of implementation since Rio, and, most importantly, to develop a manageable list of priority issues to address in future work on sustainable development.

## Climate Change

14. Overwhelming scientific evidence links the build-up of greenhouse gasses in the atmosphere to changes in the global climate system. If current trends continue into the next century, unacceptable impacts on human health and the global environment are likely. Reversing these trends will require a sustained global effort over several decades, with the involvement of all our citizens, and changes in our patterns of consumption and production.

15. We are determined to take the lead and show seriousness of purpose in strengthening international efforts to confront climate change. Our ultimate goal must be to stabilize atmospheric concentrations of greenhouse gasses at an acceptable level. This will require efficient and cost-effective policies and measures sufficient to lead to a significant reduction in emissions.

16. International cooperation will be essential. At the Third Conference of Parties to the UN Framework Convention on Climate Change in Kyoto we must forge a strong agreement that is consistent with the Berlin Mandate and that contains quantified and legally-binding emission targets. We intend to commit to meaningful, realistic and equitable targets that will result in reductions of greenhouse gas emissions by 2010. The agreement must ensure transparency and accountability and allow Participants flexibility in the manner in which they meet their targets.

17. Action by developed countries alone will not be sufficient to meet this goal. Developing countries must also take measurable steps, recognizing that their obligations will increase as their economies grow. We agree to work in partnership with them to that effect by implementing technological development and diffusion and supporting environmental education and capacity building.

18. We stress the importance of setting up an appropriate mechanism for monitoring and ensuring compliance among Parties. We also agree to work together to enhance international efforts to further develop global systems for monitoring climate change and other environmental trends.

#### Forests

19. Forests continue to be destroyed and degraded at alarming rates ' in many parts of the world. To reverse this trend, we call upon all countries to make a long-term political commitment to achieve sustainable forest management practices worldwide and to 'join us in the immediate implementation of proposals put forward by the UNCSD Intergovernmental Panel on Forests. We have discussed in Denver and have agreed to support a practical Action Program that includes implementing national programs and building capacity for sustainable forest management; establishing networks of protected areas; assessing the state of each nation's forests using agreed criteria and indicators; promoting private sector management of forests; and eliminating illegal logging. We ask that our officials meet early next year to assess progress in implementing this Action Program and call for a report at our next meeting.

20. At the Special Session of the United Nations, we will work with the active involvement of environmental groups to build consensus on an international agreement with appropriately high international standards to achieve these goals. We welcome the progress made in implementing the Brazil Pilot Program initiated in Houston, and see it as an example of practical international cooperation.

#### Freshwater

21. Many people throughout the world do not have access to safe water. Increased human, industrial and agricultural wastes can diminish water quality, with adverse effects for ecosystems and human health and safety, particularly for children. The Special Session of the UN General Assembly should encourage the CSD to develop a practical plan of action to address freshwater-related issues, including promotion of efficient water use, improvement of water quality and sanitation, technological development and capacity building, public awareness and institutional improvements. To achieve these objectives, we have also agreed to promote bilateral and regional cooperation on freshwater concerns, and to enhance coordination of our efforts in this area.

#### Oceans

22. We must strengthen our efforts to protect the world's oceans. We will work to ensure an effective and integrated effort to deal with key issues, including sustainable fishing, shipping, marine pollution from land-based and off-shore activities, and oil spill prevention and emergency response. In this connection, we will also enhance cooperation in monitoring the ecology in the Northern Pacific, as well as in forecasting earthquakes and tsunamis in this region.

#### Desertification

23. We welcome the entry into force of the "Convention to Combat Desertification," and urge the parties to develop concrete steps to implement the convention at the First Conference of the Parties this Fall in Rome.

#### Environmental Standards for Export Credit Agencies

24. Private sector financial flows from industrial nations have a significant impact on sustainable development worldwide. Governments should help promote sustainable practices by taking environmental factors into account when providing financing support for investment in infrastructure and equipment. We attach importance to the work on this in the OECD, and 'will review progress at our

meeting next year.

### Children's Environmental Health

25. Protecting the health of our children is a shared fundamental value. Children throughout the world face significant threats to their health from an array of environmental hazards, and we recognize particular vulnerabilities of children to environmental threats. Our governments will explicitly incorporate children into environmental risk assessments and standard setting and together will work to strengthen information exchange, provide for microbiologically safe drinking water, and reduce children's exposure to lead, environmental tobacco smoke and other air pollutants.

### Institutions

26. Strong international institutions are essential to coordinating global efforts to protect the environment and to achieve sustainable development.

27. The UNGA Special Session should confirm the role of the UN Commission on Sustainable Development (CSD) as the strategic forum for integrating the social, environmental and economic aspects of sustainable development. The CSD should develop action plans with concrete objectives and timetables to guide its work in the four agreed priority areas: freshwater; oceans; land resources, including forests; and sustainable energy use.

28. To ensure an effective response to urgent global environmental problems, we have supported the refocused mandate for the United Nations Environment Program (UNEP), the leading global environmental authority, as affirmed by the UNEP Governing Council in Nairobi this year. UNEP should promote the coherent implementation of environmental protection within the UN system and serve as an authoritative advocate for the global environment. The newly formed High-level Committee of Environment Ministers and Officials should consider the international environmental agenda and elaborate upon and advance the reforms needed to ensure UNEP's effectiveness, with a particular emphasis on greater policy, program and financial accountability. We look forward to a revitalized UNEP being able to attract the resources needed for its tasks.

29. Further efforts are necessary to ensure the long-term coherence and efficiency of the UN's work on the environment. We encourage the Secretary General to review the handling of environmental matters within the UN system and to explore possible means and structures to improve further the coordination among, and effectiveness of, the concerned institutions.

30. We reaffirm the importance of the Global Environmental Facility as the leading multilateral funding mechanism for the global environment. We will work to strengthen its finances and enhance its effectiveness. In this regard, we will each do our part to contribute to a successful replenishment of the Facility.

### INFECTIOUS DISEASES

31. Infectious diseases, including drug-resistant tuberculosis, malaria, and HIV/AIDS are responsible for a third of all deaths in the world. They pose significant challenges to the health, security and financial resources of the global community. In many parts of the world, infectious diseases and deaths from infectious disease have risen sharply in the last decade for a variety of reasons, including the emergence of drug-resistant microbes and the increased movement of people and products.

32. In the coming year, our governments will promote more effective coordination of international responses to outbreaks; promote development of a global surveillance network, building upon existing national and regional surveillance systems; and help to build public health capacity to prevent, detect and control infectious diseases globally including efforts to explore the use of regional stocks of essential vaccines, therapeutics, diagnostics and other materials. Central to this work will be strengthening and linking existing activities in and among each of our countries, with developing countries, and in other fora, especially the World Health Organization. We support the efforts of the



WHO and the recent World Health Assembly resolutions regarding the quality of biological and pharmaceutical products.

33. Preventing the transmission of HIV infection and the development of AIDS is an urgent global public health imperative. While other prevention and treatment methods must be pursued, in the long term the development of safe, accessible, and effective vaccines against AIDS holds the best chance of limiting, and eventually eliminating, the threat of this disease. We will work to provide the resources necessary to accelerate AIDS vaccine research, and together will enhance international scientific cooperation and collaboration. Cooperation among scientists and governments in the developed and developing world and international agencies will be critical. We call on other states to join us in this endeavor.

34. The Joint United Nations Program on HIV/AIDS (UNAIDS) must help expand the scale and quality of the response to HIV/AIDS. As a group and with others, we will work to assure that it has resources adequate to fulfill its mandate.

#### NUCLEAR SAFETY

35. We reaffirm our commitments from the 1996 Moscow Summit on Nuclear Safety and Security to give an absolute priority to safety in the use of nuclear energy. We note that further substantial progress is still required in the countries of Central and Eastern Europe and in the Newly Independent States, especially by strengthening regulatory authorities, enhancing reactor safety and improving safety culture. We consider further joint efforts to this end a major priority. In this regard, we attach the greatest importance to the full implementation of the Nuclear Safety Account agreements.

36. We note with satisfaction the entry into force by the Nuclear Safety Convention and the preparations now underway for the first review meeting to be held in April 1999. We applaud the rapid progress made in developing the Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste Management and encourage finalization. We welcome the forthcoming adoption of the Protocol to amend the Vienna Convention on civil liability for nuclear damage and of a new Supplementary Funding Convention. These conventions will facilitate international safety cooperation and provide for increased compensation for victims in the event of a nuclear accident.

#### GLOBAL ENERGY ISSUES

37. We decided to convene a ministerial on energy issues in Moscow next year, and request our officials to start preparations for such a meeting. Its results will be discussed at our next Summit.

#### TRANSNATIONAL ORGANIZED CRIME

38. Our efforts to combat transnational crime will be a priority of the group for the foreseeable future. Transnational criminal groups can often adapt to global change more swiftly and efficiently than our governments. International crime not only threatens our citizens, but also undermines young democracies and nations in transition.

39. Last year, we adopted the Lyon forty recommendations to combat transnational organized crime. We have substantially implemented those recommendations, taking action within our own borders and with one another. Together, we have strengthened cooperation bilaterally, multilaterally, and with other nations and groups to bring criminals to justice through mutual legal assistance and extradition, to promote cooperation among our law enforcement agencies, to strengthen document security and improve strategies to combat alien smuggling, and to prevent illegal trafficking in firearms.

40. We must intensify our efforts to implement the Lyon recommendations. In the coming year we will focus on two areas of critical concern: First, the investigation, prosecution, and punishment of high-tech criminals, such as those tampering with computer and telecommunications technology, across national borders; Second, a system to provide all governments the technical and legal capabilities to respond to high-tech crimes, regardless of where the criminals may be located.

41. We also will develop additional methods to secure our borders. Border security is central to all efforts to fight transnational crime, drug-trafficking and terrorism. To this end, we will combat illegal firearms trafficking, by considering a new international instrument. We will seek to adopt standard systems for firearms identification and a stronger international regime for import and export licensing of firearms. We will continue our work to strengthen document security, and improve strategies to combat alien smuggling, attacking the problem at the source and transit the destination countries. Our governments will also move further ahead with efforts to strengthen international legal regimes for extradition and mutual legal assistance, to ensure that no criminal receives safe haven anywhere in the world.

## ILLCIT DRUGS

42. We are determined to intensify our efforts to combat the production, trafficking and use of illicit drugs, which represent a global threat to the safety of our citizens, and the well-being of our societies and institutions. Reaffirming the common responsibility of all concerned States, we recognize that a successful strategy to combat illicit drugs requires effective action against both the supply and the demand for such drugs. We stress the importance of demand reduction. Together with strict enforcement of drug-related laws, programs aimed at treatment and rehabilitation, education and prevention are of major importance in our fight against drugs.

43. We have asked our appropriate government agencies to build on their established patterns of cooperation to address this common threat. In particular, we will study mechanisms that would assist in the development of healthy, drug-free economies in all States; support further efforts to share relevant information on money-laundering, chemical precursors, new synthetic drugs, trafficking patterns and methods, and other data; and will work together to strengthen the capabilities of law enforcement institutions to combat illicit drugs. Our governments will work together to develop the agenda for the UN General Assembly Special Session on Drugs in June 1998.

## TERRORISM

44. We reaffirm our determination to combat terrorism in all forms, irrespective of motive. We oppose concessions to terrorist demands and are determined to deny hostage-takers any benefits from their acts. We welcome the growing consensus on adopting effective and legitimate means of countering terrorism.

45. Last year, our Ministers adopted twenty-five recommendations to combat terrorism. We have received a positive response worldwide, in particular in the UN General Assembly. Together we have made substantial progress on many of these recommendations, including: drafting and negotiating a UN convention on terrorist bombing; promoting improved international standards for airport security, explosives detection, and vehicle identification; promoting stronger laws and export controls on the manufacture, trade and transport of explosives; initiating a directory of counter-terrorism competencies; inviting all States to promote the use of encryption which may allow, consistent with OECD guidelines, lawful government access to combat terrorism.

46. We have asked our Ministers to intensify diplomatic efforts to ensure that by the year 2000 all States join the international counterterrorism conventions specified in the 1996 UN resolution on measures to counter terrorism. We have instructed our officials to take additional steps: to strengthen the capability of hostage negotiation experts and counterterrorism response units; to exchange information on technologies to detect and deter the use of materials of mass destruction in terrorist attacks; to develop means to deter terrorist attacks on electronic and computer infrastructure; to strengthen maritime security; to exchange information on security practices for international special events; and to strengthen and expand international cooperation and consultation.

## HUMAN CLONING

47. We agree on the need for appropriate domestic measures and close international cooperation to prohibit the use of somatic cell nuclear transfer to create a child.

## SPACE STATION

48. We look forward to the signing of the Agreement to establishing an international space station. This is an excellent example of international cooperation in carrying out large and promising projects in the field of exploration and peaceful uses of outer space.

## UNITED NATIONS REFORM

49. We reaffirm the crucial role of the United Nations in maintaining international peace and security and in fostering global partnership and sustainable development. We support thorough-going reform, with the goal of strengthening the UN. We welcome progress that has occurred in the economic and social fields since our meetings in Halifax and Lyon. In this regard, we welcome Secretary General Kofi Annan's recent reform proposals and support their rapid implementation; we also look forward to the Secretary General's more extensive proposals next month. We remain committed to working with all UN members to realize these reforms.

50. In order for the UN to cope with the challenges of the 21st century, financial reform should proceed together with necessary reform measures in other areas. The UN system must be placed on a firm financial footing through full and timely payment of obligations, and development of a more logical and equitable scale of assessments. Budgets throughout the UN system should be scrutinized with emphasis on prioritization and maximum operating efficiency. We look forward to the Secretary General's specific proposals for reinvesting savings from improved cost-effectiveness in high priority development programs. Robust oversight mechanisms and sound personnel policies are essential for success.

51. The urgent challenges of economic and social development require the UN to coordinate more effectively the policies and activities of its various bodies including the specialized agencies. To this end, the UN's Economic and Social Council (ECOSOC), supported by the Under Secretary General for economic and social issues, should strengthen its policy and coordination role, in particular through streamlining its subsidiary bodies and improving its working relationship with international financial institutions and the WTO. We welcome the recent reforms in the governance of the funds and programs as well as in the various UN bodies, in particular at UNCTAD and in the regional commissions; these efforts should be sustained and expanded.

52. We call for a thorough and urgent review of the UN's funds and programs, as well as a system-wide review of the roles and mandates of specialized agencies and commissions. We welcome the Secretary General's recommendations for strengthened integration at the country level and better coordination at headquarters. In this context, we recommend the UN undertake performance evaluations of the coordination of its development activities in a range of representative countries. We expect the least developed countries to be the principal beneficiaries of improved efficiency in the UN's development work.

53. We reaffirm that the UN must further improve its ability to act quickly and effectively to address threats to international peace and security. We will continue to help develop the capacities of the UN in preventing and resolving conflicts. We support steps taken recently by the UN to strengthen its capacity for rapid reaction from the early warning stage to the stage of rapid deployment of new, approved, peacekeeping operations and urge continued improvements in these areas.

## AFRICA: PARTNERSHIP FOR DEVELOPMENT

54. At Lyon, we initiated a New Global Partnership for Development, noting- both that developing countries have a fundamental responsibility for promoting their own development, and that developed countries must support these efforts. We paid particular attention to the problems of Sub-Saharan African countries, many of which continue to face unusually severe challenges. This year, we aim to translate the principles of that Partnership into new concrete action to support the efforts of African countries to participate fully in the expansion of global prosperity and to spread the benefits throughout their societies. Our objective is not only to facilitate the progressive integration of African countries into

the world economy, but also to foster the integration of poor populations into economic, social and political life of their countries.

55. We are encouraged by positive developments, including the adoption of democratic and economic reforms in many Sub-Saharan African countries. Since 1990, more than twenty African nations have held free and fair elections. Democratic governance and the rule of law, in Africa as elsewhere, lay the foundation for human rights, including the rights of women, and sustainable development. We commend those African countries that have set an example by undertaking democratic reforms, improving rule of law and administration of justice, avoiding unproductive expenditures (including excessive military expenditures), and strengthening public institutions and civil society. We will support African efforts to promote democracy and good governance, improve the integrity of public institutions, enhance the transparency of government spending, in particular of procurement, and develop national anti-bribery regulations.

56. Increased prosperity ultimately depends upon creating an environment for domestic capital formation, private sector-led growth and successful integration into global markets. We are encouraged by the increasing number of Sub-Saharan countries that have made progress toward financial sustainability through fiscal and financial practices and have adopted growth and market oriented economic policies, including trade liberalization and investment climate improvement. These initiatives have produced a welcome acceleration of growth since 1994. We expect the international financial institutions to play an important role in supporting reform in Sub-Saharan African countries. Their support should help to promote productive foreign direct investment and domestic capital formation. We look forward to the IFIs reporting on their efforts by the time of the Hong Kong World Bank/IMF meetings.

57. Access to our markets is a crucial tool for fostering economic growth in Sub-Saharan Africa. We each will continue to improve, through various means, access to our markets for African exports. We support the further integration of the least developed countries into the world trading system. In this regard, African countries will be major beneficiaries of efforts in the WTO on a plan of action to promote capacity building and to provide predictable and favorable market access conditions for least developed countries. We are committed to the effective implementation of this plan and intend to participate actively in the high-level WTO/UNCTAD/International Trade Center meeting later this year. Furthermore, trade liberalization by African countries will promote more efficient utilization of resources. We also welcome African initiatives for regional trade liberalization and economic cooperation.

58. We will consider ways to enhance opportunities for the Sub-Saharan African countries that need them most and are undertaking effective reform measures. We will review our own bilateral aid and trade promotion programs to ensure that they support climates conducive to economic growth and private investment, including by strengthening capacity.

59. Substantial flows of official development assistance will continue to play an essential role in building the capacity of Sub-Saharan African countries to achieve their sustainable development objectives. We are committed to a results-oriented approach to development policy, with the particular goal of combating extreme poverty. But development assistance alone cannot overcome inappropriate policies. We will work with African countries to ensure adequate and well-targeted assistance for those countries which have the greatest need and carry out the necessary broad-based reforms. This assistance will include support for democratic governance, respect for human rights, sound public administration, efficient legal and judicial systems, infrastructure development, rural development, food security, environmental protection and human resource development, including health and education of their people. In this regard, we will work to strengthen cooperation among concerned institutes to facilitate and coordinate capacity building efforts.

60. To maximize the effectiveness of our efforts, we will deepen the dialogue with African partners, work for greater local ownership of development strategies and encourage the participation of non-governmental actors. We will also strengthen donor coordination, including with emerging donors. We welcome and fully support the emerging trend of intraregional and inter-regional cooperation to

further African development.

61. The United Nations plays a major role in development in Africa, and African countries will be major beneficiaries of reform of the UN economic and social development activities. We encourage the UN's development funds and programs and specialized agencies, to emphasize work in the field in Africa and to fully integrate and coordinate their efforts, both at the headquarters and at the country level. We are encouraged by the Economic Commission on Africa's efforts to energize and focus its activities. The UN Development Program's decision to allocate a portion of its resources based on program quality is a useful approach to assuring effectiveness, and we urge that it be adopted more broadly in the UN's work.

62. A number of African countries are making impressive efforts to harness the information revolution in support of democracy and sustainable development. We welcome the Africa Information Society Initiative. We support their efforts to establish information networks to link African countries with each other and to the rest of the world. In this regard, we welcome the Toronto Global Knowledge '97 Conference.

63. We applaud African leadership in developing effective local capacities in conflict prevention, peacekeeping and post-conflict reconciliation and recovery. We will support African peacebuilding initiatives at the regional, sub-regional and national levels, in particular by the Organization of African Unity (OAU), taking into account the recent OECD Guidelines on Conflict, Peace, and Development Cooperation, and we will help to forge active partnerships with the United Nations and other donors. We encourage the UN Secretary General, as part of his reform efforts, to identify ways the international community can further strengthen Africa's initiatives. We also call for the expanded utilization of the existing UN Trust Fund for African peacekeeping and conflict prevention, as well as other relevant UN funds; and broader and substantial donor commitments to the OAU and to subregional bodies with specialized mechanisms for conflict mediation, as well as to the UN/OAU Special Envoy to the Great Lakes.

64. We express our support for long-term efforts to promote rapidly deployable African peacekeeping capacities. We welcome closer coordination among African troop-contributing countries, regional and subregional organizations, donors, and the UN in the development of training, joint exercises, common peacekeeping doctrine, and other efforts to ensure interoperability. We also welcome recent progress towards the establishment of an African Peacekeeping Support Group at the UN, and we urge interested countries to actively explore mechanisms for coordination of practical activities.

65. We express our grave concern at the recent attacks against refugees as well as against personnel of refugee and humanitarian organizations. We emphasize that host States must prevent such acts and prosecute the perpetrators.

66. We have requested that our officials report to us prior to next year's Summit about the efforts they have undertaken together to implement all aspects of this partnership.

## POLITICAL ISSUES

67. Together, we are pursuing a strategy of global integration to create a more secure and stable international community. Already, we have used our political cooperation to broaden and deepen the community of open markets and open societies, and in the next year we will work together to build on these efforts. Our Partnership for Development is designed explicitly to support the economic and political development of nations which run the risk of being marginalized from the process of integration. We will focus our energies on strengthening adherence to the norms and principles of international cooperation, and will work together to take effective measures against those who threaten those objectives. We recognize our common interest and responsibility in helping bring an end to conflicts that threaten to disturb international peace and to undermine our deepened cooperation.

## DEMOCRACY AND HUMAN RIGHTS

68. Recent years have seen an unprecedented growth of democracy worldwide. Yet young democratic

states can be fragile and short-lived. We have a responsibility and opportunity to further strengthen democratic values and fundamental freedoms where they have taken hold and extend their reach where they have not.

69. Human rights are at the heart of our concerns. Ensuring accountability for violations of human rights and international humanitarian law is essential to promote conflict resolution and peace. The new UN High Commissioner for Human Rights will have a crucial role to play. We will continue to give full support to the International Tribunals for the former Yugoslavia and Rwanda, and work to ensure that the international community and States concerned bring to justice through due process persons responsible for violations of human rights and international humanitarian law.

70. Recognizing that strengthening democracy is essential to strengthening peace and human rights, and looking to the 50th anniversary of the Universal Declaration of Human Rights in 1998, we will work together in the coming year to build on our governments' most effective democratic development, peacebuilding and human rights programs. Our efforts will focus on promoting good governance and the rule of law, strengthening civil society, expanding women's political participation, and boosting business and labor support for democracy, particularly in young democracies and societies in conflict. The protection of the most underrepresented or vulnerable is critical to broaden participation in the democratic process and prevent societal conflict. We will work to ensure adoption and ratification of international instruments designed to provide protection to these groups, in particular the speedy adoption of an International Labor Organization Convention on the eradication of intolerable forms of child labor. We will work through multilateral and regional organizations, particularly with the Development Assistance Committee of the OECD as well as in partnership with nongovernmental organizations and young democracies. We also will consider common efforts to promote democracy where it is not now established.

71. We have asked our Ministers to pursue these efforts and to make recommendations for consideration at our next Summit.

72. Democracy, economic growth and development cannot reach their full potential without good governance, in particular the accountability of political leaders and public servants, especially for corruption. We will actively work to eliminate corruption in aid-funded procurement. We will take prompt steps to criminalize, in an effective and coordinated manner, bribery of foreign public officials, and to implement previous undertakings on the tax-deductibility of such bribes. We call upon all other countries to do the same.

#### NON-PROLIFERATION, ARMS CONTROL AND DISARMAMENT

73. Since the Moscow Summit on Nuclear Safety and Security, we have taken important steps to implement the agreed "Programme for Preventing and Combating Illicit Trafficking in Nuclear Materials." We will expand participation in this program to include countries in Central and Eastern Europe, and in Central Asia and the Caucasus.

74. Further regarding the safe and effective management of fissile material, with respect to such materials no longer required for defense purposes, we will continue our cooperation through concrete initiatives, in particular the French-German-Russian project to build a pilot plant in Russia to produce MOX fuel from weapons plutonium, which is open to additional states, and the related U.S.-Russian cooperation on the conversion of weapons plutonium.

75. We have worked together to advance our common non-proliferation, arms control, and disarmament goals. The Comprehensive Test Ban Treaty is an historic milestone, and we call upon all States to sign and ratify it rapidly to ensure its early entry into force. We welcome the entry into force of the Chemical Weapons Convention. We advocate its full, effective and universal implementation, and look forward to the early ratification of the Convention by the States that have not yet done so. Recognizing that enhancing confidence in compliance would reinforce the Biological and Toxin Weapons Convention, we reaffirm our determination to complete as soon as possible through negotiation a legally-binding and effective verification mechanism.

76. We reaffirm our unwavering commitment to full implementation of the objectives set forth in the Non-Proliferation Treaty. To that end, we welcome the IAEA's recent adoption of a program on strengthening the effectiveness and improving the efficiency of the safeguards system. We urge all States to conclude additional protocols with the IAEA at the earliest possible date. We reaffirm our commitment to the immediate commencement and early conclusion of a convention banning the production of fissile material for nuclear weapons or other nuclear explosive devices.

77. We welcome the progress on strategic arms control made at Helsinki in March, and look forward to the early entry-into-force of the START II agreement and the initiation of START III negotiations. We reaffirm the key role of the Conventional Forces in Europe Treaty in strengthening European security, and welcome the decision to conclude its adaptation as expeditiously as possible. We welcome the recent agreement among Russia, Kazakstan, Kyrgystan, Tajikistan, and China on reduction of military forces along their borders and consider it an important contribution to the region's security.

78. We endorse unequivocally efforts by the UN Special Commission and the IAEA to eliminate weapons of mass destruction capabilities in Iraq and to monitor compliance. We reaffirm the importance of implementing the U.S.-DPRK Agreed Framework and full compliance by North Korea with its non-proliferation obligations. We therefore place great value on the continuing role of the IAEA in monitoring the freeze on North Korea's nuclear program, implementing safeguards, and helping preserve all information relating to the DPRK's past activity. We welcome the conclusion of negotiations for the EU to participate in the Korean Peninsula Energy Development Organization (KEDO) and call for further international support for KEDO, including the provision of funds. We stress the importance of Four Party talks and the necessity of North-South dialogue. We call on North Korea to halt its development, deployment and export of ballistic missiles.

79. We welcome the emerging high-level dialogue between India and Pakistan. We encourage both countries to bring their activities into conformity with international non-proliferation norms. Consistent with our support for the CTBT's early entry into force, we encourage both countries to adhere to that treaty.

80. We recognize that global security and stability are strengthened by promoting international responsibility in the transfer of arms and sensitive technologies, and to that end reaffirm our support for the Wassenaar Arrangement. We welcome the steady achievements under the UN Register of Conventional Arms in promoting transparency in armaments. We encourage the work of the UN Panel of Governmental Experts on Small Arms to identify the ways and means to prevent and reduce the excessive and destabilizing transfer of small arms and light weapons and we will continue to work together to curb illegal trafficking in firearms.

#### EXPORT CONTROL REGIMES

81. We underline our support for the arrangements that make up the international export control regimes. The Zangger Committee and the Nuclear Suppliers Group, the Missile Technology Control Regime, and, for those who are members, the Australia Group export control regime, all contribute critically to the global application and enforcement of international export control norms.

#### ANTI-PERSONNEL LANDMINES

82. Last year we committed ourselves to spare no effort in securing a global ban on antipersonnel landmines. To this end, we note the useful and complementary efforts in a variety of fora, including at the Conference on Disarmament and in formal negotiations to take place in Oslo in September through the Ottawa Process which has set the goal of achieving such a ban before the end of the year. We welcome the restrictions on anti-personnel landmines unilaterally declared by States, including by the members of the EU. We reaffirm the UN General Assembly resolution, approved overwhelmingly, calling for concluding an effective, legally-binding international agreement to ban anti-personnel landmines as soon as possible. All States should adhere to the strengthened Protocol on Mines, Booby Traps and Other Devices. We encourage the international community to develop technological solutions

to mine detection and clearance, and to strengthen its support for humanitarian demining and assistance to mine victims.

## POLITICAL SITUATIONS

### Hong Kong

83. We recognize the historic nature of China's imminent resumption of sovereignty over Hong Kong. Considering our durable interests in this financial and economic center, we welcome and place weight on China's commitments, contained in the 1984 UK-PRC Joint Declaration and in the 1990 PRC Basic Law. These include ensuring Hong Kong's continued stability and prosperity and preserving its way of life, its high degree of autonomy -- including an independent monetary and economic system -- its fundamental freedoms and the rule of law. These will provide the essential underpinnings for Hong Kong's future economic success. We look forward to democratic elections in Hong Kong for a new legislature as soon as possible. We take serious note of China's assurances in the Joint Declaration and Basic Law that the provisions of the International Covenant of Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights will continue to apply in Hong Kong.

### Middle East

84. The Peace Process faces a crisis, and we are determined to reinject momentum into it. Restoring the sense of security and confidence among Israelis and Palestinians is essential.

We shall do our utmost to reinvigorate implementation of the Oslo Accords and to uphold the principles of Madrid, including the exchange of land for peace. All the problems need to be addressed peacefully through serious and credible negotiations. Both sides must refrain from actions that impede the peace process by preempting permanent status negotiations. We believe strongly in the importance of working with Israel, Syria and Lebanon to resume direct talks in order to achieve a comprehensive settlement in the region. We welcome the important role the Monitoring Group has played in strengthening the Understanding of April 26, 1996 and in reducing risks to civilians in southern Lebanon and in Israel. We affirm the importance of the activities within the multilateral framework of the peace process.

85. Economic growth and prosperity are critical to peace. We urge regional parties to pursue economic cooperation among themselves and integration into the global economy. We welcome all efforts to promote the region's development of viable and sustainable economies, including assistance to the Palestinians, and urge donors to fulfill pledges made.

86. We have noted with interest the results of the recent elections in Iran and renew our call upon the Government of Iran to play a constructive role in regional and world affairs. In this regard, while noting the role Iran played in inter-Tajik talks in conjunction with the United Nations and other regional parties, we call upon the Government of Iran to desist from material and political support for extremist groups that are seeking to destroy the Middle East peace process and to destabilize the region. We further call upon the Iranian Government to respect the human rights of all Iranian citizens and to renounce the use of terrorism, including against Iranian citizens living abroad, and, in that connection, to desist from endorsing the continued threat to the life of Mr. Salman Rushdie and other people associated with his work. We call on all States to avoid cooperation with Iran that might contribute to efforts to acquire nuclear weapons capabilities, or to enhance chemical, biological, or missile capabilities in violation of international conventions or arrangements.

87. We confirm our determination to obtain full compliance with all UN Security Council resolutions related to Iraq and Libya. Only full compliance with these resolutions could result in the lifting of sanctions. We are pleased to note that the distribution of food and medicine under UNSCR 986 is providing some humanitarian relief to the Iraqi people.

### Cyprus

88. The Cyprus dispute has remained unresolved for far too long. We fully support the mission of good



offices of the United Nations Secretary General on Cyprus aimed at engaging the two Cypriot communities in negotiations to achieve a comprehensive settlement in accordance with relevant UN Resolutions and high-level agreements. We strongly endorse the Secretary General's recent invitation to the leaders of both communities and call on them to approach negotiations constructively and in good faith. We call upon the governments of Turkey and Greece to do everything possible to contribute to a solution of the Cyprus problem and to work towards solving their bilateral disputes with regard to the Aegean through early meetings of "Wise Men."

#### Albania

89. Noting the situation in Albania and its implications for regional stability, we express our appreciation to those organizations and institutions, acting within the coordinating framework of the OSCE under the strong leadership of Franz Vranitzky -- especially the EU as well as the WEU, UNHCR and Red Cross -- that are working with the Government of National Reconciliation to restore normalcy in the country. We applaud the deployment of the Multinational Protection Force under Italian leadership and the authority of the UN Security Council. We underscore the need for the Albanian parties to work together to ensure that the elections reinforce democracy and thereafter work to reestablish order and public safety, pursue economic reform, and create a sound financial system.

#### NEXT SUMMIT

90. We have accepted the invitation of the Prime Minister of the United Kingdom to meet in Birmingham on 15-17 May next year.

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Summit Contents

**THE BIRMINGHAM SUMMIT**  
**15-17 May 1998**  
**COMMUNIQUE**

- Sunday 17 May 1998

**Introduction**

1. We, the Heads of State or Government of eight major industrialised democracies and the President of the European Commission, met in Birmingham to discuss issues affecting people in our own and other countries. In a world of increasing globalisation we are ever more interdependent. Our challenge is to build on and sustain the process of globalisation and to ensure that its benefits are spread more widely to improve the quality of life of people everywhere. We must also ensure that our institutions and structures keep pace with the rapid technological and economic changes under way in the world.

2. Of the major challenges facing the world on the threshold of the 21st century, this Summit has focused on three:

- achieving sustainable economic growth and development throughout the world in a way which, while safeguarding the environment and promoting good governance, will enable developing countries to grow faster and reduce poverty, restore growth to emerging Asian economies, and sustain the liberalisation of trade in goods and services and of investment in a stable international economy;
- building lasting growth in our own economies in which all can participate, creating jobs and combating social exclusion;
- tackling drugs and transnational crime which threaten to sap this growth, undermine the rule of law and damage the lives of individuals in all countries of the world.

Our aim in each case has been to agree concrete actions to tackle these challenges.



**Promoting sustainable growth in the global economy**

3. In an interdependent world, we must work to build sustainable economic growth in all countries. Global integration is a process we have encouraged and shaped and which is producing clear benefits for people throughout the world. We welcomed the historic decisions taken on 2 May on the establishment of European Economic and Monetary Union. We look forward to a successful EMU which contributes to the health of the world economy. The commitment in European Union countries to sound fiscal policies and continuing structural reform is key to the long-term success of EMU, and to improving the prospects for growth and employment.

4. Overall global prospects remain good. However, since we last met, the prospects have been temporarily set back by the **financial crisis in Asia**. We confirm our strong support for the efforts to re-establish stability and growth in the region and for the key role of the International Financial Institutions. Successful recovery in Asia will bring important benefits for us all. Therefore:

- we strongly support reforms underway in the affected countries and welcome the progress so far achieved. With full implementation of programmes agreed with the IMF we are confident that stability can be restored. The underlying factors that helped Asia achieve impressive growth in the past remain in place. Implementation of agreed policies together with the action taken by ourselves and other countries to avoid spillover effects provide the basis for a firm recovery in the region and renewed global stability;
- we believe a key lesson from events in Asia is the importance of sound economic policy, transparency and good governance. These improve the functioning of financial markets, the quality of economic policy making and public understanding and support for sound policies, and thereby enhance confidence. It is also important to ensure that the private sector plays a timely and appropriate role in crisis resolution;
- we are conscious of the serious impact of the crisis in the region on the poor and most vulnerable. Economic and financial reform needs to be matched with actions and policies by the countries concerned to help protect these groups from the worst effects of the crisis. We welcome the support for this by the World Bank, the Asian Development Bank and bilateral donors and the increased emphasis on social expenditure in programmes agreed by the IMF;
- we are concerned that the difficulties could trigger short-term protectionist forces both in the region and in our own countries. Such an approach would be highly damaging to the prospects for recovery. We resolve to keep our own markets open and call on other countries to do the same. We emphasise the importance for the affected countries of continued opening of their markets to investment and trade.

5. Looking ahead to the **WTO's** celebration of the 50th anniversary of the founding of the GATT next week, we:

- reaffirm our strong commitment to continued trade and investment liberalisation within the multilateral framework of the WTO;
- call on all countries to open their markets further and resist protectionism;
- strongly support the widening of the WTO's membership in accordance with established WTO rules and practices;
- agree to promote public support for the multilateral system by encouraging

greater transparency in the WTO, as in other international organisations;

- reaffirm our support for efforts to complete existing multilateral commitments, push forward the built-in agenda and tackle new areas in pursuing broad-based multilateral liberalisation;
- confirm our wish to see emerging and developing economies participate fully and effectively in the multilateral trade system; commit ourselves to deliver early, tangible benefits from this participation to help generate growth and alleviate poverty in these countries; and undertake to help least developed countries by:
  - providing additional duty-free access for their goods, if necessary on an autonomous basis,
  - ensuring that rules of origin are transparent,
  - assisting efforts to promote regional integration,
  - helping their markets become more attractive and accessible to investment and capital flows.

6. The last point highlights one of the most difficult challenges the world faces: to enable the **poorer developing countries**, especially in **Africa**, develop their capacities, integrate better into the global economy and thereby benefit from the opportunities offered by globalisation. We are encouraged by the new spirit of hope and progress in Africa. The challenges are acute, but confidence that they can be overcome is growing. We commit ourselves to a real and effective partnership in support of these countries' efforts to reform, to develop, and to reach the internationally agreed goals for economic and social development, as set out in the OECD's 21st Century Strategy. We shall therefore work with them to achieve at least primary education for children everywhere, and to reduce drastically child and maternal mortality and the proportion of the world's population living in extreme poverty.

7. To help achieve these goals, we intend to implement fully the vision we set out at Lyon and Denver. We therefore pledge ourselves to a shared international effort:

- to provide effective support for the efforts of these countries to build democracy and good governance, stronger civil society and greater transparency, and to take action against corruption, for example by making every effort to ratify the OECD Anti-Bribery Convention by the end of 1998;
- to recognise the importance of substantial levels of development assistance and to mobilise resources for development in support of reform programmes, fulfilling our responsibilities and in a spirit of burden-sharing, including negotiating a prompt and adequate replenishment of the soft loan arm of the World Bank (IDA 12) as well as providing adequate resources for the Enhanced Structural Adjustment Facility of the IMF and for the African Development Fund;
- to work to focus existing bilateral aid and investment agency assistance in support of sound reforms, including the development of basic social infrastructure and measures to improve trade and investment;
- to work within the OECD on a recommendation on untying aid to the least developed countries with a view to proposing a text in 1999;
- to support the speedy and determined extension of debt relief to more countries, within the terms of the Heavily Indebted Poor Countries (HIPC) initiative agreed by the International Financial Institutions (IFIs) and Paris

Club. We welcome the progress achieved with six countries already declared eligible for HIPC debt relief and a further two countries likely to be declared shortly. We encourage all eligible countries to take the policy measures needed to embark on the process as soon as possible, so that all can be in the process by the year 2000. We will work with the international institutions and other creditors to ensure that when they qualify, countries get the relief they need, including interim relief measures whenever necessary, to secure a lasting exit from their debt problems. We expect the World Bank to join the future financial effort to help the African Development Bank finance its contribution to the HIPC initiative;

- to call on those countries who have not already done so to forgive aid-related bilateral debt or take comparable action for reforming least developed countries;
- to enhance mutual cooperation on infectious and parasitic diseases and support the World Health Organisation's efforts in those areas. We support the new initiative to 'Roll Back Malaria' to relieve the suffering experienced by hundreds of millions of people, and significantly reduce the death rate from malaria by 2010. We will also continue our efforts to reduce the global scourge of AIDS through vaccine development, preventive programmes and appropriate therapy, and by our continued support for UNAIDS. We welcome the French proposal for a 'Therapeutic Solidarity Initiative' and other proposals for the prevention and treatment of AIDS, and request our experts to examine speedily the feasibility of their implementation.

8. We see a particular need to strengthen Africa's ability to prevent and ease conflict, as highlighted in the UN Secretary General's recent report. We will look for ways to enhance the capacity of Africa-based institutions to provide training in conflict prevention and peacekeeping. We also need to consider further ways to respond to the exceptional needs of poor post-conflict countries as they rebuild their political, economic and social systems, in a manner consistent with democratic values and respect for basic human rights. In addition to immediate humanitarian assistance:

- we recognise the need for technical and financial assistance in creating strong democratic and economic institutions, supporting good governance alongside programmes of macroeconomic and structural reform supported by the IMF and World Bank. We call on the World Bank to play a strong role in co-ordinating bilateral and multilateral assistance in these areas;
- we also agree on the need to consider ways for debt relief mechanisms, including the HIPC initiative where appropriate, to be used to release more and earlier resources for essential rehabilitation, particularly for those countries with arrears to the IFIs.

9. A crucial factor in ensuring sustainable development and global growth is an efficient **energy** market. We therefore endorse the results of our Energy Ministers' Meeting in Moscow in April. We shall continue cooperation on energy matters in the G8 framework. We recognise the importance of soundly based political and economic stability in the regions of energy production and transit. With the objective of ensuring reliable, economic, safe and environmentally-sound energy supplies to meet the projected increase in demand, we commit ourselves to encourage the development of energy markets. Liberalisation and restructuring to encourage efficiency and a competitive environment should be supported by transparent and non-discriminatory national legislative and regulatory frameworks with a view to establishing equitable treatment for both government and private

sectors as well as domestic and foreign entities. These are essential to attract the new investment which our energy sectors need. We also recognise the importance of international co-operation to develop economically viable international energy transmission networks. We shall pursue this co-operation bilaterally and multilaterally, including within the framework and principles of the Energy Charter Treaty.

10. Considering the new competitive pressures on our electric power sectors, we reaffirm the commitment we made at the 1996 Moscow Summit to the safe operation of nuclear power plants and the achievement of high safety standards worldwide, and attach the greatest importance to the full implementation of the Nuclear Safety Account grant agreements. We reaffirm our commitment to the stated mission of the Nuclear Safety Working Group (NSWG). We agreed to deepen Russia's role in the activities of the NSWG, with a view to eventual full membership in the appropriate circumstances. We acknowledge successful cooperation on the pilot project of the International Thermonuclear Experimental Reactor (ITER) and consider it desirable to continue international cooperation for civil nuclear fusion development.

11. The greatest environmental threat to our future prosperity remains **climate change**. We confirm our determination to address it, and endorse the results of our Environment Ministers' meeting at Leeds Castle. The adoption at Kyoto of a Protocol with legally binding targets was a historic turning point in our efforts to reduce greenhouse gas emissions. We welcome the recent signature of the Protocol by some of us and confirm the intention of the rest of us to sign it within the next year, and resolve to make an urgent start on the further work that is necessary to ratify and make Kyoto a reality. To this end:

- we will each undertake domestically the steps necessary to reduce significantly greenhouse gas emissions;
- as the Kyoto protocol says, to supplement domestic actions, we will work further on flexible mechanisms such as international market-based emissions trading, joint implementation and the clean development mechanism, and on sinks. We aim to draw up rules and principles that will ensure an enforceable, accountable, verifiable, open and transparent trading system and an effective compliance regime;
- we will work together and with others to prepare for the Buenos Aires meeting of COP4 this autumn. We will also look at ways of working with all countries to increase global participation in establishing targets to limit or reduce greenhouse gas emissions. We will aim to reach agreement as soon as possible on how the clean development mechanism can work, including how it might best draw on the experience and expertise of existing institutions, including the Global Environment Facility. We look forward to increasing participation from developing countries, which are likely to be most affected by climate change and whose share of emissions is growing. We will work together with developing countries to achieve voluntary efforts and commitments, appropriate to their national circumstances and development needs. We shall also enhance our efforts with developing countries to promote technological development and diffusion.

12. The recent devastating forest fires in south-east Asia and the Amazon, threatening not only our environment but even economic growth and political stability, illustrate the crucial importance of global cooperation, and of better and more effective frameworks and practical efforts designed to sustainably manage and conserve forests. In the year 2000 we will assess our progress on

implementation of the G8 Action Programme published last week. We strongly support the ongoing work on forests under the auspices of the United Nations, and we look forward to continuing these efforts.

### **Growth, employability, and inclusion**

13. All our people, men and women, deserve the opportunity to contribute to and share in national prosperity through work and a decent standard of living. The challenge is how to reap the benefits of rapid technological change and economic globalisation whilst ensuring that all our citizens share in these benefits by increasing growth and job creation, and building an inclusive society. To accomplish this, we recognise the importance of modernising domestic economic and social structures within a sound macro-economic framework. To these ends we strongly endorse the seven principles agreed by the G8 Finance, Economic, Labour and Employment Ministers at their London Conference in February on 'Growth, Employability and Inclusion'. We also welcome the conclusions of the Kobe Jobs Conference of November 1997, with their particular focus on active ageing.

14. We discussed and welcomed the Action Plans we have each produced to show how the seven principles of the London Conference are being implemented. By sharing national experiences and best practices in this area, we can improve our policies and responses. We underlined the importance of the involvement of employers and unions in securing successful implementation of these Plans.

15. The Action Plans show that individually we are all making new commitments to improve employability and job creation in our countries. In particular, we have committed ourselves to:

- measures to help young, long-term unemployed and other groups hard hit by unemployment find work;
- measures to help entrepreneurs to set up companies;
- carrying out structural reforms, including making tax and benefit systems more employment friendly and liberalisation of product markets;
- measures to promote lifelong learning.

16. Each country confirmed its determination to introduce the measures set out in its Action Plans and to pursue the concept of active ageing. Measures on active ageing should explore what forms of work are appropriate to the needs of older workers and adapt work to suit them accordingly.

17. These measures will help generate soundly-based and equitable growth. We are also willing to share our principles and experiences, including in the relevant international institutions particularly the ILO, OECD and the IFIs, to help foster growth, jobs and inclusion not only in the G8 but throughout the world. We renew our support for global progress towards the implementation of internationally recognised core labour standards, including continued collaboration between the ILO and WTO secretariats in accordance with the conclusions of the Singapore conference and the proposal for an ILO declaration and implementation mechanism on these labour standards.

### **Combating drugs and international crime**

18. Globalisation has been accompanied by a dramatic increase in transnational crime. This takes many forms, including trafficking in drugs and weapons;

smuggling of human beings; the abuse of new technologies to steal, defraud and evade the law; and the laundering of the proceeds of crime.

19. Such crimes pose a threat not only to our own citizens and their communities, through lives blighted by drugs and societies living in fear of organised crime; but also a global threat which can undermine the democratic and economic basis of societies through the investment of illegal money by international cartels, corruption, a weakening of institutions and a loss of confidence in the rule of law.

20. To fight this threat, international cooperation is indispensable. We ourselves, particularly since the Lyon summit in 1996, have sought ways to improve that cooperation. Much has already been achieved. We acknowledge the work being done in the UN, the EU and by other regional groupings. We welcome the steps undertaken by the G8 Lyon Group to implement its 40 Recommendations on transnational organised crime and the proposals G8 Justice and Interior Ministers announced at their meeting in Washington last December. By working together, our countries are helping each other catch criminals and break up cartels. But more needs to be done. There must be no safe havens either for criminals or for their money.

21. We have therefore agreed a number of further actions to tackle this threat more effectively:

- We fully support efforts to negotiate within the next two years an effective **United Nations convention** against transnational organised crime that will provide our law enforcement authorities with the additional tools they need.
- We agree to implement rapidly the ten principles and ten point action plan agreed by our Ministers on **high tech crime**. We call for close cooperation with industry to reach agreement on a legal framework for obtaining, presenting and preserving electronic data as evidence, while maintaining appropriate privacy protection, and agreements on sharing evidence of those crimes with international partners. This will help us combat a wide range of crime, including abuse of the internet and other new technologies.
- We welcomed the FATF decision to continue and enlarge its work to combat **money-laundering** in partnership with regional groupings. We place special emphasis on the issues of money laundering and financial crime, including issues raised by offshore financial centres. We welcome the proposal to hold in Moscow in 1999 a Ministerial meeting on combating transnational crime. We agreed to establish Financial Intelligence Units (FIUs) where we do not already have them, in line with our national constitutions and legal systems, to collect and analyse information on those engaged in money laundering and liaise with the equivalent agencies in partner countries. We agreed on principles and the need for adequate legislation to facilitate **asset confiscation** from convicted criminals, including ways to help each other trace, freeze and confiscate those assets, and where possible, in accordance with national legislation, share seized assets with other nations.
- We agree on the need to explore ways of combating official **corruption** arising from the large flows of criminal money.
- We are deeply concerned by all forms of **trafficking of human beings** including the smuggling of migrants. We agreed to joint action to combat trafficking in women and children, including efforts to prevent such crimes, protect victims and prosecute the traffickers. We commit ourselves to develop a multidisciplinary and comprehensive strategy, including principles



and an action plan for future cooperation amongst ourselves and with third countries, including countries of origin, transit and destination, to tackle this problem. We consider the future comprehensive UN organised crime convention an important instrument for this purpose.

- We endorse **joint law enforcement action** against organised crime and welcome the cooperation between competent agencies in tackling criminal networks. We agree to pursue further action, particularly in dealing with major smuggling routes and targeting specific forms of financial fraud.
- We endorse the Lyon Group's principles and action plan to combat illegal manufacturing and trafficking of **firearms**. We welcome its agreement to work towards the elaboration of a binding international legal instrument in the context of the UN transnational organised crime convention.

22. We urge the Lyon Group to intensify its on-going work and ask our Ministers to report back to our next Summit on progress on the action plan on high tech crime, the steps taken against money laundering and the joint action on trafficking in human beings. We also welcome the steps agreed by our Environment Ministers on 5 April to combat **environmental crime**.

23. There is a strong link between **drugs** and wider international and domestic crime. We welcome the forthcoming UNGASS on drugs. This should signal the international community's determination in favour of a comprehensive strategy to tackle all aspects of the drugs problem. For its part, the G8 is committed to partnership and shared responsibility in the international community to combat illicit drugs. This should include reinforced cooperation to curb illicit trafficking in drugs and chemical precursors, action to reduce demand in our countries, including through policies to reduce drug dependency, and support for a global approach to eradicating illicit crops. We welcome the UNDCP's global approach to eliminating or significantly reducing illicit drug production, where appropriate through effective alternative development programmes.

#### **Non-Proliferation and Export Controls**

24. The proliferation of weapons of mass destruction and their delivery systems threatens the security of every nation. Our countries have been in the forefront of efforts to prevent proliferation, and we have worked closely together to support international non-proliferation regimes. We pledge to continue and strengthen this co-operation. As a key element of this co-operation, we reaffirm our commitment to ensure the effective implementation of export controls, in keeping with our undertakings within the non-proliferation regimes. We will deny any kind of assistance to programmes for weapons of mass destruction and their means of delivery. To this end, we will where appropriate undertake and encourage the strengthening of laws, regulations and enforcement mechanisms. We will likewise enhance amongst ourselves and with other countries our co-operation on export control, including for instance on the exchange of information. We will ask our experts to focus on strengthening export control implementation. And we will broaden awareness among our industrial and business communities of export control requirements.

#### **Year 2000 Bug**

25. The Year 2000 (or Millennium) Bug problem, deriving from the way computers deal with the change to the year 2000, presents major challenges to the international community, with vast implications, in particular in the defence, transport, telecommunications, financial services, energy and environmental

sectors, and we noted the vital dependence of some sectors on others. We agreed to take further urgent action and to share information, among ourselves and with others, that will assist in preventing disruption in the near and longer term. We shall work closely with business and organisations working in those sectors, who will bear much of the responsibility to address the problem. We will work together in international organisations, such as the World Bank to assist developing countries, and the OECD, to help solve this critical technological problem and prepare for the year 2000.

### Next Summit

26. We accepted the invitation of the Chancellor of the Federal Republic of Germany to meet again next year in Köln on 18-20 June.

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**G15 - FIFTEEN : THE SUMMIT LEVEL GROUP OF DEVELOPING COUNTRIES - JOINT COMMUNIQUE**

<b>June 1-3, 1990</b>	<b>First Summit Meeting, Kuala Lumpur, Malaysia</b>
<b>November 27-29, 1991</b>	<b>Second Summit Meeting, Caracas, Venezuela</b>
<b>November 21-23, 1992</b>	<b>Third Summit Meeting, Dakar, Senegal</b>
<b>March 28-30, 1994</b>	<b>Fourth Summit Meeting, New Delhi, India</b>
<b>November 5-7, 1995</b>	<b>Fifth Summit Meeting, Buenos Aires, Argentina</b>
<b>November 3-5, 1996</b>	<b>Sixth Summit Meeting, Harare, Zimbabwe</b>
<b>November 3-5, 1997</b>	<b>Seventh Summit Meeting, Kuala Lumpur, Malaysia</b>
<b>May 11-13, 1998</b>	<b>Eighth Summit Meeting, Cairo, Egypt</b>
<b>February 10-12, 1999</b>	<b>Ninth Summit Meeting, Montego Bay, Jamaica</b>
<b>June 19-20, 2000</b>	<b>Tenth Summit Meeting, Cairo, Egypt</b>
<b>2001</b>	<b>Eleventh Summit Meeting, Indonesia</b>
<b>2002</b>	<b>Twelfth Summit Meeting, Venezuela</b>



**GROUP OF FIFTEEN**  
**The Summit Level Group of Developing Countries**

**X SUMMIT OF THE HEADS OF STATE AND GOVERNMENT  
OF THE GROUP OF FIFTEEN**

**Cairo, Egypt**  
**19-20 June 2000**

**JOINT COMMUNIQUÉ**

1. We, the Heads of State and Government of the Group of Fifteen, meeting in Cairo, Egypt, on 19 and 20 June 2000 for our Tenth Summit, jointly reviewed global developments at the beginning of the XXI Century and prospects for the South. Guided by a culture of peace and development cooperation, we are determined to create a better future for our countries and peoples and to work towards the establishment of a fair international economic system based on justice and democracy. Within this context and taking into account the outcomes of major international and regional conferences held in the nineties as well as the first months of the Millennium, particularly the South Summit, UNCTAD X, the Non-Aligned Ministerial Conference and the G-24 Meeting, we undertook an appraisal of the work done by the Group since its establishment in 1989. The Millennium Summit in New York in September 2000 should influence the framework and content of international cooperation to take into account concerns of developing countries.
2. The G-15 was born at a time of growing optimism in international relations. The end of the Cold War reduced longstanding political hostilities and raised expectations for genuine cooperation within the community of nations. There was renewed hope for integrating many developing countries into the world economy, and the promise of growth and significant reductions in poverty levels, after the lost years of the 1980s. Rapid technological changes and more open markets were leading to new ways of organising global business with the prospect of greater opportunities for producers from the developing world. The belief was widespread that a new international architecture could be designed to meet the challenges of this more closely integrated world.
3. Today, as we celebrate the Tenth Anniversary of the Group of Fifteen, our desire is renewed to see a more harmonious and prosperous world economy in which the developing countries overcome the challenges and seize the opportunities created by globalization. Since the early nineties, the phenomenon of globalizing economic activities has led to increased interdependence around the globe, affecting virtually every domain of human activity. At the outset, it was our conviction that globalization would lead to the securing of better standards of living and the realization of the development objectives of our peoples, thus spreading prosperity all over the world. This has not materialized, and we are convinced that it will not until the international community redresses the asymmetries and imbalances in the global economy.

4. We remain concerned with the pattern of international economic relations. Growth in the developing world slowed from an average of 6 % to almost 2% in 1998, and for the first time in ten years was lower than that of developed countries. The instability of the international financial system requires urgent remedial measures.

5. Integrating developing countries into the world economy will result in increased market size, competition and opportunities for technology transfer to these countries. Gains arising from the ongoing liberalization process will benefit both developing and developed countries. However, to ensure such benefits for developing countries, the multilateral trading system should operate in a manner that is open, equitable, rule-based and non-discriminatory. It must take into account the development dimension in multilateral trade negotiations. There is need to strengthen such instruments as Special and Differential Treatment provisions and to make them operational so as to promote the interests of developing countries. Special attention should be given to addressing the problems faced by developing countries in the implementation of their WTO obligations. We note the negotiations on accession in the WTO, and the agreement to review progress. In light of our commitment to the early accession of developing countries, we agree that their terms of accession should be in accordance with the WTO Agreements, including the Special and Differential Treatment provisions.

6. The growing protectionist tendencies in the industrial countries manifested, *inter alia*, by attempts to introduce non-trade issues in multilateral trade negotiations and the application of non-tariff barriers, antidumping duties and anti-subsidy investigations need to be checked. We express our satisfaction with the initiation of the mandated negotiations in the Built-In Agenda. In agriculture, the objective should be to incorporate the sector within normal WTO rules, taking into account the need of developing countries for food security, particularly the net food importing and the least developed among them. Within the framework of the GATS, particular effort should be made to liberalize sectors and modes of supply of interest to developing countries. While the capital markets have been liberalised, including in developing countries, there has hardly been any progress in the opening of labour markets in developed nations. In this regard, we urge that there should be a freer movement of natural persons, an area in the provision of services in which developing countries have a comparative advantage in the global economy.

7. We attach high priority to full and effective implementation of the WTO Agreements in a manner consistent with the goal of trade liberalization. We express concern at unilateral trade measures being resorted to on grounds of environmental protection. Non-trade issues such as labour standards, proposed by some developed countries, shall not be introduced in, or linked to the WTO Agenda. We reject all attempts to use such issues as disguised forms of protectionism and as conditions for restricting market access, aid and/or technology flows to developing countries. We express our concern on the deterioration of preferential schemes, especially the imposition of new conditionalities, such as labour and environmental standards, on developing countries in the Generalized System of Preferences (GSP).

8. The Tenth Session of the United Nations Conference on Trade and Development. (UNCTAD X), held in Bangkok in February, underscored the importance of integrated development strategies in an increasingly interdependent world. We emphasise the important role of UNCTAD in assisting developing countries in capacity building and in ensuring that future trade negotiations take fully into account the development dimension. An important challenge for the international community is to secure the integration of all developing countries into the rapidly changing world economy and to reduce the risk of their marginalization particularly in the case of least developed countries and small economies.

9. Since our Seventh Summit in Kuala Lumpur we have been reviewing the effects of the financial crisis in East and South East Asia, while witnessing the continuing absence of effective measures at the global level for dealing with that financial instability caused by short term capital flows, hedge funds, and highly leveraged financial institutions. We stress the need for maintaining strong national and international monetary and financial systems. The widespread turbulence in the financial markets of emerging economies and the resulting contagion made clear the need to strengthen the architecture of the international financial system. Crisis predictability, including through an early warning system is needed to ensure a more stable, manageable, transparent and development-oriented international financial system. Importantly, an equitable sharing of the cost of crisis resolution between public and private sectors should be part of the crisis prevention and resolution scheme. Furthermore, the participation and equitable representation of developing countries is required in the efforts devoted to the comprehensive reform of the international financial system and its institutions. In this regard, we welcome coordination between the Group of Fifteen and the Group of Twenty-Four.

10. We recognize that durable solutions to the external debt burden of developing countries will contribute substantially to economic growth and development and to the strengthening of the global economy. In this context, we welcome all the initiatives for the Heavily Indebted Poor Countries launched by the Group of Seven, the World Bank and the IMF. However, the HIPC initiative and the enhancement thereof, with their various conditions, are not sufficient to contribute effectively to national efforts at eradicating poverty or to improving the international environment for development financing, and do not inject fresh funds for economic and social development in the countries concerned. In stressing the need to improve and broaden the HIPC initiative, we call for substantive measures that include debt and debt-service reduction, and the write-off of unpayable debts of such countries, as appropriate. We express serious concern about the debt problems of middle-income heavily indebted countries and non-HIPC low income countries, and urge that consideration be given to alleviating their debt burdens.

11. External capital flows for development remain a critical means for our countries to generate sustained economic growth and sustainable development. In this context, the decline in the level of Official Development Assistance (ODA) is a matter of serious concern and has to be reversed. Hence, we call upon industrialized countries to strengthen their efforts to meet the United Nations agreed target of 0.7 % of GDP for overall ODA, and the target of 0.15% to 0.2% for flows to the Least Developed Countries (LDCs). The role of ODA is crucial in financing basic physical infrastructure and capacity-building in some developing countries, especially LDCs. We fully support the convening of the 3<sup>rd</sup> UN conference on the Least Developed Countries in Brussels in the year 2001, and call for the effective preparation of that conference so that it will yield a meaningful outcome.

12. There is broad recognition of the benefits of Foreign Direct Investment (FDI) as a source of increased productivity, transfer of technology, innovative organizational and management practices and integration in the world economy. In recent years, FDI flows to developing countries have significantly increased but they have been limited to a few countries. An enabling international environment can help to ensure that national investment policy instruments yield better results in terms of investment flows and their developmental impact. Home-country and host-country measures should be implemented in order to mobilize FDIs, to channel them into productive investment and to foster private sector-led development. But it should be recognised that reliance on FDIs alone will not guarantee that developing countries will resolve difficulties related to deficits in their balances of payments, the debt burden and inadequate resources for activities such as the provision of public infrastructure and human development.

13. The convening of a High-Level Intergovernmental Meeting on Financing for Development in the year 2001 is an opportunity to address national, international and systemic issues relating to development financing. This should be done in a spirit of global partnership, shared responsibilities and mutual benefits in the context of globalization and interdependence. The high level meeting should also address the mobilization of financial resources for the full implementation of relevant decisions of major international conferences and summits. The success of such an event will depend to a great extent, on the effective participation and contributions of relevant multilateral institutions, including the World Bank, the IMF, and the WTO.

14. We acknowledge the extent to which great advances in the fields of communications and technology have led to the emergence of a new global economy and information society, compelling countries and regions of the world to urgently adopt new strategies to enhance their competitiveness through improved access to global information networks. Narrowing the technological gap will speed up the integration of developing countries into the world economy, since information technology has gained tremendous importance for promoting trade. To enhance the productive base of developing countries, developed countries should provide incentives for promoting and encouraging technology transfer to developing countries on preferential terms. We affirm that support for knowledge-based development is imperative for the effective participation of developing countries in the world economy.

15. We recognize the important role that the private sector is playing in our economies and its contribution to sustained economic growth. The role of Small and Medium Size Enterprises (SMEs) must be emphasized as they contribute significantly to employment generation, poverty alleviation and development. In this context, we stress the role of the state in facilitating the creation of an enabling environment which makes it possible for the private sector, particularly the SMEs, to develop and improve their competitiveness.

16. While recognizing the contributions of transnational corporations (TNCs) to the growth of our economies, we call on them to take into account the development objectives of developing countries in their business strategies. In this context, we invite the relevant international institutions, particularly the UNCTAD, UNIDO, ILO and the WTO, to study within their respective mandates, the merger and acquisition trend and its impact on employment and the competitiveness of SMEs in developing countries.

17. We express concern regarding the growing problem of unemployment in most developing countries, a problem that has been worsened by the recent financial crisis. Unemployment affects the socio-economic fabric of societies. This is most acute in countries of the South where more than one billion people are unemployed and the associated problem of underemployment is prevalent. At a time of dwindling government tax revenues as a result of austerity measures and the demands of stabilization policies, social safety-nets and other appropriate measures should be strengthened in order to address rising unemployment, massive poverty and income fluctuation. In this context, we recognize the importance of both FDI and domestic investment in increasing employment and generating income, including the support for small and medium enterprises.

18. We recall the G-15 initiative to the ILO under the caption "Comprehensive Employment Strategy", which seeks to ensure the development of policies geared towards stable economic growth and social development. We reiterate the urgency for the ILO to design such a strategy so as to stimulate employment creation in all developing countries as a follow-up to the Declaration and Programme of Action of the Copenhagen Summit on Social Development. In doing so, the ILO should also analyze the social and economic impact of the financial crisis on the informal sector of the economies of the countries concerned, particularly on vulnerable sectors, and should undertake

further studies on the impact of the crisis of financial markets on the various programs for poverty alleviation in developing countries.

19. Within the context of the overall action for the eradication of poverty, special attention should be given to the multidimensional nature of poverty and the national and international conditions and policies that are conducive to its eradication by, *inter alia*, investing in human resources, training and education, and fostering the social and economic integration of people living in poverty, thus empowering them to participate in decision-making with regard to the policies that affect them, the promotion and protection of all human rights and fundamental freedoms, including the right to development.

20. We call for renewed efforts at all levels to implement fully and effectively the relevant resolutions, decisions, agreements and commitments adopted at major United Nations conferences and at meetings of relevant regional financial institutions relating to the eradication of poverty. In this context, we urge specific and speedy fulfilment of the commitments of the international community in regard to improving social conditions, particularly, in the areas of health, education, training and employment. The goal of reducing by 50% the proportion of the world's population living in extreme poverty by the year 2015 should be met.

21. Cooperation and coordination among developing countries foster solidarity and mutual support. Such cooperation among G-15 and other developing countries contributes to collective self-reliance and to concerted and effective action in global and regional fora. We are determined to strengthen preferential arrangements such as the Global System of Trade Preferences among Developing Countries (GSTP), as appropriate, including negotiating its Third Round. We stress the importance of regional trade agreements for developing countries in order to achieve higher levels of development and to enhance South-South cooperation. G-15 projects and other cooperative endeavours need to be further promoted in order to strengthen interdependence among developing countries.

22. We welcome the proclamation of the year 2000 as the year of Small and Medium Size Enterprises. We stress the need for a concrete and clear strategy to promote SMEs in our countries, in cooperation with the relevant international organizations. We invite the private sector as well as all relevant national agencies to make inputs in this regard. We commend the assistance given by UNCTAD to facilitate the conclusion of many bilateral agreements on investment promotion and guarantees and on the avoidance of double taxation among G-15 member countries. We welcome also the strengthening of technical, scientific and technological cooperation among G-15 countries and the increasing application and use of information technology networks among member countries.

23. Reference was made to the G-77 Havana Declaration and Programme of Action as well as to a decision of the South Summit to transform the South Centre into a Coordinating Commission.

24. We encourage continued and constructive dialogue and interaction with the industrialized countries, particularly the G8, with a view to establishing genuine partnership. We welcome the start since 1999 of dialogue between our Personal Representatives and the G8 Sherpa, covering a wide range of issues of mutual interest to the two groups. We look forward to pursuing the dialogue at a ministerial level. The outcome of the South Summit held in Havana, Cuba from 10 to 14 April 2000 constitutes an important contribution to the enhancement of North-South relations to support the development objectives of developing countries.



25. We discussed the threat posed by terrorism to peace and stability at national, regional and international levels. Terrorist acts undermine political and territorial integrity of countries, destroy social fabric and disrupt democratic institutions. They also undermine economic growth and development. We therefore strongly condemn all kinds of terrorism, their perpetrators and all those who support them under whatever guise. We call for strengthening international cooperation in order to combat terrorism. The Member States welcome the adoption of the International Convention on the Suppression of the Financing of Terrorism by the United Nations General Assembly in December 1999 and urge all States to sign and ratify this Convention at the earliest to ensure its early entry into force. We call for urgent conclusion and the effective implementation of a Comprehensive Convention on International Terrorism. We support Egypt's initiative for convening an International Conference to Address Terrorism and Cross-Border Organized Crime as called for by the United Nations General Assembly Resolution A/54/615.

26. We reiterate our adherence to the commitment of making all necessary efforts to tackle the international drugs problem in a comprehensive way, in recognition of the principle of shared responsibility in the efforts to overcome the said scourge. We recommend to those States which have not done so yet, to adopt for the year 2003, legislations and national programmes regarding money laundering, in accordance with the objectives established in the Political Declaration of the XX Special Session of the United Nations General Assembly on the international drugs problem in 1998, and to adopt programmes in accordance with relevant provisions of the United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.

27. We recognize the negative impact of illicit trafficking of small and light arms on conflict proliferation. In this context, we support fully the convening of the United Nations Conference on the Illicit Trafficking of Small Arms and Light Weapons in the year 2001.

28. We reiterate our support for the initiative of the Group of 77 on the resolution entitled "Prevention of corrupt practices and illegal transfer of funds", adopted by the United Nations General Assembly at its 54<sup>th</sup> session. We support the call in that resolution for increased cooperation at various levels, including the United Nations system, to devise ways and means of preventing and addressing the illegal transfer of funds and repatriation of illegally transferred funds to their countries of origin. To this end, we reiterate the call of the South Summit for the United Nations to commence preparatory work for the elaboration of a Convention on this matter.

29. Our deliberations and discussions in the Tenth Summit have led to the following conclusions and recommendations:

At the international level:

- (a) Globalization should ensure: development with less poverty and deprivation, raising of standards of living with less disparity among nations; integration of all developing countries into the international economy on a fair and equitable basis; economic growth with less environmental destruction; democratization of international relations and respect for and promotion of all human rights, including the right to development;
- (b) We reaffirm the central role that the United Nations and its Agencies play as we strive for closer cooperation and solidarity among developing countries so as to realize higher standards of living for our peoples; A revitalized United Nations should provide a forum for promoting global development with equity and a human face; in this context there should be full implementation of the Declaration and Programme of Action of the Copenhagen World Summit for Social Development with special emphasis on the needs of developing countries

in regard to employment, education, vocational and technical training, and mobilization of resources for social development as a whole. New sources of financing should be mobilized for poverty eradication;

- (c) The IMF should act effectively and in the interest of all countries, including in crisis situations; and in particular we call for equitable representation and participation of developing countries in international decision making and standard setting processes in the multilateral institutions, including the reform of the international financial system;
- (d) The World Trade Organization (WTO) must ensure fair international trade and take full account of the interests of developing countries particularly through the implementation of Special and Differential treatment provisions; developing countries should be assisted in strengthening their capacities to make full use of the WTO dispute settlement mechanism such as through the Advisory Center on WTO law. Non-trade issues such as labour standards, proposed by some developed countries, shall not be introduced in, or linked to the WTO Agenda;
- (e) Donor countries should accelerate their efforts in providing debt relief and should attain the objective for Official Development Assistance (ODA) of 0.7 % of their GDP;
- (f) Adoption of urgent and effective measures to eliminate the use of unilateral coercive economic measures against developing countries not authorized by relevant organs of the United Nations or inconsistent with the principles of international law as set forth in the Charter of the United Nations;
- (g) We reiterate the call of the South Summit for the United Nations to commence preparatory work for the elaboration of a Convention on prevention of corruption and illegal transfer of funds;
- (h) We recognize and support the call by several developing countries for the urgent need to re-examine and deepen current debt relief strategies to encompass effective debt relief and write-off of their debt, so as to ensure sustained economic growth and sustainable development;

**At the regional level:**

- (a) Intra-regional cooperation amongst developing countries should be intensified and, in this context, G-15 financial institutions should seek to strengthen regional and subregional cooperation in order to promote intra G-15 trade and investment;
- (b) Intra G-15 trade should be promoted and should include, as appropriate, the operationalization of preferential treatment, including GSTP, to facilitate trade among G-15 countries with the support of UNCTAD and the International Trade Centre (ITC);
- (c) G-15 and other developing countries should strengthen the institutional framework of their cooperation in order to ensure effective coordination of their positions and strategies in international fora;
- (d) Regional and intra-regional cooperation and coordination should take place among developing countries through their groups, such as the G-77, G-24 and G-15 with a view to strengthening their dialogue with the G8 and other industrialized countries in order to ensure

the consistency and universality of economic policy measures and the design and implementation of an improved international financial architecture.

30. We strongly support the efforts which are exerted towards concluding a just and comprehensive peace in the Middle East so that all the States of the region could devote their human and material resources to social and economic development.
31. We agreed to accept the formal request of the Islamic Republic of Iran to become a member of the Group of Fifteen and to invite the Islamic Republic of Iran to the XI Summit in Indonesia. Concerning the former request of Colombia for membership to the Group, we agree to accept Colombia as a member, should it decide to renew its request to become a member of the Group, and in that case Colombia would also be invited to the XI<sup>th</sup> Summit. We directed our Personal Representatives to examine issues related to G-15 membership, including expansion, as well as the methods of work, and ways to enhance the efficiency and effectiveness of the Group, and submit recommendations to that effect to the Ministers of Foreign Affairs.
32. We welcome with appreciation the generous offers of the Government of Indonesia to host the Eleventh Summit of the Group of Fifteen in 2001 and of the Government of Venezuela to host the Twelfth Summit in 2002.
33. We express our thanks and appreciation to the people, the Head of State, and Government of Egypt for their generous hospitality and the excellent arrangements made for hosting the Tenth Summit meeting of the Group of Fifteen.

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## **MEETING OF THE SUMMIT LEVEL GROUP FOR SOUTH-SOUTH CONSULTATION AND COOPERATION**

**Kuala Lumpur  
June 1 - 3, 1990**

### **JOINT COMMUNIQUE**

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- ▶ We, the Heads of State or Government, and Special Representatives of Algeria, Argentina, Brazil, Egypt, Indonesia, India, Jamaica, Mexico, Senegal, Venezuela, Yugoslavia, Zimbabwe, and Malaysia met in Kuala Lumpur, June 1 - 3, 1990 to commence a process of regular consultations and coordination to enhance cooperation and self-reliance in the context of an increasingly interdependent world. A review of the world situation and the state of international economic relations affecting developing countries is a necessary ingredient to developing common perceptions on events which have significance to the South for all of us and would assist us to this as imperative in order to cope with the far-reaching changes taking place at an unprecedented pace around us and in our countries.
- ▶ These are times of momentous global developments and promising prospects for all countries to work together for the well-being and peace of the world. The easing of East-West tension, the political evolution in Eastern Europe, the beginning of a movement towards disarmament, progress in the resolution of regional disputes and the growing convergence of views on development strategies as well as on the need for closer interaction with the mainstream of the world economy, have created opportunities for a renewed thrust to international cooperation for development.
- ▶ Structural changes are taking place in the world economy and international economic relations. Rapid developments in science and technology have transformed the pattern of production, consumption and trade. The revolution in communication technologies has led to an unprecedented globalization of capital and other markets. New centres of economic power have emerged. These developments have heightened the interdependence among require a global approach. A growing awareness of threats to the environment has further underlined the need for shared responsibility for the world's destiny.
- ▶ The formation of economic groupings among developed countries could lead to a fragmentation of world trade. This is particularly so in the context of the present erosion of the multilateral trading system. The contribution of these economic groupings to world trade will critically depend upon their external economic policies. The successful economic integration should go beyond special and regional arrangements and lead to the strengthening of the multilateral system offering opportunities for all countries.
- ▶ Although world trade and output have recorded sustained growth for a number of years, the vast majority of developing countries have witnessed stagnation or declines in real terms in their per capita incomes, and economic and social infrastructure.

- We are fully aware of our responsibility for the development of our respective countries. We are undertaking far-reaching economic reforms and structural adjustment measures, some of which often at considerable social and political costs in order to enhance the competitiveness, upgrade the technological level and improve efficiency. For national development to be sustained, a supportive and predictable international economic environment is essential.
- We are at the same time committed to undertake the necessary measures to mobilize domestic savings and attract foreign financial resources particularly direct investment and other non-debt creating flows.
- A major challenge is to work out policies which would lead to enhanced growth and development conditions in the world economy. Accelerating growth and development in developing countries require a substantial increase in the transfer of resources to developing countries, enlarging market access to their exports and by ensuring stability and transparency in the management of world monetary and financial policies and arrangements.
- We are extremely concerned about the persistence of the external debt problem. There is an urgent need for more innovative, comprehensive and flexible responses to the external debt problem, in order to reverse the negative net transfer of resources that seriously endanger the efforts of developing countries to achieve adequate levels of growth and real income improvements. These are also vital factors for social stability and for the consolidation of democratic processes.
- Any effective solution to the external debt problem is a joint responsibility and requires the full commitment of debtor and creditor countries, multilateral financial institutions and commercial banks, and the relating of debt servicing to development needs. Efforts by developed countries are needed to reduce external and internal imbalances, improve the functioning of the international monetary system, stabilise exchange rates, lower real interest rates and ensure greater access to their markets.
- The recent initiatives aimed at the reduction of the stock of debt and debt service are steps in the right direction. However, these initiatives, in order to respond to the universal and multifaceted character of the debt problem, need to be enhanced, broadened to embrace all categories of debtor nations and implemented more effectively. This includes a positive approach, and not punitive measures, to the problem of arrears with multilateral financial institutions. In addition, there is a need to create appropriate mechanisms to assist developing countries that are net transferers of resources to these institutions. Substantial additional resources need to be provided to back debt reduction operations and support adjustment measures.
- We have agreed that financial experts from our countries acting as Personal Representatives of the Heads of State or Government meet and discuss the external debt problem with the view to formulating common approaches.
- There is a close link between trade and external debt. An improvement in market access and in the terms of trade of developing countries is an essential component of an effective and lasting solution to the external debt problem.
- The maintenance of an open multilateral trading system is crucial for the expansion of world trade and development of all countries. Recent trends toward unilateralism and selective bilateralism that threaten the multilateral system need to be reversed. We urge the developed countries to fulfil their earlier commitments on Standstill and Rollback, and on imparting greater transparency and predictability to GATT rules. We reaffirm our commitment to a balanced and Successful conclusion of the Uruguay Round of Multilateral Trade Negotiations which takes into account the concerns and needs of the developing countries. We shall closely consult each other and coordinate our efforts toward this end.

- We agree to cooperate among ourselves and with developed countries to strengthen commodity markets to achieve stable and remunerative prices for commodities. We urge that efforts be made to improve market access whereby developing countries would be able to fully exploit opportunities for increased processing, marketing and distribution. In this context, it is important to ensure the effective operation of the recently established Common Fund for Commodities.
- We are concerned that some industrialised countries continue to heavily subsidise farm production and agricultural exports which deprive developing countries of fair and competitive market opportunities. We therefore support steps to reduce, if not, to eliminate such agricultural trade-distorting subsidies which would help to improve the international economic situation, taking into account the interests of net food-importing developing countries.
- We welcome the positive changes in East-West relations which have led to a relaxation of international tension and improved prospects for significant disarmament measures. For this, it is essential that ways and means be found for making available for development purposes a significant part of the resources released through disarmament measures.
- The present process of technological change poses challenges to developing countries. They have an impact on their comparative advantage in raw materials production and labour-intensive economic activities. The increasing monopolization of technological progress by the developed countries and the relatively small technology base and capability of developing countries to bridge the technology gap is aggravated by barriers placed on access to high technology. It is necessary to improve the access, the diffusion and the utilisation of new technologies by developing countries. In this context, it is critical that regimes on intellectual property effectively promote technological development in developing countries and their access to high technologies. We are determined to initiate a significant programme of cooperation in science and technology to enhance the development of the South.
- Conscious of the responsibility which we bear, together with all other countries, for the future of mankind, we reaffirm the need for effective actions for the protection of the environment. Urgent and renewed efforts are therefore needed on a wide front to safeguard the environment. Any global initiative in overcoming environmental problems requires concerted international cooperation based on an equitable sharing of responsibilities and which takes into account existing asymmetries between developed and developing countries. Developing countries require substantial additional resources for pursuing their goals of sustainable development, including access to environmentally sound technology at affordable costs and the establishment of funding mechanisms. We recognise the importance of coordinating our positions on issues of major concern to us on the agenda of the forthcoming UN Conference on Environment and Development to be held in Brazil in 1992.
- We consider the problem of production and trafficking of illicit drugs as one of increasing concern. A comprehensive approach is required whereby current action undertaken in the producing countries is accompanied by decisive action of the international community to curtail the demand for drugs as well as to support crop substitution programmes and income producing activities, instead of insisting on those eradication programmes that are environmentally dangerous.
- We look forward to a constructive and continuing dialogue with the industrialised countries. This is imperative for the management of the global interdependence in the most effective manner. There is an urgent need for a global consensus centered on sustained economic growth and development. We reaffirm our resolve to strengthen multilateral cooperation and to work together to find new ways of dealing with problems in a cooperative, constructive and mutually supportive manner.
- We regard South-South cooperation as an integral part of our strategy for breathing new life into international development cooperation. We need to pursue opportunities for greater interrelationship among South countries so as to provide a stronger basis for

collective self-reliance. We consider that an evolutionary approach to the promotion of such cooperation is appropriate and that interested countries should initiate cooperation through viable projects open to participation by all developing countries.

- In order to accelerate South-South cooperation, we agreed to the principle that if a core group of countries are ready to initiate and implement joint action for mutual benefit, they should go ahead while making sure that their actions do not prejudice the basic interests of developing countries which are not yet ready to participate.
  - We encourage pairs of developing countries to actively exploit the potential for trade among them by adopting payments and "trade information" related arrangements in a flexible manner to suit their circumstances. In addition, we direct a task force of central banks to formulate the working details of an inter-regional payments arrangement and mechanism, with a view to early implementation of the project on a pilot basis.
  - We agree in principle to establish a South investment, Trade and Technology Data Exchange Centre to promote and disseminate information on investment and trade opportunities in the South and on technology and the transfer of technology among developing countries; and to set up an Expert Group to work out and finalise the details of the implementation of this project, taking into account existing arrangements among developing countries.
  - To stimulate South-South cooperation among the business community and Government, we agree that a Business and Investment Forum should be organised to bring together businessmen and investors as well as Government officials, to exchange ideas and information on the promotion of and cooperation in South-South trade and investment, including the organisation of trade fairs and the promotion of trade and investment opportunities in the South.
  - In the light of the need of the developing countries to further improve their capacity in science and technology, to enhance the capability in food production in food-deficit countries and to cope with the population problem, we have noted the specific project proposals in these areas. We have directed that details of these projects be further elaborated for implementation by expert groups.
  - We attach particular importance to the Global System of Trade Preferences Among Developing Countries as a vehicle for promoting trade and closer economic cooperation among them. In this context it is envisaged that the Second Round of Negotiation be launched under the GSTP as soon as possible.
  - We believe that it would be useful for regional economic groupings of developing countries to cooperate on an inter-regional basis for mutual benefit and recommend member countries to adopt concrete steps to implement this initiative.
  - We have agreed to consult the Group of 24 regarding the modalities of setting up an advisory group to assist developing countries, upon request, in their dealing with multilateral financial institutions and to give advice on the possible impact of conditionalities put forward by these institutions.
  - We are all members of the wider fraternity of developing countries, particularly the Movement of Non-Aligned countries or the Group of 77. We are fully committed to the objective of promoting cooperation among developing countries. To this end, we agree to convey the results of our Meeting to all members of G-77 and NAM.
- We have agreed to set-up a Steering Committee comprising three member countries, namely Malaysia, Venezuela and Senegal at Foreign Ministers level to coordinate the work of G-15 until the next Summit and to decide on the size and location of a small group of permanent staff to assist the Steering Committee.

- In relation to the implementation of projects, we have also decided that support mechanisms be established in countries whose projects have been endorsed.
- We have decided to hold our Summit Meetings on an annual basis. We gratefully accept the invitation extended to us by His Excellency Carlos Andrez Perez, the President of Venezuela, to hold our next meeting in Caracas in June 1991.
- We took note, with satisfaction, of the progress report which the Chairman of the South Commission, Mwalimu Julius Nyerere, made on the conclusion of the Independent Commission. We look forward to the presentation of the Final Report which is to take place in Caracas next August and gladly accept the invitation of President Perez to be present at Ministerial level on that occasion.
- We express our warm appreciation to Prime Minister Dato' Seri Dr Mahathir Mohamad, and the Government and people of Malaysia for carrying forward the initiative for South-South Consultation and Cooperation launched in Belgrade in September 1989. We also express deep gratitude for the excellent arrangements made for our Meeting and the generous hospitality extended to us by the Government and people of Malaysia.

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## **SECOND MEETING OF THE SUMMIT LEVEL GROUP FOR SOUTH-SOUTH CONSULTATION AND COOPERATION (GROUP OF 15)**

**Caracas  
27 - 29 November 1991**

### **JOINT COMMUNIQUE**

We, Heads of State and Government, members of the Summit Level Group for South-South Consultation and Cooperation - known as the Group of 15 - present in Caracas from 27th to 29th November 1991, jointly reviewed the evolving international situation and its implications for developing countries.

#### **THE INTERNATIONAL SITUATION**

The end of the Cold War and super-power confrontation, growing economic interdependence and globalization, the emergence of regional trade groupings and greater political democratization and popular participation in decision making, present on the one hand, opportunities for the emergence of a new era in international relations and, on the other, challenges for international economic and political stability.

This new era of international cooperation will, however, only be viable and stable if the concerns and participation of the peoples of the South, who constitute four-fifths of humanity, are given due recognition and importance.

The problems of the developing world, despite some progress during the past few decades, continue to be immense. Poverty, hunger, malnutrition and illiteracy continue to afflict large segments of our populations. Structural problems at the national and international levels have been exacerbated especially by the financial crisis which the countries of the South have experienced in recent years, particularly in view of the heavy burden represented by their external debt.

While we recognize the magnitude of these problems, we are aware of the South's potential, which could effectively be utilized for the benefit and prosperity of the entire international community. The South however, cannot deal with its problems by itself, nor can the North ignore the problems of the South, since, by their very nature, they inevitably affect the well-being of the developed world. There is a growing interdependence and mutuality of interest amongst the community of nations. This manifests itself in the need for global cooperation in areas such as the environment, migration, health, the fight against the traffic in drugs and science and technology. We must emphasize the indispensable role of North-South cooperation in such areas.

Illicit drug trafficking brings with it problems of illegal production, transport and consumption which are increasingly affecting the developing countries. In this regard, it is essential to intensify efforts to reduce the high levels of illegal drug consumption in all countries and, at the same time provide worldwide support for drug control and crop substitution strategies being carried out by the developing countries affected by this phenomenon, and especially in their efforts to incorporate agricultural workers involved in illegal production into profitable and competitive market economies.

North-South economic relations are characterized by asymmetry in the distribution of responsibilities and burdens for the required international change. There is asymmetry in the process of economic adjustment. Our national economies are being re-structured and liberalized at considerable social cost and human hardship, while the industrialized countries continue to run large fiscal deficits, to pay billions of dollars in subsidies to inefficient industries and to agricultural production, and to maintain and even intensify tariff and non-tariff trade barriers that block exports of developing countries. These asymmetries endanger the viability of the South's own efforts and could lead to social and political instability. The present process of adjustment must respect each country's own national specificities.

There is thus a need for sharing responsibility to ensure world economic stability, irrespective of the political and economic power of individual nations.

We welcome the increased emphasis on democracy at the national level. While the process of democratization continues to progress in the countries of the South, we have yet to see democratization among States becoming a reality at the international level. Only an international framework based on the rule of law can guarantee peace, security, progress and prosperity for all peoples. It is essential to promote the strengthening of democracy and pluralism, while ensuring full respect for the sovereignty, territorial integrity, and independence of States.

We believe that the United Nations should play a decisive role in this task. The U.N. should be reformed so as to increase its efficiency and effectiveness and adapt it to the new international situation. The strengthening of the United Nations should be based on the recognition that the management of world affairs is a matter of shared responsibility, and not the exclusive prerogative of a few States. One of the main objectives should be to restore the balance among its organs, which should support one another to achieve common goals: the preservation of international peace and security and the promotion of economic and social development. Realistic modalities should be found to place the issues of economic development and international cooperation at the centre of the multilateral agenda.

The present trend towards disarmament as a consequence of the end of East-West confrontation should produce a significant "peace dividend" in the form of financial and technical resources released for use in development and international cooperation. Beyond respective national efforts, an international mechanism within the United Nations system is required to facilitate an orderly transition, so that the benefits of peace and development are shared by the entire international community.

We recognize that all States have the duty to promote and guarantee the full observance of human rights within the framework of its indivisible nature and the cultural specificities of nations. At the same time, we support non-selective, non-discriminatory and wide-ranging international cooperation in the field of human rights which will strengthen the values of respect, freedom and harmony in the political, juridical, economic and social spheres. The new political reality provides the opportunity to foster a fuller and stronger observance of these rights and liberties, on the basis of non-intervention and the sovereign equality of States. The observance of these rights should be promoted by the relevant organs in international fora in an objective manner, and on the basis of the principles of the United Nations Charter.

While we advance and support democracy, human rights and the rule of law, we need to ensure that development remains at the centre of international attention. Without this central element, any vision of the future world would necessarily remain incomplete for developing countries and would jeopardize the very attainment of these objectives.

We welcome the concerted efforts to bring peace to the Middle-East, which should be given the utmost urgency. We support the process launched by the International Conference for Peace in the Middle-East, with a view to securing a just, comprehensive and lasting peace, and ensuring security and stability for all countries of the region on the basis of Security Council resolutions 242 and 338, as well as the right of the Palestinian people to self-determination.

We also fully support and endorse the need for on-going negotiations aimed at achieving a

truly united, democratic and non-racial society in South Africa. It is necessary to stress the crucial role that international pressures and economic sanctions have played, and continue to play, as well as the need for them to be maintained in the national and international struggle against apartheid. We support the gradual lifting of people-to-people sanctions in areas such as cultural and sporting contacts, tourism and air links, in recognition of changes that have taken place so far.

The end of the East-West military and ideological rivalry now international cooperation, which was undermined for decades, the priority it deserves. Furthermore, an enhanced awareness of the shared responsibility for development, an international convergence on the importance of issues such as the fight against poverty, a greater balance between the State and the market recognizing their complementary roles, and environmental sustainability, should facilitate the evolution of a consensus on development, leading to the launching of a new era of international cooperation. This new era should allow cooperation and the search for points of common interest to take the place of the ideological confrontation that has characterized international relations in the past.

In our view, economic and social development policies are the responsibility of the developing countries themselves. However, these policies can only succeed within a favourable global environment for which the developed countries should assume a major responsibility. We also believe that these are important factors for a growing understanding and for greater North-South cooperation in the future. In this context, the points of conflict and differences between North and South, in the spheres of economy and trade, require new approaches, mechanisms and solutions that are acceptable to both sides.

The new consensus must ensure a supportive international economic environment which gives primacy to a development paradigm concerned not only with GNP growth, but one which also focuses on fundamental issues that affect the human condition such as the eradication of poverty, equity in the distribution of the fruits of development, fulfillment of basic needs in housing, education, health and nutrition, easing of population pressures and the ecological sustainability of development. Developmental efforts should be responsive to the cultural, social and environmental conditions of each country, and should strengthen efforts towards national self-reliance by facilitating the maximum utilization of national resources.

The main elements of a new international development consensus should include the following issues of concern and interest to the international community and, in particular, to the developing countries:

➤ Eradication of poverty

The battle against poverty, conceived not only in terms of the implementation of assistance-based and remedial measures for improving the condition of the poor but also as means to strengthen their economic self-reliance, should in the future be the main focus of attention of national developmental efforts as well as those of international cooperation for development.

Ensuring the fulfilment of the basic necessities of the poor in respect of health, housing, education, nutrition and productive employment, requires the full utilization of their creative resources, including their accumulated knowledge and forms of socio-economic organization.

➤ External debt and resource flows

We acknowledge the importance of recently adopted measures aimed at alleviating the problem of external indebtedness experienced by developing countries, and the need to reduce both its volume as well as its service.

The external debt of developing countries continues to weigh negatively on many of our economies. The net external transfer of resources by the developing countries must be reversed so that sufficient financing is available to advance economic growth and improve the living standards of their people.

Based on the principle of co-responsibility, bolder and more realistic measures are needed to expand, extend and devise reduction schemes in respect of all types of debt, in a just and equitable manner, while being sensitive to the specific problems and requirements of individual countries.

We note that there is a recognition of the need for a commitment on the part of the industrialized countries to ensure the transfer of adequate financial resources for development purposes. In this regard, the resources of international financial institutions and regional development banks should be increased together with adequate and flexible official assistance in support of adjustment programmes adopted by developing countries and for the development of their human resources. Moreover, a commitment should be made, by the international community, to ensure a net positive transfer of resources from multilateral financing institutions to all regions and countries of the South.



#### International trade

Developing countries, responding to their own economic needs and new international economic realities, are making a serious attempt to participate in the international trading system, while the protectionism of the North has intensified. It is imperative that efforts at economic liberalization on the part of the developing countries be matched by their trading partners, especially those in the developed world.

We reaffirm our commitment to an international trading system that is multilateral, transparent and non-discriminatory. Compliance with a genuinely open international trading system will guarantee the opportunities for the growth of all nations and the development of developing countries.



#### Conclusion of the Uruguay Round of Multilateral Trade Negotiations

We reaffirm the need to ensure equitable global results in the multilateral negotiations of the Uruguay Round. A balanced and successful conclusion of the Round should reflect all aspects of the negotiations and the interests of all parties involved. In particular, the results must ensure (i) the substantial enhancement of market access for developing country exports, (ii) the development of rules and disciplines that will guarantee stability and predictability in trade relations and a curbing of unilateralism, arbitrariness and trade harassment effects of ostensibly legal trade instruments and, (iii) that pursuit of legitimate public policy objectives and development goals by developing countries and access to modern technology and investment are not adversely affected by agreements in new areas such as intellectual property rights, trade-related investment measures and services.

The multilateral trade negotiations have entered their final stage. We have decided to instruct our negotiators in Geneva to intensify the consultation process in order to reach a successful conclusion to the Round.



#### Regional trading groups

The dynamic transformation of the world economy, and the globalization of the productive processes have resulted in the creation of regional and sub-regional economic integration schemes. We welcome actions towards integration aimed at widening markets, improving productivity and competitiveness and fostering investment on a global basis.

This tendency, however, poses challenges which must be faced with strength and determination. The main objective remains the establishment of an open and transparent international trading system. The international community should strive to remove existing trade barriers and avoid creating new ones incompatible with such a system. Closed trading blocs would only lead to disputes, tensions and instability.



#### Primary Commodities

Primary Commodities continue to be a major source of foreign exchange for a majority of developing countries. We are convinced, that there are opportunities for international cooperation among producers and between producers and consumers, through a substantial improvement in terms of market access, improved supply management and the better use of technologies to achieve more efficient levels of diversification, processing, marketing and distribution. Concerted efforts should also be made to ensure that the Common Fund for Commodities becomes fully operational and achieves the objectives defined in its establishing Agreement.

An early meeting of G-15 economic experts to study the issue of primary commodities would be an important step in working towards a concerted position during the forthcoming UNCTAD VIII and other multilateral economic negotiations.



#### UNCTAD VII

UNCTAD is unique in terms of being a universal, multidisciplinary forum whose mandate places development as its cornerstone. The eighth session of the United Nations Conference on Trade and Development to be held in Cartagena de Indias in February 1992, should lead to the institutional and operational revitalization of UNCTAD and restore the relevance of the role of this organization in the formulation of an international consensus on development.



#### Role of technology

Science-based technology and its effective utilization are increasingly becoming the determinants of economic and social change. At the same time, the technological gap between the North and South has widened. However, it must be recognized that cumulative scientific and technological knowledge and innovation is a heritage of all mankind. There is thus an urgent need to devise an international framework which will ensure stable, non-discriminatory access, on reasonable terms and conditions, to new technologies critical to growth and development.



#### Role of investment

Foreign investment is beneficial when it generates employment, augments domestic resources, facilitates the transfer of technology and encourages exports. We recognize the positive role which foreign investment and transnational enterprises can play with respect to our economies, within the framework of the respect for sovereignty, culture and development aspirations of host countries.



#### Development of Human Resources

Human resources are the most important asset our countries possess. The economic growth and stability we have set out to achieve would have little meaning for development if they were not reflected in the welfare of the population as a whole. People are both the means and end of our development efforts. Human resources are the prime motivators in any strategy for political, economic and social progress.

Effective developing country cooperation through the pooling of resources, experiences and skills, can go a long way in helping to enhance and upgrade the tremendous human resource potential of the South. We welcome and encourage international cooperation in this area, provided that it gives due recognition and is sensitive to the cultural dimension of social development, policies and programmes.



### Energy

The crucial issue of energy must become an object of global understanding between oil producing and consuming countries.

In this regard it is worth noting the special significance of the Paris Meeting of Oil Exporters and Consumers, an exemplary North-South effort held under the joint auspices of Venezuela and France, in a spirit of contributing to the commencement of broad international cooperation to the benefit of market stability, both with regard to oil supply and demand as well as to the checking of the sudden fluctuations in prices alternatively affecting the economies of consumers and producers.

There is an imperative need for concerted efforts to enhance energy cooperation, especially in the development of non-conventional, new and renewable sources of energy.



### Environment and Development

Developing countries are committed to the protection of the environment. Global environmental problems, for the most part, are rooted in environmentally irrational consumption and production patterns in industrialized countries which have an adverse effect on developing countries in particular, since they are more vulnerable to the risks emanating from phenomena such as climate change, ozone layer depletion and desertification.

The prime need of developing countries is the revitalization of their economies, eradication of poverty and the achievement of growth that is sustainable both in economic and environmental terms. There is an urgent need to ensure that our developmental concerns are integrated into solutions that we seek in the area of environment. The basis of international cooperation needs to be revised so as to enable developing countries to meet these objectives and as such should promote the availability of new and additional financial resources and the preferential access to environment-friendly technologies. The developed countries have the greatest responsibility for the establishment of environmentally sustainable development in the world and should, consequently, contribute the largest resources for international operation in this field. The unilateral imposition of new finance or trade conditionalities will not only prevent the solution of environmental problems, but will also contribute to aggravating developmental problems and lead to the polarization of North-South relations.

The forthcoming United Nations Conference on Environment and Development scheduled to be held in Rio de Janeiro in June 1992, provides a historic opportunity to address the subject of environment and development in an integrated, comprehensive and balanced manner. The adoption of agreements and programmes, including a concrete programme for the Greening of the World, would meet the needs of all countries, safe-guard global environment and ensure the full participation of the international community.

### **SOUTH-SOUTH COOPERATION**

A key aspect of the new international consensus on development is that of South-South Cooperation on which the Group of Fifteen puts special emphasis as a strategy for greater collective self-reliance and national, regional, and global development. We are aware of the enormous potential that exists in the South in the form of vast markets, immense natural

and energy resources, endogenous technologies and considerable human resources. We place great emphasis on the development of human resources through policies and programmes designed to enhance educational and health facilities and services.

A healthy and literate population is a crucial pre-requisite for economic development and social progress. The South has made considerable progress in the provision of primary health care, disease-control and birth-control with impressive results in the reduction of infant mortality and the extension of life-expectancy. These achievements must however, be built upon and multiplied if the persistent and wide-spread deficiencies in health care still evident in all areas of the South are to be effectively addressed.

Cooperation arrangements among South countries in the fields of education and public health could go a long way to achieving these objectives. We must promote the sharing of knowledge, experience and related technologies. Furthermore, of vital importance to the South is the considerable potential for cooperation in the area of indigenous medicine.

We wish to emphasize the relevance of the meeting of businessmen being held to coincide with our Second Summit. The contribution of leading entrepreneurs from the South to the process of developing country cooperation is welcomed. This exercise will enhance the existing potential for operation and become a regular feature of our Meetings.

In keeping with the objectives and purpose of our Group, a decision was taken at our First Summit to launch a number of special projects aimed at addressing and dealing with issues of priority concern and interest to developing countries. Since then, commendable progress has been made towards the implementation of some of these projects, the benefits of which will be reaped by all developing countries in the coming years.

On this occasion, we welcome the establishment of the South Investment, Trade and Technology Data Exchange Centre (SITTDEC), by the adoption of its Statute. We place great emphasis on the value of this project which is unique in that it combines the three vital areas of investment, trade and technology. It also promotes the enhancement of the South's own capabilities in the collection, classification and dissemination of data vital to the enhancement of South-South trade, investment, flows and technology transfer. In addition, it provides the basis for the creation of a self-reliant, standardized method for the generation of information flows within the South.

We also note with satisfaction the design and implementation of a number of bilateral payments arrangements between developing countries and the beneficial effects they have already had on mutual trade. These arrangements have done much to build confidence and facilitate closer and more productive economic links between and among the business sectors of south countries. We urge other countries to make use of this initiative to conclude similar arrangements. We endorse the working draft agreement on the proposed Multilateral Payments Arrangements that was prepared by an Expert Group Meeting held in Kuala Lumpur in April 1991. We request Malaysia to take the necessary steps to implement this arrangement, initially on a pilot basis, with a view to its early and full implementation. It is noted that this initiative is the first of its kind to be designed on an inter-regional, multilateral basis.

We welcome the intention of Yugoslavia to convene the Business and Investment Forum in the first half of 1992.

We continue to attach the highest priority to the areas of bio-technology and alternative energy. As such, we approve the projects of Gene Banks and Solar Energy Applications and endorse their implementation.

We reiterate the great importance we place on the need for self-sufficiency in food and note with satisfaction, progress made in the design of programmes aimed at enhancing the abilities of farmers and agricultural technicians from developing countries in the production of food.

We also welcome efforts being made for the sharing of knowledge, the transfer of related technology and the provision of technical assistance in the vital area of population and family planning, an issue of prime concern to a number of member countries.

Convening a meeting of financial experts to discuss the external debt problem in April-May 1992 will constitute an important, further step in our efforts to formulate common approaches on this issue. We appreciate the efforts being made to set-up an advisory group to assist South countries in their dealings with multilateral financial institutions on issues of debt and loans.

We also attach importance to the undertaking of new projects that will further enhance cooperation among developing countries. In this respect, we endorse the proposal by Indonesia for the launching of a community-based project of self-reliance and people-centred development.

Finally, we agree to undertake the compilation of an inventory of successful domestic programmes in areas of common interest in order to facilitate the beneficial sharing of knowledge and experience in matters of development.

### **COMMITMENT FOR THE FUTURE**

Our Personal Representatives have been working satisfactorily in preparation for our annual meetings. In future, in order to strengthen cooperation within the Group, we will direct our Personal Representatives to consider substantive issues of common interest, including the exchange of experience in each of our countries. These discussions will form a part of the preparatory province towards the next Summit.

The Group of 15, being a Group of developing countries, will continue to work towards the creation of a new international era of cooperation and development in which the concerns and interests of the entire international community and those of the developing countries in particular will be given the maximum articulation and attention. The Group of 15 reaffirms its commitment to act as a catalyst in the building of a world in which every country may have the opportunity to express itself and to contribute in a spirit of genuine cooperation and international solidarity, which, in the long run, are the only guarantees of the viability and stability of the world order. In this respect, the Group of 15 welcomes the participation of other developing countries in its projects and programmes of action.

We are willing to participate in international efforts towards a new international consensus on development. We stand ready to enter into an immediate and constructive dialogue with our partners in the industrialized countries.

We will continue to intensify efforts in our quest for a world with prosperity, justice and freedom for all, where there is no South, no North, no West, and no East, but one single human family with equality of opportunity and participation for all of its members: One single world.

We accept the offer made by the Government of India to host the Fourth Summit Meeting in 1993. We also accept the offer made by the Government of Argentina to host the Fifth Summit Meeting in 1994.

We thank the Government of Venezuela for its hospitality and for the excellent arrangements made for the holding of the Second Summit Meeting and agree to meet in November 1992 in Dakar, Senegal.

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**THIRD MEETING OF THE SUMMIT LEVEL GROUP  
FOR SOUTH-SOUTH CONSULTATION AND COOPERATION  
(GROUP OF 15)**

**Dakar, Senegal  
21 - 23 November 1992**

**JOINT COMMUNIQUE**

**| THE INTERNATIONAL SITUATION AND ITS IMPLICATIONS FOR DEVELOPING COUNTRIES | SPECIFIC  
ISSUES OF CONCERN GLOBALLY, BUT OF PARTICULAR INTEREST TO DEVELOPING COUNTRIES |  
SOUTH-SOUTH COOPERATION |**

We, Heads of State and Government, members of the Summit Level Group for South-South Consultation and Cooperation - known as the Group of 15 - present in Dakar from 21st to 23rd November 1992, jointly reviewed the evolving international situation and its implications for developing countries.

**➤ THE INTERNATIONAL SITUATION AND ITS IMPLICATIONS FOR DEVELOPING  
COUNTRIES TOP**

Since our last meeting in Caracas and building on the process set in motion at our first meeting in Kuala Lumpur in 1990, the Group of Fifteen has been working towards strengthening its purpose and pursuing its objectives, especially in terms of enhanced South-South consultation and cooperation. We continue to be committed to constructive change and the shaping of a better tomorrow for the world and all its peoples.

Momentous changes of a political and economic nature continue to pervade the world, providing a unique opportunity for launching an era of global peace and prosperity. Central to this opportunity is the need to enhance global economic interdependence and cooperation which should enable all peoples to share the fruits of economic development and technological progress. A greater commitment to pursue democratization, both at the national and international levels, the rule of law and respect for universal human rights would provide a solid foundation upon which to build a just and equitable system of international relations on the basis of the full respect for national sovereignty, territorial integrity and non-intervention.

The cessation of the cold-war and the growing momentum for disarmament provide the opportunity for the creation of a "peace dividend" in the form of resources that should be used for the promotion of economic and social development; a growing convergence of views with regard to the nature and processes of economic and social development should facilitate a consensus on strategies and approaches; the rapid advances in science and technology should be used to accelerate development and modernization of economies in an environmentally sustainable manner; the lessening of ideological conflict provides a unique opportunity for constructive international dialogue and cooperation.

However, in spite of this unique opportunity, the concerns and priorities of developing countries are still not being given adequate consideration in global negotiations and decision-making. International dialogue and cooperation tend to be fashioned on North-North lines and according to an agenda that reflects mostly security concerns. It is therefore essential that the North and South cooperate closely to realize the potentials

arising from that opportunity.

Developing countries are determined to continue formulating and implementing national policies for accelerating growth and development so that all individuals in society can fully participate and secure for themselves a higher standard of living and a better quality of life. But they do so at a considerable cost. The process of adjustment cannot be a single, universal prescription but must be fashioned according to national specificities taking into account cultural, historical and socio-economic conditions, as well as the need to strike a balance between individual and community rights. Nevertheless, the success of adjustments is largely dependent on a supportive external economic environment. Furthermore, the concept of equity must be one of the guiding principles for cooperation in the international economic sphere.

The global economic system continues to be characterized by imbalance and uncertainty. A persistent debt crisis, volatile interest rates, reduced capital flows, deteriorating terms-of-trade and mounting protectionism combine to result in a net transfer of financial resources from South to North and a restriction of market access in the North for exports from developing countries. The growing gap between the developed North and the developing South is being aggravated by the Scientific and technological revolution that has fundamentally altered patterns of production, consumption and trade.

Immediate and adequate steps must be taken to end the prolonged global recession centered on the industrialized countries of the North. Measures must be taken to revive growth, to stimulate trade, and to bring a degree of stability to interest and exchange rates. The coordination and implementation of macro-economic policies of industrialized countries should take full account of the interests and concerns of all countries, particularly the developing ones in order to eliminate the external limitations to their economic growth. Concerted action is necessary to ensure the positive contribution of capital and financial markets to the enhancement of financial flows and investment in the interest of the growth of the global economy and the development of developing countries. Moreover, the developed world should demonstrate a commitment to accelerated and sustainable development, as partners in international cooperation for development.

Rising aspirations and the growing number of youth entering the work force, exert additional pressures on the social and political fabric of developing countries. The problems of the developing world continue to be daunting. Critical and deepening poverty, hunger and malnutrition, illiteracy, disease as well as lack of shelter and sanitation continue to afflict large segments of the developing world. Such an adverse situation has often led to economic, social and political instability with widespread repercussions.

Global security must therefore be addressed in a comprehensive manner in terms of its social and economic aspects and not be defined solely by political and military considerations. It should also be based on cooperative actions and shared responsibility. It cannot be determined and maintained according to the perceptions and interests of only a few countries.

We are committed to the promotion of democracy, at both the national and international levels, pluralism, the rule of law and human rights in all their multidimensional aspects -- civil, political, economic, social and cultural -- on the basis of the full respect for national sovereignty, territorial integrity and non-intervention.

The violation or abuse of human rights of individuals or peoples should not be condoned under any circumstances. It is also important to stress that development is a key factor for the sustainability of democratic processes, the respect and promotion of human rights, and global peace and security. The interdependence of Democracy, Human Rights and Development should be one of the main issues of consideration of the World Conference on Human Rights to be held in Vienna in 1993.

The World Conference on Human Rights should also consider concrete ways to assist interested countries, at their request, with technical cooperation and resources to strengthen their capabilities to promote the observance of human rights and democratic principles.

It is essential that Development be placed at the top of the international agenda and a supportive international economic and political environment be created in order to transform

such a commitment into reality. We welcome the proposal to convene the World Summit for Social Development which should place people and their social needs at the heart of United Nations endeavours and provide an opportunity for addressing the multidimensional aspects of economic and social issues.

A common vision of global peace, justice, prosperity and stability is the necessary foundation for the creation of a consensus on development designed to meet the challenges of the 90s and to prepare the global community to seize the opportunities of the coming century. Development should not be concerned only with growth but should also respond to social needs, facilitate the eradication of poverty, enhance the quality of human resources, fulfil basic needs in housing, education and health, safeguard the environment and be based on the recognition and acknowledgement of national specificities.

The Group of Fifteen is committed to shaping a new international order that is truly multilateral and non-discriminatory, and which takes into account the growing interdependence and mutuality of interests within the community of nations while ensuring the fullest respect for the territorial integrity and independence of States. Furthermore, developing countries strongly support a truly universal, open and equitable world economic system based on agreed multilateral rules that respect fair competition, the free market, justice and fair play. An international framework based on the rule of law and non-selective, non-discriminatory international action on issues of global concern is essential in order to guarantee peace, prosperity and stability for all.

A growing convergence of views in support of global sustainable development together with the cessation of the cold-war offers the opportunity for genuine cooperation free of ideological bias and for the common good. The Group of Fifteen reaffirms its commitment to a constructive and continuous dialogue with the developed countries, and in particular those within the G-7, in a spirit of partnership based on shared responsibility and mutual benefit.

The United Nations should play a central role in facilitating and shaping a new international order based on the purposes, principles and provisions of the UN Charter, especially those relating to international cooperation for economic development and social progress, sovereignty, equality and universality.

Accordingly, the role of the United Nations should be reinforced and the multilateral system and structures should be democratized in order to facilitate the constructive conduct of international relations for which all member States have a shared responsibility. The multilateral structures under the United Nations for security, disarmament and development should be re-vitalized and provided with the resources to effectively carry out their mandates. The United Nations would have to be reformed in order to enable the system to cope with an evolving international situation and to reinforce its capacities for the promotion of cooperation for development, preventive diplomacy and crisis management in order to deal effectively with the threats to global peace and security.

## **SPECIFIC ISSUES OF CONCERN GLOBALLY, BUT OF PARTICULAR INTEREST**

### **TO DEVELOPING COUNTRIES <sup>TOP</sup>**

#### **Environment and Development**

The United Nations Conference on Environment and Development (UNCED) held at Rio de Janeiro in June 1992 provided the ideal opportunity for North-South interaction and cooperation which is central to the prevention of global environmental degradation and the need for sustainable economic development. Positive conclusions were reached in various areas of critical importance to developing countries. These are the Rio Declaration on Environment and Development, Agenda 21, the Convention on Biological Diversity, the Framework Convention on Climate Change as well as a Non-legally Binding Authoritative Statement of Principles on the Management, Conservation and Development of all Types of Forests. We should ensure that the fulfilment of the commitments made at Rio should enable developing countries to attain sustainable development. In welcoming the proposal to establish an International Convention on Drought and Desertification, we fully support an early establishment of an intergovernmental committee to elaborate this international instrument by June 1994.

In pursuance to the decisions taken at Rio, countries of the South should enhance

consultations and cooperation with a view to presenting a common position on matters affecting the South. In this connection, we agree to vigorously pursue the establishment of the Commission on Sustainable Development under ECOSOC which will provide the institutional mechanism to monitor and promote the implementation of Agenda 21. Given the importance of financial flows as well as the mechanism to implement it, countries of the South should endeavour to present a common position at the forthcoming Global Environment Facility (GEF) meeting at Abidjan, Cote d'Ivoire on 2-5 December 1992 which would finalize the operational Structure of the GEF, and also at the meeting scheduled for 14 December 1992 in Bern, Switzerland where the inclusion of an Earth Increment within the Tenth Replenishment of IDA will be negotiated. We believe that developed countries must continue to bear the greater responsibility for ensuring environmentally Sustainable development and should announce in clear and specific terms, the financial commitment required for the Successful implementation of Agenda 21. Also important is the need to ensure access to and the transfer of environmentally Sound technologies to developing countries on favourable terms, including on concessional and preferential terms to safeguard the environment while promoting economic growth and development.

### **Eradication of poverty**

The eradication of poverty continues to be of prime concern to developing countries. It is recognized that sustained economic growth is a necessity if living standards of the vulnerable sections of our populations are to be improved and poverty is to be eradicated. Immediate and priority attention must be given however, to the formulation and implementation of programmes aimed at providing the basic necessities in terms of health and nutrition, especially in the context of maternal and child health care, housing, education and training, and the creation of productive employment. Comprehensive and multi-faceted measures should be geared to improving the living standards of the poor and to enhancing their long-term prospects and economic self-reliance. The active participation of the rural poor, particularly poor women, in this process should be encouraged and facilitated through the utilization of their creativity, knowledge and forms of socio-economic organization. In this regard, we endorse all initiatives in keeping with the recommendations, aimed at improving the economic conditions of rural women, adopted by the First Ladies Summit for the Advancement of Rural Women, held in Geneva on 25-26 February 1992.

The international community should take urgent action to alleviate the effects of famine and prevent starvation and death caused thereby, and to obtain a substantial and rapid reduction in child mortality and malnutrition. To this end, it is necessary to place special emphasis on the implementation of the objectives and recommendations contained in the Declaration and Plan of Action adopted by the World Summit for Children held in New York on 29-30 September 1990. In the same spirit, the Third Summit of the G-15 supports the recommendations that will be adopted by the international Conference for Assistance to African Children that will take place in Dakar on 25 to 27 November 1992, under the auspices of the Organization of African Unity with the collaboration of UNICEF.

The alleviation of poverty should continue to be one of the primary goals of national development efforts and of international cooperation for development. Initiatives already taken at the national, regional and global levels are to be supported and commended and new ones actively encouraged.

### **Debt and Resource Flows**

We note that developing debtor countries have taken a number of bold initiatives and made genuine efforts at great economic, social and political cost to re-structure their economies and to stem the build-up of debt and alleviate the debt service burden. Despite these efforts, the debt overhang in developing countries is still very burdensome. High debt-service ratios continue to absorb a substantial proportion of domestic resources and foreign exchange earnings of most developing countries, undermining both their adjustment efforts and ability to achieve sustained development, while also resulting in an unacceptable net transfer of resources from South to North. External indebtedness should continue to be treated by the international community as a single issue of crucial importance.

Recent debt reduction schemes represent encouraging developments. However, there is a pressing need to provide additional approaches with a view to finding an early and durable solution to the debt problem regarding all forms of debt and all debtor countries including those that have continued to honour their commitments at great sacrifice. We welcome the

General Assembly's decision 46/483 of 18 December 1991 to establish an advisory commission on debt and development in order to solve the debt problems of developing countries in a manner consistent with their sustained growth and development.

Primary importance should be given to ensuring a substantial increase in the flow of finances including concessional financing for development, so as to guarantee a minimum acceptable rate of growth in debtor countries. Adequate resources are also required for structural adjustment, poverty alleviation and sustainable development. In this context, an increase in real terms of resources available under the Tenth Replenishment of IDA is necessary. Furthermore, additional financial flows under the Structural Adjustment facility (SAF) should provide medium term concessional flows to low income countries. The capital base of the World Bank and the Regional Development banks must also be suitably strengthened. The Fourth Replenishment of the International Fund for Agricultural Development (IFAD) should also be generous.

Foreign direct investment could play an increasingly important role as a source of development finance especially in terms of employment creation, enhanced exports and the transfer of technology. Developing countries shall continue to take steps to establish a favourable climate for foreign investment within the framework of the development aspirations of host countries.

### **Disarmament and Development**

We note that the current international climate characterized by reduced tension at the global level is most auspicious for general and complete disarmament, particularly the elimination of all weapons of mass destruction. In this regard, we welcome the recent conclusion of the Chemical Weapons Convention and the initiatives being taken to reduce the existing number of nuclear weapons and other weapons of mass destruction as well as to ensure their non-proliferation. It is our belief that genuine disarmament can only be achieved if all nuclear weapons and other weapons of mass destruction are eliminated. General and complete disarmament should be undertaken on a non-discriminatory basis aiming at universal arrangements. We urge all nuclear weapon states to cease all nuclear weapon tests and to work towards the early achievement of a comprehensive nuclear test ban treaty.

We welcome the positive arrangements made, and agreements and international consensus reached by developing countries to further the causes of non-proliferation and disarmament and to consolidate amity and cooperation, which could accelerate the process of development.

Legitimate requirements for the maintenance of international peace and security and the need not to hinder access to peaceful uses of sensitive technologies should be taken into account within the context of multilateral efforts designed to regulate the international transfers of such technologies.

The continuing trend towards disarmament, the reduction of military expenditures and the progressive reduction of international tensions should make it possible to extract a "peace dividend" in the form of financial and technical resources for the enhancement of international development cooperation. An international fund within the framework of the United Nations represents one of the best ways of channelling resources freed as a result of disarmament for the purposes of development.

### **World Trade**

Developing countries are committed to market liberalization and the maintenance of an open, multilateral trading system based on the principles of non-discrimination and transparency as growth and development will be increasingly influenced by the international trading system. An increasing number of developing countries have adopted measures for opening their economies and liberalizing their trade regimes with a view to integrating themselves with the world economy. The voluntary measures taken by them need adequate response from the developed countries by way of halting and reversing the protectionist trends and avoiding new protectionist instruments such as those related to the area of environment.

Developing countries attach great importance to the successful and balanced conclusion of the Uruguay Round. A successful result is needed to promote global economic growth and to prevent a deterioration of the world trading system. It is crucial to the development aspirations of many developing and least developed countries. The restructuring and liberalization underway in many developing countries could be seriously threatened if these processes are denied the encouragement provided by a strengthened GATT system. We follow with keen interest the recent developments, particularly on the issue of agriculture, in the hope that a compromise will be reached within the context of GATT, which takes into account the interests of all parties. We urge that the multilateral process of negotiations be resumed as soon as possible in Geneva and wish to reiterate that the outcome should not impose any further burden on developing countries. An evaluation of the results attained therein should be conducted promptly to ensure that all issues of interest to the developing countries have been taken into account and the package of results is balanced and equitable.

The removal of existing distortions in international trade in agriculture is essential if developing countries are to promote and expand their agricultural output. This is particularly important, taking into account the needs of developing countries which are net food importers. The reforms ought to be transparent, and should include a range of issues such as market access and export subsidies.

The discriminatory and highly restrictive world trade regime in textiles and clothing has created a major adverse imbalance in the international trading system from the point of view of the developing countries. There is an urgent need to inject in the immediate future, a major dose of liberalization in world trade in textiles and clothing and to fully restore the application of the normal rules of free and non-discriminatory trade to the area of textiles and clothing within the shortest time frame.

The Eighth Session of UNCTAD held in Cartagena de Indias in February this year recognized the need for the institutional and operational revitalization of UNCTAD and confirmed its role in the formulation of an international consensus on development. UNCTAD can make a significant contribution to international trade and development, especially in light of it being an universal, democratic and multidisciplinary forum whose mandate places development as its cornerstone. The role of this organization, in pursuit of its mandate, should be strengthened and supported by all its members.

The production and export of primary commodities continues to be of vital importance to the economies of most developing countries. The present situation is characterized, however, by a continuing fluctuation of prices and by a long-term trend which has resulted in a historically low level of prices, in real terms, for most commodities. Primary among the factors leading to such a situation have been the substitution of synthetics, structural adjustment programmes and debt servicing which have exerted pressure on producers to increase their production and exports. Global recession, dampened consumer demand, tariff and non-tariff barriers have also had an adverse impact on primary commodities.

In this connection, we deeply regret the recent action to introduce ecolabelling on tropical timber products. Such arbitrary and unilateral action is clearly unjustified and would have serious implications on the interests of many developing countries and world trade. This problem should be urgently resolved.

Enhanced cooperation among developing countries and between producers and consumers should lead to a strengthened and effective international policy on commodities. Such a policy would help to improve the stability, transparency and functioning of commodity markets over the long-term with significant mutual benefits for both producers and consumers. At the same time, it would maximize the contribution of the commodity sector to development of developing countries and international trade. The work of the Standing Committee on primary commodities in UNCTAD should be strengthened. The Common Fund for Commodities should be fully exploited and its Second Window should be strengthened and fully utilized so that horizontal and vertical diversification could be facilitated.

Regional and sub-regions economic integration schemes offer the opportunity to enhance international cooperation and development aimed at widening markets, improving productivity and competitiveness and generating investment. Such schemes in the South should also constitute an important aspect of South-South Cooperation based on mutual

benefit.

The present global trends towards closer regional economic integration does, however, present opportunities and challenges that must be faced with strength and resolution. The international community should ensure that existing and evolving trading arrangements do not develop into inward-looking trading blocs that would divert trade and investment as well as erode genuine multilateralism. The main objective for the strengthening or creation of any economic integration scheme should be the enhancement and maintenance of an open, competitive and vibrant international trading system.

### **Science and Technology**

Development and its sustainability is directly linked to the ability of developing countries to benefit from the accelerating pace of technological change. And, while technological transformation is increasingly a prime determinant of economic and social development, the scientific and technological gap between the North and South continues to widen. It is necessary, therefore, to improve the access of developing countries to technologies, including new technologies and sensitive technologies for peaceful use, on fair and reasonable term and to encourage their effective dissemination, use and adaptation. Mechanisms of international cooperation should be created in order to facilitate the transfer of technology and know-how, especially in research and development, and in the education and training of scientific cadres.

Cumulative scientific and technological knowledge and innovation should be used for the common benefit of humankind and intellectual property Systems should help to promote scientific and technological development in all countries and especially in those of the developing world. To this end, the competent United Nations bodies in the areas of science, technology and intellectual property, should be strengthened and re-vitalized. Cooperation among developing countries in this area would be beneficial.

### **Human Resources Development**

People are both the means and end of development. Human resources are the most valuable asset in developing countries, and the success and sustainability of the process of development lies in their effective utilization and enhancement. Human resources development thus becomes a key factor in any strategy for economic social and political progress. Human development represents a basic human right, and hence the crucial need for international cooperation for development. In this regard, concrete measures and particularly safety networks are needed in order to alleviate the adverse social impact resulting from the implementation of structural adjustment programmes in developing countries. The contribution of the international financial institutions and the United Nations system should be an intrinsic part of these measures.

Developing countries desire to foster the spirit of mutual help and support in which the welfare of the people will revolve not around the state or the individual, but around a strong and resilient family and community system. The declaration of 1994 as the International Year of the Family should provide the opportunity for the formulation and implementation of policies and programmes aimed at achieving this goal.

### **Population**

The high rates of population growth in most developing countries may have substantial adverse consequences for their social and economic development. Relevant social organisations both at the national and international levels, should be called upon to assist in raising public commitment and the necessary financial and technical means to take significant steps towards the formulation and implementation of appropriate demographic policies. The World Conference on Population and Development to be convened in Cairo in 1994 under the auspices of the United Nations should provide the opportunity for the review and appraisal of the World Population Plan of action and for the updating of the recommendations contained therein, taking into consideration the inter-relationship between population, development and environment.

### **Terrorism and Illicit Drug Trafficking**

Terrorism, in all its manifest forms, continues to be a dangerous and pernicious threat to national and international political, economic and social stability. The resolution of political or social problems and the attainment of political objectives could never be achieved through terrorism and its indiscriminate violence that abuses the human rights of many innocent victims and undermines the free functioning of democratic institutions. Terrorism assumes a particularly pernicious form when it has linkages that extend beyond national borders.

Illicit drug trafficking, its related problem of illegal production, consumption, transport and money laundering as well as its political, economic and social ramifications constitute a dangerous threat to the political and social stability of nations. Concerted international action is urgently required through a comprehensive approach and on the basis of shared responsibility and common purpose, if this problem is to be dealt with effectively. The international community must support efforts of national government in the eradication of illicit crops through, inter-alia, crop diversification, marketing assistance, and infrastructure development, in order to create viable economic alternatives for farmers.

Furthermore, when terrorist action and terrorist groups are linked to criminal organizations of drug traffickers, they represent an even more devastating threat to Governments and Society.

## SOUTH-SOUTH COOPERATION <sup>TOP</sup>

The recent changes in the international economic and political arena have reinforced the rationale and purpose of South-South Cooperation as a viable strategy for greater collective self-reliance and national, regional and global development. Greater global interdependence and the prolonged economic recession in the North underline the need for the South to look to itself to accelerate development and growth. To this end, unwavering commitment should be given to strengthening existing South-South efforts and the initiation of new ones for the enhancement of cooperation in production and trade, strengthening communications and transport linkages, facilitating the flow and exchange of information and knowledge, and encouraging cultural exchanges and tourism. We welcome the decision, taken last November in Teheran, to launch the Second Round of negotiations of the Global System of Trade Preferences among Developing Countries (GSTP), which has an important role to play in the improvement of trade and market access among developing countries. Developing countries are also committed to having closer and more regular consultation among themselves with a view to harmonizing positions on international questions and developments.

Recognizing the need for and importance of South-South strategies, the Group of Fifteen has launched a number of special projects covering a wide spectrum of issues of priority concern to the South. Commendable progress has been made on a number of these projects which are open to all other developing countries on the basis of equity and mutual benefit. We remain committed to these projects and will take all necessary steps, including financial contributions, to ensure their successful implementation.

We note with great interest the conclusions of the Second G-15 Businessmen's Meeting convened in Dakar to coincide with the Summit. The involvement of the private Sector is crucial if the economic potential of the South is to be fully realized. We welcome the proposals to enhance this aspect of South-South cooperation in the future.

In this context, we welcome the offer by Zimbabwe to coordinate the project approved at our First Summit Meeting to establish a Business and Investment Forum with a view to stimulating cooperation among business communities and between business communities and Governments in developing countries.

The South Investment, Trade and Technology Data Exchange Centre (SITTDEC) approved at the First G-15 Summit, is operational. On this occasion, we note with great satisfaction the convening of the first meeting of the Board of Directors of SITTDEC in Dakar on 18 November 1992. The SITTDEC database currently contains over 7,000 documents, with emphasis on mainly trade related information. SITTDEC, which is open to all developing countries, would continue to contribute towards enhanced South-South cooperation, particularly in areas of trade, technology and investment.



Following the approval of the project on Bilateral Payments Arrangement by the First Summit Meeting of the G-15 in Kuala Lumpur, Bank Negara Malaysia has to date signed payments arrangements with the central banks of 15 countries. In addition, payments arrangements are being negotiated between Bank Negara Malaysia and a number of other central banks of South countries. We recognize that the Bilateral Payments Arrangement have started to show very positive results. The Bilateral Payments Arrangement have proved to be a very effective and important tool to promote trade among South countries. We urge other countries to undertake the signing of such agreements among more pairs of South countries which would facilitate the early implementation of the proposed Multilateral Payments Arrangement.

We also note with Satisfaction that, following the approval of the project on the establishment of Gene Banks for Medicinal and Aromatic Plants by the First G-15 Summit in June 1990, significant progress has been achieved. Three Regional Coordinators have been identified, namely Egypt for the African region, Brazil for the Latin American region and India for the Asian region and the overall coordinator. The Meetings of the Regional Coordinators and the Scientific Advisory Committee discussed in detail a plan of action for implementation. An inventory of important medicinal and aromatic plants is under preparation. India prepared a model inventory which has been circulated to all the Member Countries. The need to set-up urgently a Trust Fund of USA 500,000 was accepted by the Expenses to facilitate the implementation of the recommendations such as training courses, joint projects, seminars and workshops and arranging consultants to help various countries in the setting up of Gene Banks. The mode of operation of the Trust Fund has also been evolved with full consensus. We agree that such measures would help in both the economic utilisation of valuable genetic resources and conservation from the view point of environmentally sustainable development.

We continue to attach the highest priority to the area of alternative energy. Five Solar Energy projects - solar lighting, solar refrigerating, solar water heating, solar drying and data bank and corresponding country coordinators have been agreed upon at a G-15 Expert Group Meeting held in New Delhi in September 1992. Focal points in all G-15 countries have also been identified. We endorse these projects and their vigorous implementation. All countries should make appropriate budget provisions to meet the in-country and other costs of these projects. We welcome and endorse the new initiatives proposed for the establishment of demonstration projects by India, the holding of a workshop on photovoltaic pumping in 1993, training and manpower development as well as other proposals for promoting joint ventures for manufacture of Solar Energy devices in G-15 countries through contacts between enterprises in Member Countries. We encourage further exchange of information among G-15 countries on Solar Energy through publications and other commercial channels.

We welcome the results of the Expert Group Meeting of the Group of Fifteen on Food Production held in Jakarta from 20 to 22 April 1992. We encourage active participation of Member States to take the necessary follow-up actions.

Considering the urgency of the population problem, we note with satisfaction the outcome of the Expert Group Meeting on Population and Family Planning held in Jakarta from 5 to 7 June 1992 and call upon Member States to continue their concerted efforts in formulating and implementing a Programme of Action on Population and Family Planning.

We welcome the results of Financial Expert Meeting held in Jakarta from 25 to 26 May 1992 which covered three elements namely, national initiatives, creditor action and joint South-South action including the setting up of a Technical Assistance Unit. We take note of the proposed modalities of establishing an Advisory Group and encourage further steps with a view to finalizing those modalities.

We reiterate our full Support for the implementation of Self-Propelling Growth Schemes projects in enhancing community Self-reliance and people-centered development activities and appreciate training programmes offered by Indonesia in this area.

We also attach importance to the undertaking of new projects that will further enhance cooperation among developing countries. In this respect, we take note of the following proposals and welcome the convening of Expert Group Meetings early next year to study these projects:

- Establishment of the South-South Renewable Energy Promotion Center and Cooperation among Developing Countries in the field of Design, Execution and Management of Petroleum, Gas and Petrochemical Projects. Both these projects will be coordinated by Egypt, Expert Group Meetings on which will be convened in Cairo on 7-8 April 1993.
- Collaboration on the Utilization and Development of Non-Metallic Mineral Raw Materials, coordinated by Nigeria and on which an Expert Group Meeting will be convened in Lagos on 7-8 April 1993.

We welcome the offer by Brazil to organize technical visits and workshops in the second half of 1993 on Environment and Mining - River and Watershed Recovery; Geological and Mineral Research; and External Networking of Public Telecommunications.

We attach great importance to Technical Cooperation among Developing Countries (TCDC) as a vehicle for enhancing South-South cooperation. A Plan of Action on TCDC should therefore be formulated as soon as possible. In this regard, we welcome the offer by Egypt to convene a G-15 Expert Group Meeting on Technical Cooperation among Developing Countries (TCDC) in Cairo on 5-7 April 1993. We also appreciate the offer by Brazil to organize a G-15 Expert Group Meeting on Instruments and Mechanisms for the Implementation of joint activities of technical cooperation among developing countries.

We welcome the offer by India to set-up in Senegal, for the G-15 and other developing countries in the African region, a center to upgrade the skills of human resources in agriculture, water management, agro-based industries and traditional crafts. The detailed modalities of operation will be evolved through consultation.

We also welcome the proposal by India to set-up a center in New Delhi to impart training in computer operations and software development for candidates from G-15 and other developing countries. The entire cost of setting up this center would be met by India. The travel expenses of the trainees would be borne by the sponsoring countries. Expenses associated with training at the Center would be met by India.

In line with Views expressed during the Second Summit of the G-15, Malaysia has proposed the establishment of a G-15 Expert Group for "Exchange of Information on National Economic Policies of Member Countries" (EINEP) to assist member countries in development planning and economic management through the modality of TCDC. We attach great importance to this initiative and note with Satisfaction that Malaysia, as a member of the G-15, has offered to host the First Meeting of EINEP sometime in April 1993.

We welcome and accept the offer made by the Government of India to host our Fourth Summit Meeting in 1993 and the offer by the Government of Argentina to host the Fifth Summit Meeting in 1994.

We thank the people, the Head of State, and Government of Senegal for their hospitality and the excellent arrangements made for the holding of the Third Summit Meeting of the Group of Fifteen.

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## FOURTH MEETING OF THE SUMMIT LEVEL GROUP FOR SOUTH-SOUTH CONSULTATION AND COOPERATION (GROUP OF 15)

*New Delhi, India*  
28 - 30 March 1994

### JOINT COMMUNIQUE

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-  We the Heads of State and Government, Members of the Summit Level Group for South-South Consultation and Cooperation - known as the Group of 15 meeting in New Delhi from 28 to 30 March 1994, note with satisfaction the work done by this Group since its inception 4 years ago. We reaffirm our determination to pursue the twin objectives of strengthening South-South Consultation and Cooperation and promoting the South's productive partnership with the North on issues of mutual benefit and common concern.
-  South-South Cooperation is a necessary and viable strategy for greater collective self-reliance for national, regional and global development and is a major tool for the promotion of growth and accelerated development. It enables us to identify areas of complementarity amongst ourselves mobilize our human and material resources for the benefit of our peoples, and enhances our capacities to contribute to a new and equitable world order. Two integral aspects of this cooperation are : the active involvement of private sector entrepreneurs representing trade and industry in the annual G-15 Business Forum and Exhibition; and concrete cooperation project. Through these, we seek to inform one another of our capacities, requirements, mutuality of interests and benefits so as to catalyze actual transactions in critical areas of trade, technology investment and economic cooperation.
-  South-South Consultation assumes a crucial dimension as the member states of the G-15 consult one another to evolve shared perceptions on issues and events of global impact. South-South Cooperation is rooted in the empathy and support that the Group has for the vital interests of individual member states.
-  Impressive progress made by some developing countries, including those of our Group, reinforce the rationale for South-South Cooperation. Structural imbalances and restrictive features of the world economic order impart an urgency for the South to look within itself for sources of creativity in evolving alternative synergetic networks of ever expanding trade, technology and investment flows for development. The trend towards sub-regional and regional economic cooperation and integration among developing countries follows from this realization, as do efforts of this Group to establish and foster trans-regional cooperation through specific projects and business interaction. We are convinced that our national institutions and efforts are key factors transforming South-South Cooperation projects into effective mechanisms and the achievement of concrete results.
-  The world today faces acute social and economic problems requiring urgent redressal on the basis of policies and efforts at the national and international levels. The future of world trade, monetary and financial regimes, economic growth and social development, as well as human rights, environment and population in relation to development, are vital issues in which the fate and fortune of all countries are equally and inextricably bound. We seek to address these problems in a spirit of partnership and constructive dialogue with the North, which will enable a meaningful interaction aimed at finding solutions to them. Such consultation and dialogue should be revitalized. In this regard, we welcome the adoption of the resolution on 'Renewal of the Dialogue on Strengthening International Economic Cooperation for Development through Partnership' by the UN General Assembly last year and consider it a significant breakthrough. North-South dialogue will be particularly relevant in the context of emergent and topical issues and events such as environment and development, disarmament and development, the multilateral trading system, the World Conference on Population and Development and the world

### Summit on Social Development.

- The disappearance of the political and ideological fault lines of the Cold War had raised expectations of greater global security, stability, peace and prosperity, so that the focus of the international community could now be on the establishment of a just, equitable, truly multilateral and non-discriminatory international order and that there would be a reinforcement of international development cooperation. Furthermore, in this regard, the profound structural transformation of the world economy called for a new and integrated vision. These expectations, however, have not been realized. We have a sense of disquiet at the marked imbalances, insecurity, tensions and contradictions that still cloud prospects for lasting peace and economic development. We reaffirm the imperative for an international framework based on the rule of law and non-selective and non-discriminatory international action on issues of global concern.
- The interdependent world economy continues to be marked by uncertainty, imbalance and recession. Negative to marginal economic growth rates, persistent fiscal, trade and financial imbalances, an increase in cyclical and structural unemployment, an inability to coordinate exchange rates and trade policy, are some of the systemic problems of the developed world which have adversely affected the developing world. Resources allocated for development cooperation have been reduced. We are concerned about the diminution of attention to the problems of the developing world which are basic, immediate and of a great magnitude - absolute and deepening poverty, hunger and malnutrition, disease, illiteracy and the lack of shelter and sanitation for their citizens. The Group of Fifteen took note with interest of the proposal for the creation of an International Corps of Volunteer Workers, the "White Helmets", as an effort to combat world hunger. We call upon our partners in development to join us in unshackling the skills and talents of a larger proportion of the world's population and enable these millions to acquire purchasing power.
- The countries of the South seek a world economic order where global economic growth translates into greater employment, higher real wages, a cleaner environment and people-centered development in all countries. Such mutually reinforcing and self-sustaining economic development is critically dependent on the free flow of trade, investment and technology across national boundaries and integrated trading blocs. We urge Governments and peoples, especially in the North, to recognize the undeniable symbiosis between the prospects of economic regeneration of the North and accelerated economic growth and development of the South. The accelerated development and liberalization of the dynamic economies of the South can and will sustain job creation and growth in the North based on technological advance just as restructuring and liberalization of technology, finance and markets in the North will stimulate and sustain growth and development both economic and social in the South.
- The prospects of our assuming a significant role in the world economy hinges on the success of the bold structural adjustment that we are pursuing at considerable social cost, trade liberalization and export oriented policies. These efforts stand endangered by new protectionist pressures and barriers in the developed countries which are the very antithesis of the principles of free-markets and comparative advantage, create further distortion and inefficiency and undermine growth.
- We welcome the conclusion of the Uruguay Round of MTNs. It is hoped that, as promised, the benefits from liberalization, increased market access and expansion of world trade for all countries, particularly for the developing countries, will materialize. We expect that the WTO in its functioning would positively contribute to a rule-based, predictable, non-discriminatory multilateral trading system and uphold the rights and interests of the weaker trading partners. It is necessary that some form of monitoring mechanism be established to ensure that, in the implementation of the Uruguay Round, the interests of developing countries are adequately protected. It is our expectation that compensation will be provided for those developing countries that will experience difficulties. Attempts to bypass and undermine multilaterally agreed frameworks for liberalization of trade through resort to unilateral actions and demands for concessions over and beyond those agreed to in the Round go against these objectives, as do attempts to use environmental and social concerns for protectionist purpose and effect. We are concerned at moves to inscribe new and additional issues like labour standard for the yet to be established WTO. We strongly urge trading partners to refrain from actions which would have the effect of unravelling the carefully negotiated balance of rights, obligations and interests of all parties in the Final Act, thus jeopardizing the global trading system.
- We reaffirm the validity and continued relevance of reinvigorating an important component of investment cooperation namely resource flows from the North to the South official and private multilateral and bilateral, concessional and commercial. Official Development Assistance and private investment flows are complementary inputs for development requirements, the cost of environment protection and the requirement of a growth-oriented management of debt.
- Our drive towards a market economy characterized by extensive and fundamental liberalization of investment regimes and the increasing empowerment of the private sector offers unprecedented opportunities for foreign investment in our countries. Our focus should now be on devising ways and means of accelerating the flow of foreign investment, on ensuring its wider distribution and development impact.
- For some developing countries the debt burden continues to be a priority issue and its resolution a test case of the world's will in resolving issues of common concern. The debt crisis is far from over and manifests itself in reduced consumption, investment and growth, development progress foregone, and in the degradation of social infrastructure and services, as well as of the environment. A solution to this crisis lies in enlarging the export opportunities of developing countries and the flows of additional resources to them on the one hand, and imaginative, systematic and comprehensive approaches to the

resolution of the debt problem itself, inter alia, through reduction of debt and of the burden of debt servicing while being sensitive to the specific problems and requirements of individual countries.

☐ The United Nations should play a central role in the collective efforts to define the new world order which aspires to realize the mutually supportive objectives of peace and development. The implementation of the Agenda for Peace must be based on the rule of law, on the Charter principles relating to the concepts of sovereignty, equality, universality, territorial integrity and independence of states, as well as of the acknowledgement of national specificities.

☐ The highest priority should be given to the Agenda for Development so as to re-establish the original equilibrium between the twin objectives of development and peace contained in the UN Charter. Development must be seen not only as a condition for the successful implementation of an Agenda for Peace, but more so, as an essential aspiration of all people, to be pursued in itself, which, in turn, promotes higher standards of living and reduces the abysmal disparity among them. Towards this end, developing country concerns must be integrated into all deliberations of global trade, finance and technology cooperation.

☐ We take the view that the United Nations should be restructured to take account of the significant changes that have taken place in the post-war system. The restructuring should rest on the principles of democratization and transparency in decision making in the United Nations and all its agencies. The General Assembly should be revitalized, in its roles and functions. A suitable Formula should be devised to establish appropriate and dynamic interactions between the Council and the Assembly. Both reform and expansion aspects of restructuring of the UN Security Council including its decision making processes and procedures should be examined as an integral part of a common package. The Permanent and non-Permanent Membership of the Security Council should be expanded on democratic principles having regard to the various proposals by developing countries for their representation on the Council. Taking into consideration the political changes that have taken place in the world, we call for an expansion of the membership in the Conference on Disarmament.

☐ We are committed to the value of democracy, pluralism, rule of law and to the protection and promotion of human rights at the national and international levels. We reaffirm the importance of fundamental freedoms, and the dignity of the human person and that all human rights - civil, political, economic, social and cultural - are universal, indivisible, interdependent and interrelated. Their promotion and protection through national policies and international cooperation should be pursued within the framework of the respect for the principles and purposes of the United Nations, and must be global in scope and non-discriminatory in approach. We welcome the adoption by the World Conference on Human Rights of the Vienna Declaration and Programme of Action. We particularly welcome the recognition of the right to development as an inalienable human right. In this respect, we stress that the realization of this right requires not only adequate national policies, but also a favorable international economic environment. The recognition of the interdependent and mutually reinforcing nature of democracy, development and respect for human rights is equally relevant.

☐ Terrorism has emerged as one of the most dangerous threats to the enjoyment of human rights. Terrorists and their organization violate the human rights of innocent civilians while at the same time undermining the free functioning of democratic institutions. Terrorism takes on a particularly pernicious character when it is aided from abroad. The international community should cooperate effectively to prevent and combat terrorism.

☐ Illicit drug production, traffic and consumption is a problem with international ramifications and is linked, in some countries, with terrorism. The solution to this problem should be based on a comprehensive approach of shared responsibility and of cooperation between the drug producing countries and those affected by a high level of consumption of illicit drugs.

☐ We reaffirm our political commitment to the outcome of the UN Conference on Environment and Development in particular to the implementation of Agenda 21 and to the work of the on Sustainable Development. Our policies and measures are directed towards environmentally sound development. We call upon developed countries to honour their commitments made at Rio and support our endeavours through the provision of new and additional financial resources, environmentally sound technologies on concessional and preferential terms, as well as the non-resort to environmental conditionality on trade and development.


☐ We express our full support to the steps taken to implement decisions of UNCED, including the on-going process for the elaboration of an International Convention to Combat Desertification, and call upon the UN system and developed countries to provide their support to this convention which should be finalised and adopted in June 1994 in accordance with the Rio Declaration. We endorse the Delhi Declaration on Forests. We emphasize the need to improve the methodology for valuing the environmental and natural resource accounting through cooperation with research institutions in the developing countries.


☐ Deeply conscious that children are the most precious human resource, we reaffirm our commitment to the protection and welfare of children, particularly through vigorous implementation of the Plan of Action of the World Summit on Children. We recognize the role of the UN agencies, including the UNICEF in contributing to this effort.


☐ We stress our full support to the preparations in course for the Women's Summit to be held in Beijing in 1995 and the World Conference on the International Decade for Natural Disaster Reduction, to be held in Yokohama in 1994.


☐ We welcome the World Summit for Social Development scheduled for 1995 which will provide a major opportunity to focus our attention on issues of fundamental concern for all and encourage the maximum

participation in it of Heads of State/Government. The core issues which have been identified for deliberations at the World Summit are increasing productive employment, poverty alleviation and enhancing social integration. The issues themselves are closely interlinked and must be addressed in a holistic manner. The Summit must come up with implementable commitments for additional resources dedicated to actionable, realistic programmes to remove hunger and poverty and to sustain equitable economic growth which alone can guarantee harmonious social development.

 We welcome the international Conference on Population and Development, to be held in Cairo in September 1994, which will provide the opportunity to intensify action at the global, regional and national levels and to treat population issues in their proper developmental perspective and focus on related socio-economic factors such as poverty. We also welcome the statements of the industrialized countries that they would actively work towards the success of this conference which seeks to raise public consciousness mobilize resources for the programme of action for the next decade, and enhance financial and technical means available to the developing countries for the purposes of formulating and implementing appropriate policies and programmes.

 We reaffirm our commitment and re-dedicate ourselves to the objectives and purposes of the Group of Fifteen.

 We welcome and accept the offer made by the Government of Argentina to host our Fifth Summit Meeting in 1995 and the offer by the Government of Zimbabwe to host the Sixth Summit Meeting in 1996.

 We thank the people and Government of India for their hospitality and the excellent arrangements made for the holding of the Fourth Summit Meeting of the Group of Fifteen.

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## **INTERNATIONAL ECONOMIC COOPERATION FOR THE YEAR 2000 AND BEYOND**

**Buenos Aires, Argentina**

**5 - 7 November 1995**

**JOINT COMMUNIQUE**

We, the Heads of State and Government of the Summit Level Group for South-South Consultation and Cooperation - the - G-15 have met in Buenos Aires, Argentina, on 5-7 November 1995 for our Fifth Summit devoted to a review of the international economic situation and cooperation among developing countries. Following comprehensive and in-depth discussions, we have arrived at the following conclusions:

### **The Challenges of the International Economic Situation**

Since the Fourth Summit in March 1994 in New Delhi, the international economic situation continues to be characterised by an increase in global output and trade. While developing countries, as a group, have experienced sustained growth in recent years, wide disparities in economic performance and prospects are clearly evident amongst them.

Led by the dynamic South East and East Asian economies, the Asian region continues to be fastest growing in the world. Export have also increased dramatically both within and outside the region. So too have imports. The dynamism of these economies is based on a sustained increase in savings, investment and trade.

Having reformed their trade policies and undergone a deep trade liberalisation, a number of economies in Latin America have been able to promote growth, lower inflation and reduce external debt burdens resulting in a positive impact on economic prospects and investors confidence. Improved fiscal management, privatisation and deregulation of the economies and an increase in intra-regional trade were the main basis of these changes.

On the other hand, economic performance continued to be less satisfactory in the African region although there were variations in economic performance between sub-regions and among countries. In spite of the joint efforts of the African countries and the Bretton Woods institutions to implement the structural adjustment programmes, growth has fallen far short of rates registered in other regions of the world and has been negative in some countries when considered in per capita terms. Africa's share of world export and trade has fallen steadily. The share of commodities in exports continues to be over 75 per cent.

### **Globalization and Regional Integration**

The rapid globalization of the world economic structure has created both opportunities and challenges for developing countries. The market orientation of the majority of the world's economies provides unprecedented opportunities for more than 4 billion people to become global consumers and players in international trade, as well as benefit from an accretion in trade, technology and prosperity. However, many developing countries and the poor within them risk being marginalized. In some cases, their exposure and vulnerability to the external economic environment is increasing and their integration into the world economy entails socio-economic costs.

The tide of liberalisation and globalization, the positive sum interdependence that is sweeping the world today, as well as the growing integration of our economies, deserve the full support of the developed countries. To this end, we need a stable international macroeconomic framework, open markets, enhanced financial resource support and infusion of technological dynamism to build and sustain the competitiveness of our economies and overcome their problems of integration to the world economy.

The increasing trend towards the creation of regional and in some instances inter-regional economic groups and areas is a dominant feature of the emerging international economic system. These regional arrangements have both, the potential of strengthening or jeopardising the multilateral trading system.

The European Union has continued its expansion and the expected incorporation of the transition economies of Central and Eastern Europe will change the economic prospect of millions of European citizens. NAFTA is a new major feature of the world economy. Intra-developing country trade has also increased, particularly, in this decade. Regional groupings in many parts of the developing world are making concerted efforts to enhance their economic ties. Some of them, like ASEAN and MERCOSUR, have achieved significant levels of intra-trade. ASEAN has agreed to establish the ASEAN Free Trade Area (AFTA) by the year 2003, The South Asian Association for Regional Cooperation (SAARC) has established a South Asian Preferential Trading Area (SAPTA). The Associations of Caribbean States (ACS) has been established to promote closer cooperation and consultation among Caribbean Basin States. In 1994, the countries of Africa started the first phase of the implementation of the Treaty of Abuja on the establishment of an African Economic Community to foster their economic integration and development. This process has already been set in motion by existing sub-regional economic groupings such as ECOWAS, UEMOA, SADC, COMESA and the Maghreb Union.

The last few years have also witnessed moves towards the establishment of wider schemes. In the Western Hemisphere, a process which is expected to lead to the establishment of a Free Trade Area for the Americas by 2005 is in progress. Similarly, the recently formed Asia Pacific Economic Cooperation (APEC) forum seeks to bring together the countries of the Pacific Rim with a view to exploiting the significant trade, investment and market potential of the entire region. Countries from both sides of the Mediterranean are engaged in consultations with the ultimate objective of establishing a Free Trade Area.

It is necessary to ensure that this process of establishment of regional and intra-regional schemes contributes to trade liberalisation and the lowering of trade barriers and does not lead to the fragmentation of world trade. Members of the World Trade Organisation (WTO) should work to ensure that the organisation is able to enhance and maintain a trade system that is truly open, transparent, multilateral and beneficial to all countries and which would stimulate global growth and prosperity.

### ***Poverty, Unemployment and Migration***

Between the sixties and the nineties the share of world income for the richest 20 per cent of the global population rose from 70 per cent to 85 per cent. One fifth of humankind, mostly in the developed world, has over four-fifths of global income and still accounts for the bulk of world output. While globalisation has benefited the societies of some countries and regions, extreme poverty, homelessness and the creation of a burgeoning "underclass" - unemployed youth with no prospect or promise for the future - stand as one of the great challenges of our time. We also noted that although progress has been made in the areas of agriculture and nutrition in several countries, 800 million people still suffer from chronic malnutrition of which nearly 200 million children below the age of 5 are affected by protein deficiency.

The global, and for some countries structural, problem of unemployment, while having an important impact on the developed economies, is an even greater problem in the developing world. Although recession and low growth are clear causes, such a situation is aggravated by changes in technology and in the structure of industry. The development of the service sector is not providing enough new opportunities to compensate for employment losses in the agricultural and manufacturing sectors. In some regions of Africa, economic stagnation over the past decade has resulted in a crisis of modern sector employment, especially in manufacturing. As a consequence of this process and of the continuation of rural to urban migration, the informal sector continues to grow and already accounts for approximately 60 per cent of the urban labour force in Africa and 30 per cent for Latin America. South Asia accounts for one of the highest levels of absolute poverty though these levels are falling. The moderate growth in the modern sector as well as the informal sector, employment, and manufacturing is not sufficient to absorb and neutralise high levels of underemployment, particularly in rural areas.

Expanding populations and labour force, limited employment opportunities and deepening poverty, have led to a rapid increase in international migration. Developing countries should not undermine employment opportunities in developing countries by the imposition of trade barriers or the restriction of flows of resources to them. Efforts aimed at establishing more orderly flows of such labour should be undertaken, fully acknowledging that trade and ample market access for developing countries, with its positive effects on domestic employment, afford the most effective brake to unregulated immigration flows. Quite often, immigration stimulates expansion and prosperity for all concerned.

We are committed to combating unemployment and poverty with all available resources. More than ever before, there are opportunities for reducing the gap between rich and poor, both within and among nations, and for promoting understanding and global dialogue with a view to finding viable and practical solutions to problems of



poverty, unemployment and environmental degradation. The new world political framework which resulted from the end cold war should contribute to bringing about greater convergence between North and South.

### ***Financial flows and External Debt***

Although the risk for the international financial system associated with the developing countries' debt has receded in recent years, the debt service is still a major problem for a number of these countries. For a number of economies of Latin America and Asia the debt-to-GDP (Gross Domestic Product) and debt service ratios have fallen but a number of African countries continue to experience the heavy burden of external debt, the servicing of which is a huge drain on their scarce and much needed resources for development. Africa's debt-to-GDP ratio was 83 per cent in 1994. A substantial portion of their debt, is owed to multilateral institutions and presently cannot be rescheduled. Of the 58 heavily indebted countries, 32 are least developed. The large majority of these countries have arrears exceeding 50 per cent of scheduled debt service.

Flows of Official Development Assistance (ODA) from developed to developing countries continue to fall in both absolute terms and as a ratio of donor countries' GNP. Africa is heavily reliant on aid programmes with sub-Saharan Africa receiving around one-third of global net aid transfers. ODA net transfer of Africa fell from \$14.4 bn in 1990 to about \$10 bn in 1993. We therefore call for an early and full implementation of the UN New Agenda for Africa in the 1990s, taking into account the Cairo Plan of Action adopted by the OAU Summit in June 1995.

The renewed confidence of international investors in the future of some developing countries is reflected in increased flows of capital in the form of foreign direct investment (FDI) and other private flows to these region. However, such flows, while bringing with them much needed capital and helping to raise output in recipient countries, are driven, in part, by short term decisions in core financial markets. The rapidly industrialising economies of Asia and Latin America accounted for over three quarters of FDI flows to developing countries. In recent years Asian developing countries have been the largest recipients of portfolio and foreign direct investment and the relatively high ratio of private investment to GDP in the high-capital-recipient countries in the region continued. In Latin America much of recent FDI flows have been in support of privatisation of portfolio-oriented investment. At the same time, the share of FDI going to Africa has fallen significantly.

### **A new Partnership for Development**

In the past decade, most developing countries have undertaken wide-ranging structural adjustment, in some cases, at considerable social cost. New dynamic economic centres in the South have emerged. Successful and wide-ranging adjustment policies, combined with sound macroeconomic management, an emphasis on industrialisation and human resource development and a constructive partnership between government and business have propelled these economies forward and enable them to reap benefits from ever increasing globalization. The sustainability of this trend and of their domestic economic liberalisation has to be underpinned by a positive external environment. At the same time, a large number of developing countries continue to experience stagnation and even deterioration in terms of economic performance and prospects. Moreover, increasing inter-linkages among the trading, monetary and financial systems and growing economic interdependence among countries have made developing countries more exposed to external factors.

We are committed to fostering a global approach to the world economy through a constructive dialogue within and among regions. An effective partnership should be based on a combination of inter-governmental action and free market policies. It essentially should foster a democratic and participatory approach to global decision-making and institutions. The evolving international system should be based on consultation, coordination, transparency, equity and respect for agreed multilateral rules on trade and finance. It should take into account the special needs of developing countries.

There is a need to focus attention on the revitalisation, reform and restructuring of existing institutions and their agencies to make them more effective, to rationalise their activities and to adapt them to the present circumstances and needs of the global community. We hope that the UN and the Bretton Woods Institutions will become stronger from current reform processes, better equipped and able to fully discharge their respective mandates for fostering development. Together with the newly established WTO, they would be expected to contribute and complement each other in upholding international trade, financial and monetary system and rules conducive to accelerated economic growth, social justice and sustainable development of developing countries.

The G-15 has repeatedly emphasised that the United Nations should play a central and constructive role in pursuit of the mutually supportive objectives of peace and development. The UN has a comparative advantage of having an inter-disciplinary, inter-sectoral and inter-institutional overview which can provide useful inputs for global economic policy, macroeconomic coordination and integration of issues relating to trade, money, finance and development.

In the context of pursuing the goals of development and industrialisation, UNCTAD and UNIDO have a particularly relevant role to play. Their efficiency must be strengthened to allow them to fulfill their mandates within the framework of an improved distribution of responsibilities among the UN bodies, including the regional economic commissions and their secretariats.

We are concerned over the manner in which the issue of development have been internationally addressed. A comprehensive approach on poverty, environment, or social development should include the central question of economic growth, and issues such as international trade and finance, external debt, technology transfer and development. We attach importance to UNCTAD in providing a development perspective to global economic policy making. Its relevance has increased in the post Uruguay Round context and we hope that the UNCTAD IX Conference, to be held in South Africa in 1996, will establish and confirm this further. We call for an active dialogue to improve the efficiency and constructive role of the entire UN economic system.

The functions of the International Monetary Fund (IMF) in the coordination of macroeconomic policies of all its membership, including the industrialised countries, for sound, global, financial and economic management, should be reinforced. It is also necessary to improve the surveillance role of the IMF, especially in assessing the implications for developing countries of the macroeconomic policies of the major industrialised countries and, conversely, the implications for industrialised countries of developing country performance. We welcome the decision to establish exceptional procedures (Emergency Financing Mechanism) that would enable the Fund to respond promptly and prudently in the event of exceptional, serious financial crises. Additional resources should be raised for this mechanism.

The development lending role of the World Bank should be increased, for investment in infrastructure and human resources, particularly with regard to widening the access to health and education. The International Development Association (IDA) should continue to provide concessional loans, especially to support effort towards poverty alleviation.

Trade liberalisation, taking into account the interest of developing countries, should continue in the framework of the WTO. It is imperative that all countries respect the implement the commitments undertaken in the Uruguay Round. Unilateral actions or the threat thereof undermine the multilateral trading system. The dispute settlement mechanism of the WTO is a key element for the credibility of this system. Consensus should be built over time on all trade policy initiatives. The WTO should not undertake new work programmes that focus on issues which are within the competence of other international fora.

The relationship between economic growth and sustainable development is a positive one in developing countries. Economic growth, far from degrading the environment provides the resources for environmental preservation and conservation, poverty alleviation, and for investment in environment-friendly technologies. We reaffirm the indispensability of sustained and accelerated economic growth for the achievement of sustainable development in developing countries, as recognised in the UNCED outcome.

Faced with the gravity of the agricultural problem and of food insecurity in some developing countries, especially in Africa, we welcome and support the initiative to convene the World Food Conference to be held in Rome in November 1996. We commit ourselves to making every effort to ensure its success.

We need to work on a new partnership for development, with a fresh approach and new momentum. We need collective action to accelerate world-wide growth and economic development in the developing countries. We call for a constructive dialogue with our partners in the G-7 to make the following common aspirations a reality:

- Urgent international action is required to bring reasonable stability to exchange and interest rates so as to limit the uncertainty and volatility of capital flows which mostly affect developing countries. Macroeconomic policies of industrialised countries should take into account the interests of all countries, in particular developing countries, with a view to creating an environment aimed at global stability, economic growth, enhanced trade, investment and development. We welcome the G-7 countries commitment to reduce public deficits, maintain low inflation and increase national savings rates with a view to enhancing resources available for global investment.
- Structural unemployment in developed countries should not be an impediment to the intensification of their trade and investment relations with developing countries. We therefore call upon our developed country partners to heed the cautionary advice from the OECD which clearly indicates that the cost of protecting jobs and livelihood through trade restraints and resource curbs are extremely high. We believe that their economies would be well served to expand their trade and investment ties with developing countries, thus providing impulses for the creation of new growth centres in the global economy.
- One of the most readily available answers for enhancing global development and to create jobs is trade. Developed countries must resist the protectionist temptation, unilateralism and subsidies. The current and

potential comparative advantages of developing countries and the benefits resulting from the Uruguay Round should not be impaired by new forms of protectionism in the guise of labour or environmental standards.

- It is essential that a system of "open regionalism" is consistent with an open and transparent multilateral trading system enabling all countries, in particular, those in Africa, to benefit from the new multilateralism. The Generalised System of Preferences (GSP) should be expeditiously reinforced, and its coverage widened and deepened. It should not be weakened by the introduction of new conditionalities.
- New ways should be found to secure enhanced capitalisation of the IMF. The role of Special Drawing Rights (SDRs) created by the IMF to meet the needs of international liquidity has to be oriented to respond to the liquidity requirements of the developing countries. There is a strong case, and even urgency, for a substantial general allocation of SDRs and doubling of IMF quotas. We support the on-going quota review exercise.
- ODA should be considerably increased on better terms for meeting the variety of needs of developing countries identified by the international community and should be based on the principle of additionality and not on a mere re-ordering of priorities or re-allocation of limited resources. Increased FDI and other private flows to supplement domestic investment, do not detract from the continued value of official multilateral and bilateral resource flows for developing countries.
- The resources of the World Bank institutions and the regional development banks should be increased. We also welcome the G-7 commitment to multilateral international cooperation for sustainable development and the call for donor countries to fulfil pledges to IDA-10 and for a significant replenishment through IDA-11, particularly for alleviating poverty.
- A systematic and comprehensive approach to the resolution of external debt problems in many developing countries is required and the cancellation or substantial reduction of the debt of the least developed and low income countries should be actively considered with a view to its early implementation. To this end, proposals contained in the Ministerial Declaration on Africa's External Debt adopted in Addis Ababa in May 1995, should be taken into consideration. We call for a durable and definitive settlement of their debt, including the multilateral debt. For some other countries that have been current on their debt service commitments, enhanced export opportunities and additional flows of financial resources, including investment flows, would alleviate their debt burden.
- Developing countries need to enhance their technological capacities and in this regard, increased resources should be made available for R&D. Innovative collaborative mechanisms - regional and international, intergovernmental, academic and commercial - to integrate science and technology effectively into the development processes of these countries are required. Prominence has to be given on the global agenda for scientific and technological R&D and for the unimpeded access to, transfer, use and dissemination of technologies, including ecologically sound technologies to developing countries.

### **Strengthening Cooperation among Developing Countries**

All increasingly important aspect of international action for development is the expansion of South-South trade and economic cooperation. Expansion of trade among developing countries through the mutual reduction of trade barriers should be enhanced. A framework for expansion of preferential trade relations among developing countries is the Global System of Trade Preferences (GSTP). We give the highest priority to the successful outcome of the Second Round of GSTP negotiations, which will serve as a catalyst for a growing preferential trade market among our countries.

The emergence of new and dynamic economic groupings in the South representing alternative economic centres can serve as a powerful engine to boost South-South cooperation in such areas as trade, transport, telecommunications, exchange of information and technology, technical expertise and infrastructural development.

The G-15 has initiated and launched a number of specific projects covering a wide spectrum of issues of priority concern to countries from the South. These projects can form the nucleus for future, wider inter-regional cooperation, among all developing countries. An objective assessment of the current programme of activities of our Group is being undertaken with the view to ensure that they better serve the common interest and include the non-governmental sector. We instruct our Ministers of Foreign Affairs to embark on a detailed analysis of new possibilities of viable and practical cooperation among developing countries.

We are committed to play a catalytic role in fostering South-South cooperation. The scope of intra G-15 economic cooperation will be broadened and intensified through the establishment of the Committee on Trade, Investment and Technology. The Committee will work toward the evolution of trans-regional arrangements, among other key issues, on the liberalisation, facilitation and promotion of trade, investment and transfer of technology among members of the G-15 and other developing countries. The private sector would have a crucial role to play in this venture. This initiative is designed to build on our complementarities and fully utilise them to enlarge markets and accelerate growth and development in our countries.

An important element of these efforts has been the inclusion of the role of the business community. The Business and Investment Forum is one initiative launched to that end. The G-15 should endeavour to strengthen these nascent, inter-regional linkages so as to make such efforts sustainable and attractive to other developing countries.

We welcome and accept the offer made by the Government of Zimbabwe to host our Sixth Summit Meeting in 1996.

We thank the people and Government of Argentina for their hospitality and the excellent arrangements made for the holding of the Fifth Summit Meeting of the Group of Fifteen.

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**VII SUMMIT  
OF THE HEADS OF STATE AND GOVERNMENT  
OF THE GROUP OF FIFTEEN  
Kuala Lumpur, Malaysia  
JOINT COMMUNIQUE  
Adapted on 5 November 1997**

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- We, the Heads of State and Government of the Group of Fifteen, met in Kuala Lumpur, Malaysia, on 3-5 November 1997, for our Seventh Summit, when we welcomed Kenya as a new member of our Group. We jointly reviewed the evolving process of globalization and its implications on developing countries, and reached the following conclusions.
- The impact of globalization on the future direction of the world economy and, in turn, the economic fortunes of nations has been at the top of the international agenda in recent years. Globally, we continue to witness the expansion of trade; the increase of international capital movements, including foreign investment; the greater interconnection of financial markets; and the growing share of transnational enterprises in total economic activity. We recognize that the growth prospects of all countries, especially developing countries will largely depend on their ability to participate positively in this emerging global economic system. It is also our belief that the greatest instrument we have for realizing our goal of improving the living standards of our people lies in providing the environment in which their entrepreneurial spirit can be nurtured.
- Developing countries represent over two thirds of humanity. They have significant potential in production and purchasing power which can be a locomotive for global growth, as is already so in some measure. Spurring economic growth in developing countries is therefore in the interest of the global economy as a whole. We are committed to a globalization process which leads to a more equitable and sustainable pattern of development, and rapid economic growth. The continued, positive participation of developing countries, including the least developed, in the global economy must be reciprocated by a supportive, fair and non-discriminating international economic environment, in which the developed countries shoulder a special responsibility. This would be in keeping with their greater command over the forces and assets of globalization and ability to direct resource flows for development.
- Many developing countries are at the forefront of the liberalization process that underlies globalization and have contributed significantly to the growth of world output and trade. Greater access to developed country markets, capital and technology is required to further facilitate our already significant contribution to the global economy.
- In keeping with our commitment to strengthening South-South Cooperation (SSC), we pledge to continue to take action jointly and individually to assist each other and other developing countries to respond positively to the process of globalization. We will give priority to initiatives which will foster greater dialogue and consultation on matters of global significance between our members and also with the wider community of developing and developed countries, in all fora.

- Cross-border transactions between our members have been mutually beneficial. We will, therefore, seek to facilitate further flows by identifying new measures and by furthering existing mechanisms for SSC, such as the Global System of Trade Preferences (GSTP). We will also endeavour to identify ways and means to fully realize the benefits of SSC for all developing countries.
- Special assistance must be given to those developing countries, including the least developed, that are experiencing considerable difficulties in responding to the challenges of globalization and are facing the greatest risk of marginalization. We believe that official development assistance (ODA) is imperative for developing countries, in particular the least developed among them, and cannot be replaced by private capital flows. We stress that foreign direct investment (FDI) and ODA are not substitutes but that they complement and support each other. We call upon the industrialized countries to fulfil their commitment to raise their ODA to at least 0.7 per cent of their gross national product.
- We welcome the Highly Indebted Poor Countries (HIPC) initiative agreed last year by the International Monetary Fund (IMF) and the World Bank as a significant contribution to provide debt relief to countries facing particularly difficult financial problems. This is a first step which must be implemented immediately and followed by additional measures to assist countries in need.
- Our Trade and Economic Ministers met during this Summit to consider possible new areas for intra-G-15 economic cooperation, as well as to evaluate issues that are being addressed in various intergovernmental fora, which are of particular concern to developing countries. We welcome and endorse the following recommendations made by our Trade and Economic Ministers.
- Noting the diversity and the differing levels of development of our countries, we agree to focus on realistic and feasible trade and investment cooperation initiatives, within our existing resources and capabilities.
- We agree to enhance cooperation in trade and investment facilitation by improving existing mechanisms for information exchange, facilitating business travel including easing of visa procedures, alignment of standards and conformance requirements, simplification of custom procedures and practices, as well as intensifying trade and investment promotion activities.
- To enhance cooperation, we agree to take further measures to share skills, expertise and technology. To expand trade between G-15 countries, we call upon the private sector to support G-15 initiatives and to strengthen networking through business associations.
- We also endorse the various mechanisms and approaches agreed by the Trade and Economic Ministers for the implementation of the recommendations.
- It was also emphasised that it is important for G-15 countries to remain a cohesive group to ensure that their trade and development interests are adequately safeguarded. In this regard, consultations among our countries to prepare for the review/negotiations mandated in the Uruguay Round Agreements and built-in agenda will be undertaken.
- Furthermore, we regard it critical that the implementation of existing commitments under the Uruguay Round Agreements be accorded priority. In addition, there is a need to strengthen the anti-dumping procedures to ensure that it is not used as an instrument of protection and trade harassment.
- Our Trade and Economic Ministers will also meet prior to, or during, the forthcoming WTO Ministerial Conference of May 1998 to forge common positions on issues of concern to the Group.
- The multilateral rules-based system of the World Trade Organization (WTO) provides an important framework for facilitating international trade. However, there is an inherent imbalance in this system, as not all countries have the equal capacity to promote their trade and development interests, and to exercise and safeguard their rights. It is therefore vital that the developed countries speedily and fully implement their Uruguay Round commitments, including the provision in various agreements for special and differential treatment to developing countries. Similarly, unilateral measures, particularly those with extraterritorial effects, are incompatible with a multilateral trading system based on established principles and accepted norms of international law. Our countries will shoulder their responsibilities to ensure a mutually beneficial trading system and we call upon our developed country partners to do the same, particularly in fulfilling their commitments. Equally, we stress the need to ensure the universality of the WTO and, in this context, we call for acceleration in the accession process of developing countries to the WTO.

- We welcome the recommendations of the High-level Meeting on Least Developed countries held in Geneva in October 1997. In this context, we express our commitment to strengthening the domestic capacity of the LDCs and to promoting cooperation in other areas agreed upon in the Integrated Framework on Technical Assistance with a view to ensuring the integration of LDCs in the multilateral trading system. We reiterate the importance of the follow-up of these recommendations on a sustained basis by the international agencies concerned, particularly, WTO, UNCTAD and the International Trade Centre (ITC) as well as the LDCs themselves. Although the primary responsibility for their development should remain in the hands of LDCs, the process of the Integrated Framework, as agreed upon, should enjoy the highest support and assistance from the international community.
- We reaffirm the need to supplement market-based strategies for development with social and economic considerations, and technical cooperation. In particular, the international community must do more to assist developing countries, including the least developed, to meet the challenges of liberalization, structural adjustment, infrastructure, capacity-building and human resources development. To this end, we are committed to sharing our experience with, and providing technical assistance to least developed countries (LDCs) within the framework of SSC.
- Low wages in developing countries are not responsible for the loss of jobs in the developed countries. This has been acknowledged by the G-7 as they have attributed unemployment and economic insecurity in the developed countries to rapid technological and demographic changes rather than to competition from developing countries. Developed countries should address their unemployment problems through the implementation of appropriate macroeconomic and structural policies. Unemployment will not be solved by protectionism. We are committed to promoting core labour standards but reject their use for protectionist purposes. Greater trade and investment between all countries, particularly between the developed and the developing countries, can only generate new sources of growth in the global economy. We have much to gain, not lose, if we strengthen these ties.
- We acknowledge that FDI can boost the development efforts of developing countries. FDI flows are enhanced through the adoption, at the national level, of appropriate measures. Our countries welcome FDI and are adopting measures to facilitate such flows. We welcome the consultations and studies taking place in the United Nations Conference on Trade and Development (UNCTAD) on the implications for development of a multilateral agreement on investment. We note that an educational process has also started in the WTO to examine the relationship between trade and investment.
- We will continue to use the framework provided by the Group of Fifteen to identify new opportunities for increasing FDI flows between developing countries. In order to further promote economic cooperation and FDI among G-15 countries, members are encouraged to conclude relevant and appropriate bilateral agreements to that end. We believe that developing country businesses can spearhead FDI flows, as their experience of working within developing-country environments, gives them a better understanding and more realistic expectation of local conditions. We will also endeavour to strengthen public-private sector partnerships within and between our countries through, though not exclusively, the appropriate mechanisms and projects of the Group of Fifteen. We will therefore give priority to greater involvement of the private sector in the work of the Group of Fifteen.
- Global partnerships between developed and developing countries should be promoted to ensure that developing countries, while receiving increased inflows of FDI, also improve their participation in the development and utilization of new technology. On this basis, FDI can really contribute to the development efforts of developing countries. This is in the interest of all countries, as a more rapid transfer of technology to the developing world will act as a catalyst for economic growth, which will in turn create new business opportunities and markets. In recognition of the importance of technology for development, we will seek to promote further FDI that facilitates the transfer of technology, and to prioritize investments in research & development, human capital and infrastructure. We also acknowledge the important work that the United Nations Industrial Development Organization (UNIDO) is doing in promoting the transfer of technology to developing countries.
- The United Nations (UN) is the only truly global organization dealing with global issues. The ongoing reform of the UN must not undermine this unique role, and must also ensure that the highest priority is given to development objectives and to strengthening respect for democratic principles in the decision-making structures of the UN. We continue to pledge our support for the work of the UN and its specialized agencies.
- At the United Nations Conference on Environment and Development (UNCED) five years ago, developing countries stressed that their prime concern is the revitalization of their economies, the eradication of

poverty and the achievement of growth that is sustainable both in economic and environmental terms. Yet, five years after UNCED, the United Nations Special Session of the General Assembly recognized that the overall trends for sustainable development are worse today than they were in 1992 and that commitments made at Rio have not been fulfilled. We are disappointed with this lack of progress and will continue to work for the full implementation of Agenda 21.

- The eradication of poverty through accelerated economic growth and social development on a sustainable basis has become the core issue of our time. The struggle against poverty is a responsibility that must be shared by all countries. We, in the Group of Fifteen, will take our share of that responsibility by intensifying our respective national programmes to alleviate poverty, and by working together and sharing insights in this vital endeavour. At the same time, through our collective advocacy, we will vigorously work for the creation of an international environment that is truly supportive of national endeavours to combat poverty.
- We will continue to pursue a more positive and productive North-South dialogue at all levels and on all suitable occasions and fora. We welcome the call by the G-7 for new global partnerships between developed and developing countries and the multilateral institutions to ensure that all countries benefit from globalization. Direct, effective and regular consultations between the developed and developing countries including between the G-7 and the G-15 on global macro economic policies are imperative for the sound management of the globalization process and the fostering of beneficial interdependence.
- The waters of globalization are largely uncharted. As we look towards the future, on the eve of the new millennium, we call upon all countries to join us in steering a course through these waters that will ensure continued economic growth, prosperity and development for the entire world. On its part, the Group of Fifteen reaffirms its commitment to serve as a catalyst for South-South cooperation, by acting as a forum for regular consultations between developing countries, by assisting in the formulation and implementation of programmes of cooperation in the fields of investment, trade and technology, and by pursuing a positive and productive North-South dialogue. We are ready to shoulder our share of responsibility for the development and integration of our countries into the global economic system.
- We express our appreciation to Malaysia for its able and effective leadership of our Group in the past year. We thank the people and the Government of Malaysia for their warm hospitality and the excellent organization that they have provided for the successful holding of the Seventh Summit of the Group of Fifteen.
- We welcome with appreciation the generous offers of the Government of Egypt to host the Eighth Summit of the Group of Fifteen in May 1998, the Government of Jamaica to host the Ninth Summit in February 1999 and the Government of Egypt to host the Tenth Summit in the year 2000.



**VIII SUMMIT OF THE HEADS OF STATE AND GOVERNMENT  
OF THE GROUP OF FIFTEEN  
Cairo, Egypt  
11-13 May 1998**

JOINT COMMUNIQUE

1. We, the Heads of State and Government of the Group of Fifteen, met in Cairo, Egypt, on 11-13 May 1998, for our Eighth Summit, to jointly review the international economic situation, in particular the developments in financial markets, and to analyse their impact on the process of development in developing countries and the world economy at large.
2. We are witnessing positive economic performance by a number of countries. However, economic growth for many others has been modest and we continue to witness uneven distribution of benefits amongst and within countries. Some developing countries are encountering adverse effects as a result of the current trend in world trade. Moreover, the recent developments in East and Southeast Asia give rise to serious concern. While the full implications of the financial crisis in East and Southeast Asia on the world economy remain uncertain, there is a growing realization that greater attention needs to be focused on better managing the trend towards a more globally interdependent financial market.
3. At our Seventh Summit in Kuala Lumpur, Malaysia, in 1997, we called for an appropriate global response to deal with both the financial crisis in East and Southeast Asia and the strengthening of regional and international cooperation in managing such crises in the future. Several steps and actions have been taken since then. We look forward to continued broad-ranging deliberations, consultations and evaluation in a number of fora in the coming months on the causes, the implications, the responses and the lessons to be learned from this crisis. This is an ongoing process that should be actively pursued by the international community, taking into account the development needs of developing countries in the short and the long run.
4. The financial crisis in East and Southeast Asia is not an isolated or an unprecedented phenomenon. Financial crises have been occurring with greater frequency in both developed and developing countries with severe impact on growth, employment and development.
5. Actions taken by both the private sector and governments contributed to triggering the crisis. Inadequate supervision of lenders has been equally responsible for excessive risk taking. Consequently, the burden of the crisis should be appropriately and equitably shared between private lenders, borrowers and governments. Furthermore, we call upon international financial institutions to increase their role in providing specialized assistance and strengthening cooperation among their members with a view to promoting international financial stability.
6. The global implications of the financial crisis in East and Southeast Asia depend not only on how the crisis is managed in the countries concerned, but also on the policy responses of the relevant international financial institutions and the major developed countries to enhance stability in the international financial system and to preserve adequate growth in world markets.
7. We note that countries affected by the crisis, including some members of the G-15, have taken significant measures to strengthen prudential regulation and supervision of their domestic financial institutions, as well as corporate governance and macroeconomic fundamentals. To fully restore market confidence and capital flows and resume growth, it is essential that these measures be supported by a greater availability of financial resources from the international monetary and development finance institutions and donor countries. In this regard, we welcome the creation by the International Monetary Fund of the new Supplemental Reserve Facility. We stress, however, that financial assistance should not be accompanied by unnecessary additional conditionality.
8. We note with serious concern the social stress that the financial turbulence and economic turmoil are presently inflicting on the affected countries. Macroeconomic measures designed to restore market confidence will not yield the intended results if they lead to social strife. Social safety nets need to be strengthened as integral elements of stabilization and adjustment programmes to protect the most vulnerable segments of the population and to preserve the gains attained in poverty alleviation over many decades.
9. Notwithstanding the role of immediate measures to address the crisis, we believe that there is an urgent need to review the existing international financial arrangements and to ensure their adequacy in the face of the rapidly evolving financial markets. We therefore support the call made by the G-24 to strengthen and coordinate the work

of institutions for financial market surveillance and supervision, and to pursue discussions and studies in respect of international arrangements for the supervision and regulation of financial markets and institutions. There is also a need for greater dialogue between the developed and developing countries on a systematic basis to address the challenges posed by the rapidly integrating financial markets and expanding international capital flows.

10. We also considered the precautionary and regulatory measures that some developing countries have taken to manage the flow of foreign capital into their economies. We realize the need for continued consultation and cooperation among developing countries in exchanging experiences on dealing with the implications of the financial crisis and avoiding future ones. We are confident that the East and Southeast Asian countries facing this crisis will overcome their difficulties and will be strengthened by the experience gained in the process.

11. It is imperative that in facing the current crisis, the attention of the international community is not diverted from pressing problems facing developing countries and least developed countries (LDCs) in particular, the majority of which are in Africa. In light of the proposals under consideration, especially the importance of capital flows, both private and official, for the development of developing countries, we underscore the necessity to redouble efforts to implement the commitments to provide concessional flows and to treat flexibly the external debt of the heavily indebted poor countries. Increasing official development assistance (ODA), which is now at its lowest level in the last three decades, would contribute to reducing poverty and income disparities that could lead to social tension.

12. We believe that eventually the financial crisis will be overcome by East and Southeast Asia, and that the prolonged and repeated pressures against their currencies and the social cost involved including massive unemployment, necessitate immediate action to be taken to curb the destabilizing effect of currency speculation. The G-15 urges the developed countries acting in concert with developing countries, as well as the International Monetary Fund, the World Bank and the United Nations to accelerate the review of the world financial system, with the objective of ensuring that short-term capital flows are supportive of expanding trade, employment and development.

13. The G-15 Ministers of Trade and Economics met in Cairo on 8 May 1998. They addressed issues related to the World Trade Organization (WTO) and its Second Ministerial Conference, the impact of developments in international financial markets on trade and development and the follow-up to the previous meeting of the G-15 Ministers of Trade and Economics in Kuala Lumpur, and in particular to facilitate and enhance trade and investment cooperation among themselves. The Ministers had a useful exchange of views with the Director-General of the WTO, and the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) which contributed to a better understanding of issues under consideration. The Ministers highlighted the concerns and expectations of developing countries and agreed to continue their consultations and cooperation with a view to promoting their shared interests in the liberalization agenda in the multilateral trading system.

14. The Fiftieth Anniversary of the establishment of the multilateral trading system (MTS) provides a timely occasion for an evaluation of the achievements and shortcomings, as well as the challenges and opportunities facing the system. We recognize the crucial role that was played by GATT and its successor, the WTO, in encouraging open trade regimes and dismantling tariff and non-tariff barriers in the trade in goods and services. We reaffirm the primacy of a transparent, fair and equitable rule-based multilateral trading system under the WTO, including the development of regional trade agreements. In this respect, we welcome results achieved by developing countries in establishing various regional agreements consistent with the MTS.

15. However, the MTS still faces important challenges. These include the effective integration and participation of all developing countries, including LDCs, in such a way as to maximize the development dividend and potential benefits to be gained from the system; providing meaningful access to markets for products of export interest to developing countries, especially those facing significant tariff and non-tariff barriers in areas such as agricultural and processed agricultural products, textiles and clothing, leather products, tropical products, etc.; and ensuring the equitable distribution of the benefits of the MTS. We reiterate our belief that unilateral measures with extraterritorial effects are incompatible with the MTS. We urge developed countries to resist calls for protectionism and reiterate our rejection of the use of trade measures or instruments, including anti-dumping and countervailing duty provisions, and standards and regulations for protectionist purposes, or to promote or enforce non-trading objectives, principles or disciplines, including those related to labour standards and the environment.

16. The full and effective implementation of the Uruguay Round Agreements (URAs) should be a priority of the WTO. Particular attention should be given to the implementation of special and differential provisions in various WTO agreements in favour of developing countries, as well as the implementation of the Decision on Measures in Favour of Least Developed Countries and the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food Importing Developing Countries. Developing countries should continuously review the implementation of the commitments of developed countries in the URAs, particularly in areas of export interest to developing countries, and address any shortcomings that they face.

17. We reaffirm our commitment to the achievement of universality in the MTS as soon as possible. The rapid accession of developing countries seeking to become WTO members, through a transparent process, will contribute to this goal. To this end, the terms of accession of these countries should be in accordance with WTO rules.
18. The future work of the WTO should be another priority. We have to ensure that the interests of developing countries are fully taken into account in the built-in agenda of the URAs and in any future WTO negotiations. It is imperative that developing countries assume an active role in shaping the future of international economic relations. Our active participation in the WTO is key to the preservation and furtherance of our interests in the MTS. It is of great importance in this context for developing countries to identify their interests and develop a proactive 'Positive Agenda' to promote these interests. We welcome with appreciation the offer by India to host an intergovernmental meeting in the second half of 1998 to identify ways and means of operationalizing special and differential treatment for developing countries in the WTO.
19. We believe that trade is an essential element in the economic recovery of East and Southeast Asia. To this end, maintaining liberal and open world markets should be encouraged. We also welcome the initiative launched by the G-8 to make short-term trade financing available to affected economies. However, this financing should neither be tied to unnecessary additional conditionality, nor should it open the door to disguised export subsidies.
20. We reiterate the principles contained in Agenda 21 and in the Convention on Biodiversity on the conservation of biodiversity and the protection of biogenetic resources. In particular, we call upon our developed country partners to take appropriate measures for the fair and equitable sharing of benefits from the use of genetic resources and to develop measures to implement the rights of countries of origin or countries providing genetic resources.
21. We commend the role of UNCTAD in ensuring that the development perspective is fully addressed in the areas of finance and trade.
22. We reaffirm our commitment to South-South Cooperation and will enhance our support for and participation in G-15 projects. We are committed to strengthening G-15 economic and trade cooperation focusing on realistic and feasible objectives. This will be achieved through, inter alia, improving existing activities, information and experience exchange mechanisms, as well as intra-G-15 trade and investment promotion activities.
23. We reiterate our call for the private sector in the G-15 to strengthen their networking relations in order to expand trade and investment within the G-15. In this regard, we welcome the decision by the G-15 Chambers of Commerce to establish the G-15 Federation of Chambers of Commerce and Industry and the signing of an agreement in this respect in Cairo on 7 May 1998. We welcome the convening of the First Seminar on Standards and Quality organized by India and value the action plan it adopted, including the establishment of a G-15 Forum for Consultation and Cooperation on Standards, Quality and Metrology. We also welcome the offer by India to provide the secretariat for this Forum.
24. We reiterate our belief that there is a clear need for a constructive and positive North-South dialogue. Consultations between developed and developing countries, including between the G-15 and the G-8, on specific and concrete issues are necessary if we are to effectively deal with the challenges of globalization and maximize the opportunities that it can provide. Such a dialogue can start at the level of our Personal Representatives and high officials from the G-8 in preparation for a meeting at the level of Ministers of Foreign Affairs which may lead to a Summit level meeting in due course. We hope that this objective that was conveyed by the President of Egypt to the Prime Minister of the United Kingdom can be pursued by the Prime Minister of Jamaica, the next Chairman of the G-15.
25. We discussed the threat posed by terrorism to peace and stability at national and international levels. Terrorist acts undermine political integrity, destroy social fabric and disrupt democratic institutions. They also undermine economic growth and development. We therefore strongly condemn all kinds of terrorism, their perpetrators and all those who support them under whatever guise. We call for enhanced international cooperation to prevent and combat this menace.
26. As we commemorate the Fiftieth Anniversary of the Universal Declaration of Human Rights, it is imperative to embrace a balanced approach in addressing all human rights including the right to development as recognized in the Vienna Declaration. A joint effort is required by the international community for the realization of the right to development in a practical manner taking into account its great significance in an era where our peoples are faced with the twin challenges of globalization and liberalization.
27. We agreed to accept the formal request of Sri Lanka to become a member of the Group of Fifteen and to invite Sri Lanka to the IX Summit in Jamaica. Concerning membership, we will be guided by the conclusions and

recommendations set forth in the paper entitled "Group of Fifteen's past experiences and possible future directions in the 21st century - conclusions and recommendations" adopted at the VII Summit.

28. We express our deepest appreciation to Egypt for its able and effective leadership of our Group over the duration of its Chairmanship. We thank the people and Government of Egypt for their warm hospitality and the excellent organization that they have provided for the successful holding of the Eighth Summit of the Group of Fifteen.

29. We welcome with appreciation the generous offers of the Government of Jamaica to host the Ninth Summit of the Group of Fifteen in February 1999 and the Government of Egypt to host the Tenth Summit in the year 2000.



**GROUP OF FIFTEEN**  
The Summit Level Group of Developing Countries

**IX SUMMIT OF THE HEADS OF STATE  
AND GOVERNMENT  
OF THE GROUP OF FIFTEEN**  
Montego Bay, Jamaica  
10-12 February 1999

**JOINT COMMUNIQUE**

1. We, the Heads of State and Government of the Group of Fifteen, meeting in Montego Bay, Jamaica, on 10-12 February 1999 for our Ninth Summit, reaffirm our solidarity, and our commitment to promoting growth, employment and general welfare. We recognize that only through a "community of interests" between developed and developing countries that this can be achieved, and so shape a just and equitable global economy.
2. An overview of the world economy, at the end of this decade and century, points to the need for a more equitable share in the gains from the processes of globalization and liberalization. We must therefore identify and build convergences on those complex issues relating to the social and economic impact of globalization, and through a high level dialogue and viable partnerships, meet the challenges facing the international community
3. We remain committed to market-based policies. Equally, we recognize that for the effective functioning of the market economy, governments must necessarily play a strong and effective role in the development and management of institutions, systems and infrastructure. The great leaps in scientific discovery and technological application in all spheres of human endeavour, especially in the information, communication and health fields, if ethically directed, hold even greater promise of raising living standards across continents. To fully reap the benefits from these discoveries and innovations, developed and developing countries should place greater emphasis on and increase their collaboration in the fields of science and technology.
4. The most recent projections and scenarios for growth, development and distribution of benefits require our most urgent attention. The systemic impact of the financial crisis, high levels of structural unemployment, widening income gaps within and among countries, and the threat of a resurgent protectionism have led to slower growth. In the most affected countries, the crisis is increasing poverty and generally, social instability.

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5. In concert with developing countries, and other members of the international community, we approach the next Summit in Egypt in the year 2000 confident that with timely and appropriate multilateral action, prospects for the world economy will be improved.

6. We have a better appreciation and understanding of the causes, consequences and corrective measures required to deal with the still unfolding international financial crisis. The present crisis has brought into focus the risks associated with speculative short-term capital flows, the harmful effects of which have disproportionately fallen on the developing countries, especially on the poor and vulnerable. The injection of liquidity both in international financial markets and through new financing mechanisms in the International Monetary Fund (IMF) and the World Bank, increased resources for social programmes, and the development of regional financial instruments, are positive but need to be enhanced. We call on the IMF and World Bank, while responding to the liquidity needs of the most seriously affected countries, to ensure that their mandates are adequately discharged in providing the necessary support to redress current account imbalances and provide long-term development financing.

7. We support those measures which have been taken to increase transparency and accountability; strengthen national financial systems, including prudential supervision; and for the improvement of a multilateral approach to monitoring and management of the international financial crisis. We note the slow pace at which progress is being made in reforming the international financial system and urge that concrete steps need to be taken to develop *inter alia* the following:

- mechanisms and adequate rules to monitor and supervise the operations of large financial market players, including hedge funds and currency speculators. These should provide governments with an international framework of principles to act as an early warning system, for the adoption of appropriate policy responses;
- greater coherence between the World Trade Organization (WTO) and relevant international monetary and financial institutions, respecting their mandates, confidentiality requirements and the necessary autonomy in decision-making procedures of each institution, and avoiding the imposition of additional or cross conditionalities.
- the inclusion of social safety nets as integral parts of development policies and programmes, at both the micro and macro - levels, ensuring that they meet the basic needs of the poorest and most vulnerable sectors of the population, and also safe-guarding the "human capital" of workers whose jobs are at risk.

8. These supportive and constructive responses demonstrate our "community of interests". They are clearly not sufficient as the reverberations of the crisis continue to be felt in all parts of the world. The international community must therefore continue to pursue the reforms energetically. There must be institutional reform, more democratic, transparent and accountable to its members, and a redesign of the policy frameworks, more appropriate to national circumstances. We welcome the ongoing consideration of steps to strengthen the international financial

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architecture, with a view to restoring stability and predictability in international financial markets. The Interim and Development Committees of the International Monetary Fund (IMF) and the World Bank, among others, constitute key institutional mechanisms to carry through the reforms of a systemic nature. Additionally, the opening of the capital account must be carried out in an orderly, gradual and well sequenced manner, at a pace consistent with the strengthening of countries' ability to manage any unforeseen and unintended consequences.

9. The efforts in managing the crisis in the immediate term and the initiatives to reform the international financial system in the longer term, need to recognize and take into account that the global economy comprises countries with diverse backgrounds. We therefore emphasize the need for both the developed and developing world to have a voice in this process. An international consultative process needs to be established to ensure that the reform architecture of the international financial system accommodates these differences. In addition, the regime and approach for crisis response should have a degree of flexibility to differentiate between and take into account the viability of alternative options depending on the particular country circumstances. The G-15 represents an important group that can and must contribute towards achieving this objective.

10. The international community's focus on systemic issues must be balanced also by urgent attention to those developing countries, particularly in Africa, who have little or no access to private capital markets, and where Official Development Assistance (ODA) and other concessional flows are critical to achieving their development objectives. The international community must therefore move expeditiously beyond the Heavily Indebted Poor Countries (HIPC) initiative by assisting them to achieve meaningful reductions in both the stock of debt and its servicing - bilateral, multilateral, official and commercial. We welcome recent initiatives on debt forgiveness for the poorest developing countries by the Presidency of the European Union and the G-7, which need to be implemented speedily, to give real hope to the world's poorest countries.

11. We are deeply concerned at the structural factors which have led to significant falls in prices across all commodity sectors. The international financial crisis which has constrained aggregate world demand and impacted on the terms of trade of commodity exporters has exacerbated the situation. We urge the developed countries to join with us in the appropriate international institutions to adopt remedial measures as part of a comprehensive and integrated approach to restart growth and development.

12. We agree that international trade in general, and particularly the expansion of exports from developing countries, would be facilitated by the reduction of trade restrictive measures, the dampening of excessive volatility, particularly of exchange rates, the avoidance of sudden reversals of short-term capital flows and disruption to trade credits. We are convinced that to stave off any threat of world economic recession, countries must resist the pressures for protectionism and markets must remain open, foreign direct investment must be increased and access to capital

markets, both private and concessional must be available to developing countries on safe and predictable terms.

13. The severe and serious social consequences of the financial crisis have manifested themselves in dramatic reversals of job creation and increased levels of poverty. At the global level, despite increases in productivity, innovation and enterprise the absolute numbers of those living in poverty have increased, and in some countries, this scourge remains deeply entrenched. We underscore the urgency in dealing with their immediate needs and indeed call on the international community to give this the highest priority, not only on moral and ethical grounds, but as a means for ensuring international peace and stability. We support the renewed awareness by the Bretton Woods institutions in addressing longer-term structural aspects of social policy and productive employment in the context of market opening. The commitments taken at the historic World Summit for Social Development invite all people in all countries, and in all walks of life, as well as the international community to join in our common cause to alleviate poverty, unemployment and social exclusion.

14. We note with satisfaction that the ILO is undertaking an in-depth analysis of the negative social repercussions of the financial crisis with a view to formulating the necessary responses. We call upon the ILO to launch a comprehensive employment strategy during the ILO Governing Body and Conference at ministerial level later this year. We will collaborate with all social partners in the ILO tripartite framework, to achieve this objective. An employment strategy, including the right to work should strengthen our respect for internationally recognized Fundamental ILO Conventions on workers rights.

15. We commit to, and urge all members of the international community to implement the commitments of the several United Nations (UN) World Conferences, High-level meetings and Summits. We commit ourselves further, to work towards the success of the several Summits and UN Conferences to be held in the year 2000, including the South Summit in Havana, the UN Conference on Financing for Development and the UN Millennium Summit in New York, and UNCTAD X in Bangkok.

16. We reaffirm the importance of a transparent, fair and equitable rules-based multilateral trading system under the World Trade Organization, effectively integrating all countries and leading to the realization of the objectives of "raising standards of living, ensuring full employment and steadily growing volume of real income and effective demand, and expanding trade in goods and services". To this end, we reiterate again, that unilateral measures with extra-territorial effects are incompatible with the multilateral trading system and threatens to undermine it.

17. We agree to continue our participation in the WTO, in the implementation of its current work programme and the ongoing discussions and consultations leading up to the Third Ministerial Conference later this year, when we will join in deciding on its future work programme, including further liberalization sufficiently broad-based to respond to the concerns and interests of developing countries. We



will consult with our trading partners in the WTO, as the preparatory process unfolds, keeping the following principles in mind, *inter alia*:

- the legitimacy of the development objectives of developing countries and consequently, the need to preserve economic spaces within the multilateral trading system to implement market-oriented development policies, as well as the need for the full implementation of the special and differential provisions in all spheres provided for in the Agreements, as deliberated at the recent G-15 Symposium on Special and Differential Treatment for Developing Countries in the Uruguay Round Agreements;
- the importance of redressing the difficulties faced by developing countries in the implementation of the WTO Agreements to enable them to participate more effectively in the multilateral trading system;
- the lack of implementation or non-fulfillment of obligations of the Uruguay Round Agreements by developed countries can not be used by them as bargaining instruments for obtaining further concessions from developing countries.

18. We note the negotiations on accession in the WTO, and the agreement to review progress. In light of our commitment to the early accession of developing countries, we agree that their terms of accession should be in accordance with the WTO Agreements, including the special and differential provisions.

19. We urge the full implementation of the measures agreed at the WTO High-level Meeting for Least Developed Countries (LDCs) and the work programme being elaborated to integrate small economies into the multilateral trading system. We also encourage the increased cooperation between the WTO and UNCTAD, to strengthen the institutional capacities of developing countries and thereby enabling them to participate more effectively in negotiations and maximizing benefits from the multilateral trading system.

20. Labour standards shall continue to be set and dealt with within the ILO. We reaffirm our opposition to its inclusion in the WTO work programme. The label "trade-related" shall not be used as a pretext for the establishment of standards in one institution and their enforcement in the WTO or any other institutional framework.

21. The relationship between trade and environment is an important and complex issue that requires further analysis. We support the ongoing analytical work on clarifying the relationship between trade and environment in several institutions. This work should continue. We oppose the use of trade measures for achieving environmental objectives and vice versa, and disguised protectionist measures by developed countries on the grounds of "multifunctionality" in trade sectors.

22. We welcome India's offer to host a meeting of G-15 countries, at an appropriate level, in preparation for the Third WTO Ministerial Conference. We welcome the further proposals taken to strengthen cooperation among developing countries, particularly the projects being implemented among G-15 countries.

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agree, under the coordination of Mexico, to intensify G-15 cooperation in science and technology, and to establish effective and self-sustaining research and development mechanisms. We endorse the proposal made by India to evolve a new strategic sectors approach for South-South Cooperation, focusing on bio-technology, information technology and infrastructure development. We welcome also the new project proposed by Jamaica for G-15 collaboration on environmental and nuclear sciences. These projects like all G-15 projects, will continue to be open to all developing countries. We note with satisfaction the recently concluded Bilateral Investment Treaties (BITs) among several members of the G-15. We commit ourselves to assisting those G-15 and other developing countries most vulnerable to natural disasters, other geographical constraints and external shocks.

23. We discussed the threat posed by terrorism to peace and stability at national, regional and international levels. Terrorist acts undermine political and territorial integrity of countries, destroy social fabric and disrupt democratic institutions. They also undermine economic growth and development. We therefore, strongly condemn all kinds of terrorism, their perpetrators and all those who support them under whatever guise. We call for enhanced regional and international cooperation to prevent and combat this menace, and call upon all States to become parties to multilateral conventions for the elimination of specific acts of terrorism in accordance with the applicable Resolutions of the United Nations General Assembly. We also call for the urgent conclusion and the effective implementation of a comprehensive international convention for combating terrorism.

24. We welcome the initiation of the official level dialogue between the Chairman of G-15 and the Presidency of the G-8. We believe this is a positive step at this opportune moment which appears conducive to such a dialogue and which gives effect to the recognized "community of interests". We look forward to the continuation and deepening of dialogue and constructive collaboration at all levels on the priority issues on the international economic agenda.

25. We welcome Sri Lanka as the seventeenth member of the Group of Fifteen, convinced that it will contribute greatly to furthering the achievement of our objectives and future work.

26. We express our deepest appreciation to Jamaica for its able and effective leadership of our Group during its Chairmanship. We thank the people and the Government of Jamaica for their warm hospitality and the excellent arrangements that they have provided for the successful holding of the Ninth Summit of the Group of Fifteen. This Ninth G-15 Summit, before the millennium, has allowed us to take stock of our past cooperation and to renew our commitment to continued cooperation in the 21<sup>st</sup> century.

27. We welcome with appreciation the generous offer of the Government of the Arab Republic of Egypt to host the Tenth Summit in the year 2000 and look forward to meeting once again in Cairo. We welcome also the offer by the Government of Indonesia to host the Eleventh Summit in the year 2001.

**ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**  
**(OECD) COMMUNIQUEES**

June 6-8, 1973	Meeting of the Council at Ministerial Level
May 29-30, 1974	Meeting of the Council at Ministerial Level
May 30, 1974	Meeting of the Council at Ministerial Level
May 28-29, 1975	Meeting of the Council at Ministerial Level
June 21-22, 1976	Meeting of the Council at Ministerial Level
June 23, 1977	Meeting of the Council at Ministerial Level
June 14-15, 1978	Meeting of the Council at Ministerial Level
June 13-14, 1979	Meeting of the Council at Ministerial Level
June 3-4, 1980	Meeting of the Council at Ministerial Level
June 16-17, 1981	Meeting of the Council at Ministerial Level
May 10-11, 1982	Meeting of the Council at Ministerial Level
May 9-10, 1983	Meeting of the Council at Ministerial Level
May 17-28, 1984	Meeting of the Council at Ministerial Level
April 11-12, 1985	Meeting of the Council at Ministerial Level
April 17-18, 1986	Meeting of the Council at Ministerial Level
May 12-13, 1987	Meeting of the Council at Ministerial Level
May 18-19 1988	Meeting of the Council at Ministerial Level
May 31-1 June 1989	Meeting of the Council at Ministerial Level
May 30-31, 1990	Meeting of the Council at Ministerial Level
June 4-5, 1991	Meeting of the Council at Ministerial Level
May 18-19, 1992	Meeting of the Council at Ministerial Level
June 2-3, 1993	Meeting of the Council at Ministerial Level
June 7-8, 1994	Meeting of the Council at Ministerial Level
may 23-24, 1995	Meeting of the Council at Ministerial Level
May 21-22, 1996	Meeting of the Council at Ministerial Level
May 26-27, 1997	Meeting of the Council at Ministerial Level
April 27-28, 1998	Meeting of the Council at Ministerial Level
May 26-27, 1999	Meeting of the Council at Ministerial Level
June 26-27, 2000	Meeting of the Council at Ministerial Level
May 16-17, 2001	Meeting of the Council at Ministerial level

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Paris, 27 June 2000

OLIS : 27-Jun-2000

Dist. : 27-Jun-2000

PAC/COM/NEWS(2000)70

### SHAPING GLOBALISATION

1. The OECD Council at Ministerial level met on 26-27 June 2000, under the chairmanship of the Honourable Mr Peter Costello, Treasurer of the Commonwealth of Australia, assisted by the vice-chairs from Canada, Mr Pierre Pettigrew, Minister for International Trade and Mr Jim Peterson, Secretary of State (International Financial Institutions), and from Finland, Mr Kimmo Sasi, Minister for Foreign Trade. Consultations were held with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD.
2. Ministers welcomed the participation of the *Slovak Republic* in their meeting as an observer. They recognised the willingness and ability of the Slovak Republic to join the OECD. They agreed that the accession procedure of the Slovak Republic should be completed as soon as possible.
3. OECD countries are undergoing the most profound transition in decades, to an increasingly knowledge-based and interdependent world. *Globalisation* and the impact of rapid advances in technologies are presenting new opportunities and new challenges to all countries, regions, societies and citizens. Fast changing information and communications technologies (ICT) are transforming markets, including financial markets, and require new methods of organising work, business and trade to harness the benefits of globalisation. However, Ministers recognised the serious concerns felt by many at the economic and technological changes underway, and the importance of addressing these concerns locally, nationally and internationally.
4. Globalisation presents *governance* with new questions. Governance, at all levels, establishes the conditions whereby individuals singly and collectively seek to meet their aspirations in society. Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration. Building trust in public institutions is a keystone of good governance. OECD's report *Public Trust: Ethics Measures in OECD Countries* provides a comprehensive overview of ethics management measures in all Member countries. Enhanced openness, transparency and accountability, through strengthened processes of consultation and a better understanding of the changing relations among government and civil society, are fundamental elements of governance. Information and communications technologies provide important new ways for governments to interact with citizens.

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## Sustainable Development and Social Cohesion

5. Achieving *sustainable development* remains a major overarching goal of OECD governments. In 2001, OECD's *Policy Report on Sustainable Development* will be complemented by the analysis of the *Growth Study* and the *Environmental Outlook and Strategy* to provide a mutually supportive and consistent policy framework for better integrating economic, social and environmental considerations. Climate change, conservation of biodiversity and sustainable management of natural resources remain among the most serious global policy challenges, and OECD will continue to advise governments on how best to meet their commitments under the Kyoto Protocol. OECD will make a significant contribution towards advancing the international agenda on sustainable development for the "Rio+10" meeting in 2002, and will have a key role in advising governments with policy analysis and recommendations.

6. OECD economies are adjusting to a wide range of changes, with profound effects on work and society. *Enhanced social cohesion*, bolstered by full employment, will facilitate this adjustment. Policies to enrich human and social capital are needed to enhance the ability of economies and individuals to adapt to these changes, and to ensure that the benefits extend to all groups in society, particularly the disadvantaged. OECD's work in the following areas will assist governments to promote social inclusion:

- *Employment*: Recent developments in several countries illustrate that full employment is realisable, if disincentives to work are removed and employment opportunities expanded through mutually supportive micro- and macroeconomic policies. Comprehensive country-specific implementation of the recommendations of the *OECD Jobs Strategy* remains essential.
- *Education and training*: The growing importance of new technologies in the workplace, especially information and communications technologies, requires the continuous updating of skills. Strategies for investment in education, and effective opportunities to renew knowledge and competencies throughout life, are necessary for individual fulfilment and economic success. OECD Education Ministers will make recommendations on these issues at their meeting next April.
- *Inclusion*: Maintenance of social cohesion through policies that promote a high level of inclusion is an essential element in a knowledge-based society. Social cohesion can be further strengthened by appropriate family and community support strategies; these can also help to produce long-term economic and labour market benefits.
- *Ageing*: Ministers welcomed the follow-up to OECD's report *Maintaining Prosperity in an Ageing Society*. They renewed their commitment to create an environment in which older people can play an active role in society and be given more flexibility over their retirement decision. Policy reform should aim at phasing out incentives for early retirement.
- *Health*: Good health should be accessible and affordable to all. All countries need to improve the performance of their healthcare systems in order to achieve their equity and efficiency goals. Both the costs and impacts of ageing and healthcare financing require greater attention across OECD countries. Ministers support an enhanced strategic focus on health issues by the OECD and looked forward to the results of its work.
- *International migration* is of increasing importance: policies are needed to facilitate the better integration of migrants in receiving countries. Migration also helps meet the changing needs of the labour market.

## Economic perspectives

7. The *world economy* is developing more favourably than it has for some time. Nearly all OECD countries are enjoying stronger rates of growth -- overall the fastest pace since 1988 -- with low inflation and falling unemployment. Outside the OECD area, many emerging market and transition economies are recovering vigorously from the 1997-98 crises and should continue to see rapid growth; key factors have been

macro- and microeconomic reforms in those economies, strong growth in trading partners, particularly the United States, and the maintenance of open world markets. However, considerable uncertainty surrounds prospects for commodity and financial markets and their implications for the world economy; the durability of growth in some countries remains in question. A number of least developed countries are not yet benefiting from globalisation.

8. The *United States* is undergoing the longest period of expansion on record. Productivity growth has accelerated, unemployment has declined considerably and real incomes have grown across the board. New technologies and structural changes have raised the economy's non-inflationary growth potential. Notwithstanding some recent signs of slowdown, demand may still be running ahead of supply with the risk of increasing inflation. The current account deficit has risen sharply, primarily reflecting the relative strength of the US economy. The challenge for monetary authorities is to maintain a sustainable pace of demand growth consistent with low inflation. Fiscal policy should not be relaxed and national saving should be increased.

9. In the *Euro area*, and elsewhere in *Europe*, growth and employment prospects in the near term are better than at any time since the late 1980s. Unemployment has fallen steadily without generating inflation in the area as a whole. There is a limited risk, however, that despite recent positive supply-side developments in labour, product and financial markets, inflationary pressures may emerge. Monetary policy should continue to focus on price stability, in order to contribute to the maintenance of favourable conditions for a lasting, non-inflationary economic expansion. Given current output prospects, any easing in fiscal policy in Euro countries should be avoided and unanticipated higher revenues should be used to lower public debt. In those countries where tax burdens are high, tax reductions should be directed at enhancing supply capacity and accompanied by cuts in spending, thus preventing deterioration in underlying fiscal positions. The goal now is to transform the current expansion into a long-lasting one. Further progress on structural reforms would assist European economies to move onto a path of higher sustained growth, by raising productivity and employment and by deriving greater benefits from innovation and the potential offered by new technologies.

10. In *Japan*, the economy is showing positive indications of recovery, but its durability is uncertain. Policy should aim at sustaining the recovery in the short-term without compromising the long-term health of the economy. Accommodative monetary conditions should be maintained. Fiscal consolidation is not appropriate in the short run but a credible medium-term strategy needs to be drawn up and implemented to address high and rapidly growing gross public debt levels once the economy is on a full recovery path led by private demand. The speedy implementation of comprehensive structural reforms, including continuation of ongoing reform of the banking sector, and corporate restructuring, are needed to foster dynamism in the economy. Regulatory reform continues to be important for the economy.

#### The "new economy" and the sources of growth

11. OECD has begun a major study on *the sources of growth* to be completed in 2001, in particular to identify whether a "new economy" is taking shape and how policies need to adjust. There have been wide differences in growth performance between Member countries in recent years. Better performance has been most striking in the United States with GDP growth per capita moving ahead of the OECD average. Other OECD economies (notably Australia, Denmark, Ireland, the Netherlands and Norway) are identified in the First Report on the OECD Growth Project as having achieved rising trend growth in GDP per capita in the 1990s compared with the 1980s. These countries were relatively successful in mobilising potential labour resources over the 1990s. Some recent OECD Members, including Poland, have also sustained vigorous economic growth over that period. The recent performance of some other OECD economies has also been very good. The causes of these better performances differ, but strong records of economic reforms are a common factor.

12. There is increasing evidence of the role played by *innovation, research, knowledge and information and communications technology (ICT)* as drivers of productivity, employment and growth. Evidence of a "new economy" is clearest in the US, with its strong non-inflationary growth linked to a rising influence of ICT and strong growth in labour productivity in the late 1990s. Signs of positive effects from growing ICT investment have increasingly emerged through the 1990s in many other OECD countries.

13. OECD's work will assist Member countries to deepen their understanding of the strong economic performance in these countries, the emerging role of ICT and the potential for a "new economy", and thus better shape their policies. Ministers stressed that sound growth- and stability-oriented macroeconomic policies, open and flexible domestic and international markets, and regulatory and administrative frameworks that encourage entrepreneurship are vital to good economic performance. All countries in OECD and beyond have the potential, within their own social contexts, to participate in the opportunities offered by the "new economy" dynamic. The risk of a "digital divide", both within and between countries, especially access to technology for developing countries, must be seriously considered.

14. *Electronic commerce* is rapidly increasing its impact on productivity and growth. International co-operation to formulate coherent policy approaches to this global phenomenon is essential. Consumer trust in electronic commerce is vital if its potential is to be fully realised. *OECD Guidelines on Consumer Protection* adopted in December 1999 are a significant contribution to this process; follow-up work on implementation is needed. OECD will co-sponsor a conference in December 2000 on alternative dispute resolution mechanisms applicable to online commerce. Greater confidence in authentication and privacy protection is also required. OECD will pursue its work in these areas, and engage with the private sector and other stakeholders to develop effective policy responses to other urgent Internet security issues such as hacking and viruses. OECD will hold a conference in January 2001 on the key electronic commerce policy issues, including the dangers of a "digital divide", in which a broad range of economies outside the OECD area, business, labour and civil society interests will participate.

15. *Small and medium sized enterprises* are central to the vitality of our economies. Ministers welcomed the *Bologna Charter* adopted at the Conference on 14-15 June 2000 which sets out the need for a policy environment that will enable SMEs to flourish and thus contribute to employment, social cohesion, and local development. OECD will work to deepen Member countries' understanding of the issues set out in the Charter and their policy implications, and will share the results of this work with countries outside the Organisation.

#### Maintaining momentum in trade liberalisation

16. *The rules-based multilateral trading system* provides the best framework for global growth and prosperity. To this end, enhanced multilateral liberalisation, based on strengthened multilateral rules and combined with well-designed domestic institutions and policies, will help realise the promise of a "new economy" and support poverty reduction and sustainable development. Ministers are determined to work towards the launch as soon as possible of an ambitious, balanced and broad-based WTO round of multilateral negotiations reflecting the needs and aspirations of all WTO Members. The lessons of the WTO Ministerial meeting in Seattle are clear. Ministers agreed that strong political will and greater flexibility on all sides are needed if we are to build consensus for a new Round; more must be done to address the particular and varied concerns of developing countries and there must be a broader engagement with our societies to establish a constructive dialogue on the benefits and challenges of trade liberalisation. In that respect, Ministers stressed the need to accelerate the on-going process in WTO to improve its functioning.

17. Ministers reaffirmed their commitment to constructive negotiations under the built-in agenda and will work together to seek progress in these negotiations. Beyond this built-in agenda on agriculture and services the new Round should also strengthen further the WTO system and open up opportunities for a more inclusive range of interests for all WTO members to be addressed in a manner responsive to the challenges of the 21<sup>st</sup> century. Ministers reaffirmed their commitment to continue preparatory work to this end.

18. *The interests and concerns of developing countries* are a particular priority in the preparations for and conduct of a new Round. The recently agreed short-term confidence-building measures regarding implementation of Uruguay Round undertakings, increased market access for the least developed countries and technical assistance for enhanced capacity building must be pursued expeditiously. Ministers recognised the need to go further in this area. They welcomed the work of OECD on trade and development issues.

19. Ministers welcomed the *expansion of WTO membership* and progress in accessions, including that of *China*, and thus the fuller integration of new members into the multilateral trading system.

20. *Public interest in globalisation* has focussed on the multilateral system. Enhanced openness and transparency of that system is central to the task of demonstrating the benefits that flow from open markets. Public understanding of the linkages and complementarities between trade liberalisation and the range of issues arising in other policy areas must be deepened if the multilateral trading system is to be strengthened and gain broad public support. Enhanced co-operation among relevant international bodies -- such as the WTO, IMF, World Bank, UNCTAD, ILO, WHO, UNEP -- and OECD is essential. OECD's analytical work in support of the multilateral trading system, including its work on investment, trade and environment, trade and core labour standards, and trade and competition, together with its contributions to international understanding of governance issues, remains relevant.

21. Ministers strongly regretted the failure of the Participants to the *Export Credit Arrangement* to reach agreement on an Understanding covering agriculture as mandated in the Uruguay Round. They called for the negotiations to be resumed and successfully concluded by end of July if possible and by the end of 2000 at the latest. The work on the financing issues of the Export Credit Arrangement should examine its disciplines in relation to commercial practices and to their consistent application, taking into account, inter alia, recent developments in the WTO. Good progress has been made in the OECD's Export Credit Group on strengthening common approaches on environment and export credits. Ministers urged completion of the Work Plan by the end of 2001, and requested a report on progress at their next meeting. The Export Credit Group should also strengthen measures towards ensuring that export credit support to Heavily Indebted Poor Countries (HIPC) is not used for unproductive purposes.

22. Ministers noted with concern that the *OECD Shipbuilding Agreement* had not yet come into force and that the industry continued to face serious difficulties in certain regions. OECD will continue its work on shipbuilding, including to improve transparency, particularly in view of the need to establish normal competitive conditions in the industry. OECD will enhance contacts with major non-OECD shipbuilding countries.

23. *Support to farmers* in the OECD area as a whole, as measured by the Producer Support Estimate, has returned to the high levels of a decade ago. Low world commodity prices and the resulting pressure on farm incomes have led many countries to introduce new measures or to provide additional support to farmers. In many cases measures have been implemented in ways inconsistent with the principles of agricultural policy reform, whereas in some other cases countries have introduced decoupled support measures consistent with these principles. Ministers reaffirmed, in conformity with Article 20 of the Uruguay Round Agreement on Agriculture, their commitment to the long-term objective of substantial, progressive reductions in support and protection, resulting in fundamental reform. Ministers agreed to continue their efforts to implement the broad set of shared goals and policy principles for agricultural policy reform, and recognised: the multifunctional characteristics of agriculture, and the need to ensure that policies should be targeted, transparent and cost-effective, maximise benefits, and avoid distorting production and trade. Food safety, food security, viability of rural areas and protection of the environment, as well as the economic efficiency of the agro-food sector, are common concerns. Policies to address these concerns need to respect the principles and criteria, noted above, as agreed in OECD. OECD work is of great value for the reform of agricultural policies and as support for on-going WTO trade negotiations.

24. *Effective and sustainable management of fisheries resources* and the relationship between resource management and trade are important areas for international action. Over exploited fish stocks must be rebuilt to sustainable levels. Policies should address the causes of overfishing and short-term social and economic adjustment costs without distorting trade or detracting from the global objective of sustainable resource use. OECD's recent study, *Transition to Responsible Fisheries*, together with new work initiated on fisheries market liberalisation, the costs of managing fisheries and fisheries sustainability indicators, including government financial transfers issues, will be valuable contributions to policy development. Aquaculture issues should be an integral part of this work.

## Governance

25. There is an increasingly *common governance agenda* in OECD and non-OECD economies. Approaches to governance must adapt if the benefits of globalisation are to be fully realised and shared, and take account of each country's circumstances. Ministers called on OECD to continue to make its vital



contribution to policy-making and implementation on governance issues, in dialogue with economies outside the Organisation's membership through its developing *Governance Outreach Initiative*, in partnership with other international and regional organisations, and in broad and open consultation with civil society. OECD will report progress on its *Governance Outreach Initiative* in 2001.

26. Ministers welcomed the updated *Guidelines for Multinational Enterprises* adopted by OECD governments together with those of Argentina, Brazil, Chile and the Slovak Republic. The Guidelines provide a robust set of recommendations for responsible corporate behaviour worldwide consistent with existing legislation. They are part of the *OECD Declaration on International Investment and Multinational Enterprises* which provides a balanced framework to improve the international investment climate and encourage the positive contributions multinational enterprises can make to economic, social and environmental goals. The Guidelines have been developed in constructive dialogue with the business community, labour representatives and non-governmental organisations and represent an important step in addressing some of the public concerns over globalisation. Effective implementation will depend upon the responsibility and good faith of all concerned: governments, business and labour organisations and other interested parties all have a role to play.

27. OECD will continue its analytical work in the field of *investment policy*, including work on maximising the benefits of investment liberalisation, its social and environmental dimensions and on harmful forms of policy-based competition to attract investment. OECD will encourage non-Members to adhere to the Declaration on International Investment and Multinational Enterprises.

28. OECD has made important progress towards eliminating *harmful tax practices*. As a follow-up to the 1998 Council Recommendation on Harmful Tax Competition, 47 potentially harmful preferential tax regimes of OECD Member countries have been identified. Ministers having approved the 1998 Report reconfirmed the commitments of their countries to remove by April 2003, following development of further guidance on the application of the 1998 criteria, any features of their preferential tax regimes found to be actually harmful. On tax havens, the OECD initiated a review of a number of jurisdictions. Ministers welcomed the commitment by six jurisdictions to eliminate harmful tax practices, and they are not identified in the Report<sup>\*</sup> issued today, even if they presently meet the tax haven criteria. Of the remaining jurisdictions, 35 have been identified as having met the technical criteria for being tax havens. The OECD will develop by 31 July 2001 a List of Unco-operative Tax Havens. This list would be used as the basis for the development of defensive measures as foreseen in the 1998 Report. The OECD will assist co-operative jurisdictions to meet international standards as they move away from using harmful tax practices, and will initiate a dialogue with non-Member economies to eliminate such practices.

29. *Electronic commerce* raises new issues for *tax policy and administration*. Business, consumers and governments need a predictable environment if the full potential of e-commerce is to be exploited. Ministers confirmed the lead role of OECD to achieve the successful resolution of these issues: progress has been made toward implementing the *Ottawa Taxation Framework Conditions for E-Commerce*. Ministers welcomed the constructive contribution by business and countries outside the Organisation's membership to this work and looked forward to a progress report at the next meeting on both the direct and indirect tax issues raised by electronic commerce. OECD will co-sponsor a global conference in 2001 on "Tax Administrations in an Electronic World".

30. The fight against *corruption* is a high priority. Considerable progress has been made in the ratification, implementation and monitoring of the *Bribery Convention* which came into force in February 1999. Twenty-three countries have completed their internal process, 21 of which have had their implementing legislation reviewed by the Working Group on Bribery. Ministers commended these countries and urged that deficiencies identified in current implementing legislation be remedied as soon as possible. Ministers were encouraged that a number of countries are on the verge of completing their internal process and it is urgent that all signatories ratify and implement the Convention. Ministers called on the Working Group to begin monitoring of enforcement of the implementing legislation as soon as possible. Anti-bribery legislation must now be effectively applied in

\* Bermuda, Cayman Islands, Cyprus, Malta, Mauritius, and San Marino.

\*\* Progress in Identifying and Eliminating Harmful Tax Practices.

practice, and work advanced on further issues relating to corruption<sup>\*\*\*</sup>. To strengthen the fight against corruption, bribery of foreign public officials should be made a serious crime triggering the application of money laundering legislation. OECD will continue to seek to engage countries outside its membership in its work. Work should continue regarding the potential anti-corruption effects of international trade rules pursuant to the 1999 Ministerial mandate.

31. The Financial Action Task Force has also made significant advances in spreading the *anti-money laundering* message throughout the world, notably in its report on improving the policies of non-co-operative countries and territories.

32. *Hard core cartels* are a multi-billion dollar drain on the world economy. Governments need to demonstrate to consumers around the world that they will be protected effectively against such abuse. OECD's 1998 Recommendation has been a catalyst for tougher anti-cartel laws and new enforcement programmes; more countries now need to join this effort. Bilateral and multilateral law enforcement co-operation needs to be enhanced and efforts undertaken to eliminate unjustified obstacles to appropriately safeguarded information exchange between and among countries.

33. Further progress on *regulatory reform* is necessary in Member countries. High quality regulation, in open and competitive markets, will remove inefficiencies without jeopardising high standards in areas such as health and safety, and the environment. The multidisciplinary work of the OECD on regulatory reform and the current reviews of progress in Member countries are a valuable contribution to promoting good regulatory practices, and should continue with other Member countries.

34. OECD and the World Bank have successfully initiated joint activities to promote corporate governance reform worldwide, using the *OECD Principles of Corporate Governance* as a framework for dialogue. The two institutions will further their efforts over the coming years through a series of white papers addressing specific corporate governance issues in Russia, Latin America and Asia. In order to further promote financial stability and corporate transparency, the OECD will conduct analytical work on the misuse of corporate entities.

35. Corporations are responding to public concerns through adoption of *codes of conduct*. More analytical work is needed to understand the implications of this development.

36. *Biotechnology* is of growing importance to our societies because of its far-reaching consequences for, inter alia, human health and healthcare, agro-food production and sustainable development. Deepened international understanding and co-operation in managing the benefits and risks are necessary if the potential economic, environmental and social benefits are to be realised and new regulatory issues resolved. Public confidence, in particular, needs to be retained and enhanced through transparent policies. OECD will continue to contribute to this process of understanding across the broad range of biotechnology issues, and will seek to engage countries outside its membership in this work. Ministers invited OECD to consider holding a conference in 2001 to address the environmental impacts of genetically modified organisms.

37. *Food safety* is a fundamental objective for all governments. Ministers affirmed their commitment to a science-based and rules-based approach. How precaution should be applied to food safety in circumstances of scientific uncertainty is being discussed to promote understanding of the various view points on the subject and to achieve greater global consensus on this issue, in particular in the Codex Alimentarius Commission. OECD has undertaken substantial work on biotechnology and other aspects of food safety, including work requested by the G8, contributing to international understanding on different policy approaches. Consultation with interested parties, notably with NGOs and the Edinburgh Conference on GM foods in February this year, has been very successful. The OECD will continue to undertake analytical work and to play an effective role in international policy dialogue on food safety, maintaining its engagement with civil society and seeking to share its work in this area with countries outside the Organisation's membership. Drawing on its comparative

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<sup>\*\*\*</sup> Bribery acts in relation with foreign political parties; advantages promised or given in anticipation of a person becoming a foreign official; bribery as a predicate offence for money laundering; and the role of foreign subsidiaries and offshore centres in bribery transactions.

advantages, the work of the OECD will effectively complement, without duplication, the activities of other international organisations, in particular the FAO and WHO.

### Development Co-operation

38. *Development co-operation* has a crucial role to play in promoting the inclusion of developing countries in the process of globalisation in order to sustain growth and reduce poverty. The Development Assistance Committee Policy Statement *Partnership for Poverty Reduction* signals the key importance of comprehensive country-level development frameworks integrating anti-poverty strategies. The internationally-agreed development goals set for 2015 for poverty reduction and social and environmental progress provide a reference point and performance monitoring tool for both international action and domestic development strategies. Real advances have been made in most regions during the 1990s, but many countries, particularly the poorest, will not achieve the goals without major domestic efforts and international support. Commitment to respect for human rights, including gender equality and the empowerment of women, is an integral part of development co-operation, and vital for sustainable poverty reduction.

39. *Poverty reduction strategies* and partnership are the basis for the significantly increased debt reduction effort for HIPC countries agreed last year. Member countries' contributions to finance agreed multilateral debt reduction, based on the principle of fair burden sharing, should be made as soon as possible to avoid delay in implementation. Resources freed by debt reduction and foreign assistance must be used effectively for development and poverty reduction, and unproductive expenditure avoided. OECD will develop guidelines on poverty reduction as well as further guidance on implementing partnership principles in ways that improve public governance in partner countries. Improved policy coherence within OECD countries is also necessary if developing countries are to take full advantage of the opportunities of globalisation: OECD will develop a Checklist on Policy Coherence to assist its Member countries in this area. The OECD will also deepen its analytical work on the linkages between trade liberalisation, economic growth and poverty reduction.

40. *Aid flows* to developing countries have increased significantly for the second year running. OECD governments welcome this development. They will work to ensure that this recovery continues and will increase their efforts to make additional funds available. In doing so, most Members are guided by the 0.7 per cent ODA/GNP target. OECD governments will seek to mobilise private domestic and external resources as recommended in the new Development Finance Agenda. Ministers regretted that DAC members were so far not in a position to reach a consensus on a recommendation on untying aid to the least developed countries as mandated by the DAC High Level Meeting in 1998. In order to increase the effectiveness of aid, Ministers urged that discussions continue aimed at reaching agreement as soon as possible.

### Co-operation with Non-Members

41. Ministers endorsed OECD's continuing programme of *co-operation with non-Member economies*. They welcomed the Special Dialogue conducted at high levels, and recognised the important contribution that such meetings make to the enrichment of policy dialogue, and to mutual understanding on global issues, between the OECD countries and non-Members. The global reach of the OECD programme of co-operation with non-Members reflects the growing interdependence of the world economy. The Organisation must deepen and extend its relations with non-OECD economies, in the fields where it has a comparative advantage, toward the development of a rules- and values-based world economy. Furthermore, Ministers reiterated that OECD must remain open, on the basis of mutual interest, to membership by countries sharing the same values, while being selective and pursuing the Organisation's tradition of high standards for membership as well as efficiency and relevance to its Members.

42. Building a democratic, peaceful and prosperous *South Eastern Europe* requires a strong determination by the countries in the region to reform their economies and societies, and a sustained commitment by OECD countries to co-operate with them. Ministers pledged the continuing active support of their countries to OECD's efficient work in South Eastern Europe, particularly its contribution to the design and implementation of the Stability Pact's Compact for Reform, Investment, Integrity and Growth, and Anti-corruption Initiative.

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43. Progress has been made toward the *financial stability* of the Organisation, in particular through the decision to establish a pension fund for its staff. Ministers encouraged the Organisation to strengthen its current work on priorities and financial and management reform. The implementation of a long-term strategy for OECD's headquarters site is essential to the Organisation's effective and efficient functioning.

44. Ministers welcomed the *OECD Forum 2000*, which marks a major step forward in the Organisation's openness toward economies outside its membership and to civil society. In this context, they asked the Secretary-General to develop options for strengthening the process and structure of its consultation and dialogue with civil society.



# NEWS RELEASE

Paris, 27 May 1999

**29  
MEMBER  
COUNTRIES**

Australia  
Austria  
Belgium  
Canada  
Czech Republic  
Denmark  
Finland  
France  
Germany  
Greece  
Hungary  
Iceland  
Ireland  
Italy  
Japan  
Korea  
Luxembourg  
Mexico  
Netherlands  
New Zealand  
Norway  
Poland  
Portugal  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
United States

## OECD COUNCIL MEETING AT MINISTERIAL LEVEL

Paris, 26-27 May 1999

### COMMUNIQUE

#### Introduction

1. The OECD Council at Ministerial level met on 26-27 May 1999, under the chairmanship of Mr Angel Gurría, Minister of Finance of Mexico, assisted by the vice-chairs, Mr Giuliano Amato, Minister of the Treasury, Budget and Economic Planning of Italy, and Mr Leszek Balcerowicz, Vice Prime Minister and Minister of Finance of Poland. Also on 26 May, in advance of the Council, OECD Ministers held a Special Dialogue with Ministers from seven non-member countries: Argentina, Brazil, China, India, Indonesia, Russia, and the Slovak Republic. Consultations were held with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD.

#### Economic perspectives and policy requirements

2. Ministers welcomed the policy steps taken by both OECD and non-OECD countries that have improved confidence and contributed to greater stability in world financial markets. But serious challenges remain and governments must not be complacent. Ministers stressed the need for both sound macro-economic policies oriented toward non-inflationary growth and structural policies that promote competitive, flexible markets. Such policies are mutually reinforcing and foster strong economic performance which creates jobs and combats social problems. Ministers agreed that stronger and more balanced growth among the main OECD regions and vigorous structural reforms are needed to reduce current account imbalances, lower unemployment, and support recovery in crisis-affected emerging economies. Momentum to strengthen the international financial architecture must be maintained to complement efforts at the national and regional levels to ensure a stable environment for growth and recovery.

3. Performance both within the OECD area and elsewhere has been mixed. Strong non-inflationary growth has continued in the United States and several other countries. While the individual country outlooks in Europe differ somewhat, overall economic expansion has slowed but is forecast to pick up later this year. In Japan, important policy steps have been taken, including the recapitalisation of major banks. The Japanese economy now shows some signs of improvement, but the short-term outlook remains uncertain. Some Asian crisis countries, notably Korea, have started to recover more rapidly than expected, thanks to supportive macro-economic policies, more open and better-supervised banking and financial markets, and other structural reforms which must be carried through. Most countries in central Europe have managed recent market turbulence well and avoided lasting damage to their economies from the Russian crisis. In a number of other non-OECD emerging and transition economies, however, the situation continues to require attention. Overall, growth in both the OECD area and the world economy remains unsatisfactory.

4. Ministers agreed that the markedly different cyclical situations in major OECD economies call for different economic policy settings:

- In the *United States*, where temporary and structural factors have facilitated the combination of rapid growth and job creation with good inflation performance, the authorities must continue to maintain sound policies and remain vigilant for signs of overheating.
- In *Europe*, where the euro has been successfully launched, the recent reduction of

interest rates served as a stimulus for growth. An appropriate mix of macro-economic policies and vigorous structural measures aimed at strengthening prospects for improved growth and higher employment must be pursued.

- In *Japan*, it is essential that policies be supportive until deflationary pressures ease and a revival of domestic demand-led growth is firmly under way. The Japanese authorities are committed to resolving the problems of the financial sector, including by encouraging banks to dispose more actively of non-performing assets, and to implementing further wide-ranging structural reforms essential to recovery and long-term growth.

5. *Growth performance* varies considerably across and within OECD countries. Ministers asked the OECD to study the causes of growth disparities, and identify factors and policies (such as rapid technological innovations and the growing impact of the knowledge society and its demand on human capital, the arrival of new service industries, the best framework conditions for fostering the start-up and growth of new enterprises including SMEs ... ) which could strengthen long-term growth performance.

6. Ministers expressed their concern at the continuing high levels of *unemployment* in some of their countries. Experience shows that unemployment can be durably reduced through a comprehensive and sustained package of reforms consistent with the *OECD Jobs Strategy*. Ministers underlined their determination to further implement the Strategy. High and persistent joblessness, especially among young people, women, older workers, and unskilled immigrants, remains a major policy challenge for most OECD governments. The best way to foster employment of these groups is through a combination of macro-economic and structural policies aimed at increasing overall employment. Policy must promote flexible labour markets in tandem with effective social safety nets that deliver assistance to the most vulnerable members of society. Attention should also be given to policies to improve the employment prospects of groups at the margin of the labour market, to address regional disparities in employment performance, to reforms of the tax and benefit systems to make work pay, and to making life-long learning a reality for all. Fostering a climate conducive to "active ageing" also remains a priority. Progress across the board is needed to improve social cohesion. Ministers asked OECD to continue its work of monitoring and evaluation of the Jobs Strategy.

7. The pursuit of *sustainable development*, including global challenges such as climate change, the sustainable management of natural resources, and the conservation of biodiversity, is a key objective for OECD countries. Achieving this objective requires the integration of economic, environmental and social considerations into policy-making, in particular by the internalisation of costs, and the development and diffusion of environmentally sound technologies worldwide. OECD will continue to promote discussions between economic and environment officials on how best to meet Kyoto commitments. Developing a set of key indicators is essential to assess progress towards sustainable development. OECD countries will continue to co-operate with non-OECD countries to improve policy and institutional frameworks. OECD will report to Ministers, with policy recommendations, in 2001.

#### The multilateral system and a new WTO round

8. Trade and investment are the motor of global economic growth, prosperity and integration, and are fundamental to the reduction in global poverty. The *multilateral trading system* is a keystone of the world economy. An open, transparent and rules-based trading system remains essential. Countries must resist protectionist pressures and develop the momentum for further liberalisation by building on current levels of market access. Early conclusion of a second Information Technology Agreement (ITA-2) would contribute to this momentum. Considering the importance, for both developed and developing countries, of the ongoing Geneva negotiations on transparency in government procurement, Ministers aim for a substantive agreement by the Seattle Conference. Early accession of applicants to the WTO on the basis of mutually acceptable and commercially viable market access commitments and adherence to WTO rules would strengthen the system.

9. Ministers recognised the need to continue to settle *trade disputes* in accordance with WTO rules and the responsibility resting on governments in this regard. A better-functioning and more transparent WTO Dispute Settlement Understanding is vital. Ministers will aim with their WTO partners at a successful and timely conclusion of the review of the Understanding in the WTO as scheduled. The dispute settlement system must remain responsive to the needs of developing countries, and Ministers confirmed the importance of exploring the most effective means of providing assistance to developing

countries to use more effectively the dispute settlement system.

10. Ministers endorsed the need for a *new WTO round of multilateral trade negotiations*, and will work constructively with all WTO members toward its successful launch in Seattle at the end of this year. They will work for an ambitious, broad-based and balanced agenda for the negotiations that responds to the needs and aspirations of all. Ministers agreed to aim to achieve timely results, preferably in three years, and to work with WTO members to reach agreement on options and modalities for negotiations, including the principle of a "single undertaking" and the possibility of achieving results in the course of negotiations. Increasing integration and participation of developing and transition countries in the multilateral trading system remain a priority for OECD governments. The new round must be responsive to the needs of all developing countries, through capacity building, to ensure their economic growth and that they fully reap the gains of liberalisation; in this respect, particular emphasis must be given to the special needs of least developed countries, including improved market access.

11. Ministers stressed the importance of both effective implementation of existing WTO agreements and, as an integral part of the new round, the negotiations mandated in the "built-in agenda", which includes agriculture and services. In addition, further liberalisation of non-agricultural tariffs, removal of non-tariff barriers, trade facilitation and expansion of government procurement opportunities would enhance market access on a broader front, and produce substantial benefits for all participants. The WTO must also remain fully responsive to the changing needs of the global economy and society. Ministers consider it essential that the WTO contribute to sustainable development as agreed in Marrakech, including through appropriate account being taken of environmental issues in the future trade negotiations. The current WTO Work programmes on Trade & Investment and Trade & Competition as established in Singapore have been constructive. In the preparations for the Seattle Ministerial, their results should provide the WTO General Council with a basis for building consensus on appropriate recommendations to the third WTO Ministerial Conference that may be desirable to enhance the rules-based multilateral trading system.

12. Ministers renewed their support for the observance of *internationally recognised core labour standards*. They reaffirmed their rejection of the use of labour standards for protectionist purposes. They welcomed the work of the ILO to promote the new Declaration on Fundamental Principles and Rights at Work. Ministers supported continued co-operation between the ILO, WTO and OECD Secretariats and stressed the importance of facilitating a broader understanding on the issues concerned, in and among Member countries. They recognised that promoting respect for labour rights and trade and investment liberalisation, together with good governance, each contribute to better overall living conditions.

13. Ministers stressed the importance of ensuring enhanced transparency and clarity in the functioning of the WTO system. Active and constructive communication and consultation with civil society are essential for public understanding of the benefits and challenges of liberalisation. Ministers supported the important analytical work of the OECD in support of the multilateral system, and future WTO negotiations in particular. They encouraged OECD to make the results of its work available to a wider audience in order to help inform public debate.

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14. Ministers urged the early ratification of the *OECD Shipbuilding Agreement* by all participants to establish normal competitive conditions within the international shipbuilding market and to encourage other countries to become parties to the Agreement. OECD should continue its work on improving transparency of the shipbuilding market.

15. Ministers \* welcome the establishment of the Forum on Harmful Tax Practices, the progress made in implementing the mandate of the Forum and look forward to receiving a report on the identification of tax havens at their next meeting.

16. Ministers also welcome the dialogue initiated between the OECD and the Financial Action Task Force to explore how anti-money laundering systems could contribute effectively to deal with tax-related crimes, without undermining the effectiveness of these systems.

17. *Electronic commerce* presents great opportunities for growth and jobs in the global economy. OECD's Action Plan on electronic commerce endorsed at the Ministerial Conference held in Ottawa in October 1998 provides a basis for further policy discussion

and technical analysis, in consumer protection, privacy and security, communication infrastructures, authentication and taxation, together with deepened understanding of the economic and social impacts of electronic commerce. Ministers stressed the importance of maintaining a collaborative approach with civil society, including the private sector, and other international organisations and welcomed the follow-up conference to be held in October 1999 to report progress and assess priorities.

18. Ministers regretted that the Participants to the Export Credit Arrangement had not yet reached agreement on an Understanding covering agriculture as mandated in the Uruguay Round. They urged, once more, the Participants to intensify their efforts to conclude this Understanding promptly, if possible by the Seattle Conference, and to report back at the next Ministerial Council Meeting. They welcomed the progress towards the OECD Agreement on Environmental Information Exchange for Larger Projects in relation to officially supported export credits and urged that the work continue with a view to strengthening common approaches and to report on progress made at the next Ministerial Council Meeting.

19. *Agriculture* remains of central importance. While progress has been made in agricultural policy reform, more needs to be done: overall levels of support and protection remain high; trade disputes and tensions persist; and the sector is of key interest to developing countries. Ministers agreed to continue their efforts to implement the broad-set of shared goals and policy principles for agricultural policy reform, and recognised: the multifunctional characteristics of the sector; the need to ensure that agro-food policies are targeted, transparent, cost-effective and avoid distortion of production and trade; and the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform, as agreed by OECD Agriculture Ministers in March 1998 and as noted by the OECD Ministerial Council in April 1998.

20. *Effective and sustainable management of fishery resources* and the relationship between resource management and trade require timely international agreement and action. Ministers welcomed the FAO's International Plan of Action for the Management of Fishing Capacity, and endorsed OECD's ongoing examination of the impacts of government financial transfers and other relevant factors on fishery resources sustainability, including over-fishing.

21. *Biotechnology* offers great opportunities but also presents significant challenges and has given rise to public debate on its implications. Ministers stressed the importance of safeguarding human health and the environment while enabling people to enjoy the benefits that flow from advances in biotechnology. Scientific research is essential to the process. The OECD should continue to examine the various dimensions of this issue, including in the discussion at the forthcoming CSTP Ministerial and in other fora.

22. The OECD recognised at an early stage the serious impact *Y2K disruptions* could have on the global economy. Ministers welcomed OECD efforts to draw the attention of governments and the private sector, particularly SMEs, to this issue. They urged all governments, international organisations and the private sector to continue to share information on Y2K readiness, to give priority to remediation activities and to engage in contingency planning at all levels. Special attention should be given to the needs of developing countries.

#### Governance

23. *Good governance* is an essential element in strengthening pluralistic democracy and promoting sustainable development. Ministers welcomed OECD efforts to encourage more effective, efficient and transparent governance structures in Member and non-member countries, *inter alia* through its work on public sector management, anti-bribery, regulatory reform, corporate governance, ethical principles in public life, local and regional administrations, and ongoing work on indicators of global progress on governance. Ministers requested the OECD to elaborate a proposal for a "good governance" initiative to better share the results of the Organisation's existing work in this field with interested non-member countries, where appropriate in co-operation with other international organisations. Ministers also requested a progress report on this initiative for their next meeting.

24. Ministers welcomed and endorsed the *OECD Principles of Corporate Governance*. These Principles are a major achievement of the OECD. The Principles will assist governments in their efforts to evaluate and improve their countries' frameworks, and will provide guidance for private parties. They will make an important contribution to strengthening the international financial system. Ministers encouraged the implementation



and use of the Principles within Member countries, and the exchange of experience among them. Ministers called on the OECD, in co-operation with the World Bank, the IMF and other international organisations, to promote the implementation and use of the Principles in non-member countries. They agreed that the OECD will assess the Principles in light of national experiences and changes in circumstance in due course, possibly in two years.

25. Ministers welcomed the completion of *OECD's reviews of regulatory reform* in Japan, Mexico, the Netherlands and the United States. Balanced and comprehensive regulatory reforms can make a major contribution to sustained growth and future prosperity, while promoting high levels of cost-effective protection for consumers and citizens. Ministers consider that the findings of these reviews will provide guidance for further reform, both in Member and non-member countries. They look forward to the successful completion of the second round of reviews, of Denmark, Hungary, Korea and Spain, in 2000, and to the extension of the review process to more Member countries.

26. The entry into force of the *Convention on Combating Bribery of Foreign Public Officials* on 15 February is a significant milestone in the international fight against corruption. Ministers, through OECD, will actively monitor the effective implementation of the Convention. They urge all signatory governments which have not yet done so to ratify the Convention and fully implement it, together with the OECD Recommendation on the tax deductibility of bribes, as soon as possible. OECD will promote the objectives of the Convention worldwide and continue to work together with non-Members, in co-operation with other international organisations, in the fight against bribery and corruption. Ministers requested the OECD to continue its work to strengthen the fight against corruption, including the examination of the issues of: bribery acts in relation with foreign political parties; advantages promised or given to any person in anticipation of that person becoming a foreign public official; bribery of foreign public officials as a predicate offence for money laundering legislation; the role of foreign subsidiaries and of offshore centres in bribery transactions. Ministers recognised the contributory role of the international trade rules to the fight against corruption and encouraged further analytical work in this regard.

#### Relations with non-Members

27. OECD and non-OECD economies increasingly face interdependent challenges and opportunities in the rapidly integrating world. Ministers underlined the need for deepened policy dialogue, and encouraged the discussion underway on the enhancement of OECD's co-operation with non-Members.

28. Ministers welcomed the participation of a number of non-member countries in a *Special Ministerial Dialogue*, which builds on many years of mutually beneficial co-operation with a wide range of non-Members. This *Special Dialogue* fostered shared understanding of global policy challenges -- the promotion of growth, sustainable development and social cohesion, and how to reap and share the full benefits of trade and investment liberalisation.

29. The OECD remains open to new Members sharing the same values, while being selective and preserving its high standards for membership. Ministers looked forward to the conclusion of the process of accession of the Slovak Republic to the Organisation.

#### South Eastern Europe

30. Ministers discussed the serious situation in *South Eastern Europe*, focusing in particular on its economic consequences for countries in the region. A successful coherent long-term development strategy will require commitment by the full range of actors involved. They therefore welcomed the international initiative to establish a Stability Pact for the region with the aim of building a democrat, peaceful and economically prosperous South Eastern Europe. In this connection, they noted the mechanism for operational co-ordination set up by the World Bank and the European Commission.

31. Ministers pledged the OECD's active participation in the efforts of the international community and support to this process, drawing on the Organisation's comparative advantages and substantial experience in assisting transition economies. The OECD can make an important contribution in advising the affected states in the region on the development of macro-economic, structural and social policies, in helping to build the necessary legal and institutional frameworks and in promoting integration into the regional and global economy. The OECD's existing co-operation programmes with countries in the region should be strengthened, and the Organisation should launch, when practicable, programmes with other affected countries.

#### Development

32. Ministers reiterated the importance of the OECD's development partnership strategy and recognised the need to make greater progress in gearing their development co-operation policies to partnership principles and practices. They welcomed the strengthened dialogue with multilateral institutions to improve aid co-ordination and the joint work with the UN and the World Bank on the international development targets. Greater policy coherence is essential to achieve these targets. Ministers noted the report on trade and investment and development and agreed to continue to work together at the OECD to take greater account of the impact of their own policy frameworks on developing countries. The OECD will undertake further analytical work in this area, and report.

33. Responding to the downward trend of official development assistance levels over recent years, Ministers stressed the importance of maintaining substantial volumes of aid, in particular for the poorest countries, and to improve the quality of such aid. Ministers regretted that the conditions were not yet fulfilled to conclude an agreement on untying aid to least developed countries. However, they noted the progress accomplished in the OECD since 1998 regarding principles and modalities for untying aid and encouraged further efforts to conclude a Recommendation in response to the agreed mandate.

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34. OECD plays an important role in the search for shared growth and prosperity in the global economy. Ministers recognised OECD's reform efforts in recent years and looked to the Organisation to consolidate and build on them. Substantial budgetary reductions have been completed, and Ministers endorsed the goal of financial stability for the Organisation's activities in the coming years. They agreed that a comprehensive solution to the pensions funding issue was also essential if this stability was to be achieved.

35. The political, economic and social challenges of the next century require informed and actively participating citizens. Ministers recognise their heightened responsibility to ensure transparency and clarity in policy-making, and looked to the Organisation to assist governments in the important task of improving communication and consultation with civil society.

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\* See the report 'Harmful Tax Competition - An Emerging Global Issue'.

PRESS/A(73)16

Paris, 28th May, 1973

TWELFTH MEETING OF THE OECD COUNCIL AT MINISTERIAL LEVEL

The Council of the Organisation for Economic Co-operation and Development will meet at Ministerial level from 6th to 8th June next, at the Château de la Muette, Paris, under the Chairmanship of Mr. Gregorio Lopez Bravo, Minister for Foreign Affairs of Spain. The meeting will open on Wednesday, 6th June at 3 p.m.

It is expected that Ministers will discuss the international economic situation, in particular action to overcome inflation and to reach a better international payments equilibrium.

Ministers will have an opportunity to discuss the longer-term international monetary, trade and investment issues on which the Organisation has been working, pursuant to a directive given by Ministers at their meeting in May last year.

It is anticipated that Ministers will then consider the work of the OECD in the following fields:

- policies for co-operation with developing countries;
- assessment of long-term energy problems;
- qualitative aspects of economic growth.

For the first time New Zealand will be represented at the meeting as a Member of the Organisation. Its accession to the OECD Convention brings the number of Member countries of the Organisation to twenty-four.\*

The Chairman of the Ministerial meeting will hold a press conference on 8th June, at a time to be announced later.

\* The Member countries of the OECD are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxemburg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States.

PRESS/A(74) 15

Paris, 20th May, 1974

THIRTEENTH MEETING OF THE OECD COUNCIL  
AT MINISTERIAL LEVEL

The Ministers of the 24 Member countries of the Organisation for Economic Co-operation and Development will meet at the Headquarters of the Organisation in Paris on 29th and 30th May. This thirteenth meeting of the Council at Ministerial level will open at 10.30 a.m. on Wednesday, 29th May. The Chairman will be Mr. Antonio Giolitti, Minister of the Budget and Economic Planning of Italy.

The main topic of discussion will be the economic situation of the OECD Member countries in its two dominant aspects, increasing inflationary pressures and the consequences of higher oil prices. It is expected that Ministers will examine together ways of finding a coherent answer to the important and urgent problems arising in the main fields of economic and monetary policy: combatting the rise in prices, maintaining a high level of employment, adjusting to the new conditions for equilibrium in the balance of payments of Member countries, and the developing countries' aid and financing requirements.

In present circumstances, it is particularly important that Member countries should avoid having recourse unilaterally to restrictive measures, which would be mutually self-defeating and would have a depressing effect on trade and economic activity.

As regards Energy, Ministers will be informed of the first results of the Long-Term Energy Assessment, which will soon be completed. In this connection, they will be asked to discuss a number of specific questions calling for reinforced co-operation between Member countries: energy conservation, the speedier development of energy resources in the OECD area, co-operation in the research field, energy pricing policies, etc.

In the context of the general economic situation, the Council's discussions on co-operation with developing countries will be mainly concerned with their aid requirements and

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particularly of those hardest hit by the increased prices of energy, food products and fertilisers. The overall problem of commodities will probably be discussed in the light of the recent special session of the United Nations' Assembly.

On Thursday, 30th May, at the conclusion of the Ministerial Council, the Chairman, Mr. Antonio Giolitti, will hold a press conference at a time to be announced later.

disincentives and consultations and review of these matters. The Council took their Decisions establishing the necessary procedures for inter-governmental consultations in these areas. Continuing endeavours within the OECD may lead to further international arrangements and agreements in this field.

## Trade

7. Member Governments decided to renew, for a further year, their Declaration on Trade of 1974 aimed at avoiding restrictions on trade and other current account transactions which could lead to chain reactions and endanger the process of economic recovery. Bearing in mind that the Declaration was designed as a temporary measure to meet the exceptional economic problems of the time, and having in mind the prospect of continued improvement in the economic situation and hence the expected return to normal conditions. Ministers instructed the Organisation to review the situation and to examine any appropriate proposals well in advance of the expiry of the Declaration in 1977. Ministers furthermore agreed to reinforce the Organisation's activities in the field of export credits.

8. Noting the important contribution international trade has made to world economic growth, Ministers recognised the need not only to resist protectionist pressures in all areas but to continue efforts towards further liberalising trade and strengthening international trade system. In this regard they expressed their strong support for a successful outcome of the Multilateral Trade Negotiations.

## II. WORLD INTERDEPENDENCE, DEVELOPMENT CO-OPERATION AND THE DIALOGUE

9. OECD Member Governments believe that intensified economic interchange will bring substantial gains in economic progress and prosperity to all nations including the developing countries. They recognise that growing interdependence means that countries are increasingly affected by the actions and events in other countries. They are therefore determined to contribute through appropriate policies and institutions to greater world economic security in such areas as balance-of-payments, commodities, energy and food.

10. Ministers noted that the strong recovery now under way in many industrialised countries will improve the economic and balance-of-payments situation of developing countries. At the same time Ministers stressed that progress towards more balanced and equitable economic relations between developed and developing countries is an essential element of an improved world economy. They recognised that policy measures are called for to ensure enhanced opportunities for developing countries in trade, investment and technology, noting that such measures are designed to support developing countries own efforts. Ministers also emphasized that increased concessional development assistance is required in particular for those most in need. Member governments agreed to intensify their efforts, within the OECD, to strengthen policies to these ends.

11. Ministers reaffirmed that co-operation among industrialised countries within the OECD in pursuit of improved relations with the developing countries is essential to achieve a coherent approach to the evolving economic relations between the industrialised and developing countries and to lead to agreements on practical measures. They noted that the recently concluded meeting of the United Nations Conference on Trade and Development, following the constructive outcome of the Seventh Special Session of the United Nations General Assembly in September 1975, had achieved progress on a number of issues which are being pursued. Ministers also noted that at the Conference on International Economic Co-operation the dialogue has now been well launched and the ground prepared for the achievement of concrete results in the second half of the year. They underlined the value they attach to the successful outcome of the Conference.

12. Ministers reaffirmed the determination of their governments, expressed in the Declaration on Relations with Developing Countries adopted by the Council in 1975, to pursue the dialogue with the developing countries in all appropriate fora in order to arrive quickly at concrete results which would make possible intensified co-operation with them and better meet their development needs. Ministers agreed that their governments are prepared to respond positively to the challenges of the continuing

dialogue and evolving relationship between the industrialised and developing countries and stressed the necessity of close collaboration and strengthened co-ordination among industrialised nations in pursuing this objective.

### III. STRATEGY FOR SUSTAINED ECONOMIC EXPANSION

13. Recognising that the continuation of present levels of unemployment and inflation would be unacceptable, Ministers agreed on the main elements of a strategy for sustained economic expansion, to be carried out through their respective policies. The basic premise on which this strategy rests is that the steady economic growth needed to restore full employment and satisfy rising economic and social aspirations will not prove sustainable unless all Member countries make further progress towards eradicating inflation. Due weight must also be given to features of the present situation which seem to point to the need for caution in the pursuit of expansionary policies. First, because of the fairly close synchronisation of the recovery in many countries, there is a risk that the strength of the expansionary forces at work may be underestimated. Second, because of the virulence of recent inflationary experience, there is a danger that inflationary expectations could revive quite strongly if the pace of the recovery is too fast. Third, because of inadequate investment in past years in some countries and in certain basic industries, there is a risk of supply bottlenecks at a comparatively early stage of the recovery.

14. Bearing these considerations in mind, Ministers agreed on a strategy whereby governments will direct their policies to attaining price stability and full employment through the achievement of an economic expansion which is moderate but sustained. This implies that the restoration of full employment and normal levels of capacity utilisation in the OECD area will be progressive and take a number of years. Ministers are convinced that by adopting a strategy along these lines OECD countries will be making an essential contribution to the economic stability and well-being of the world at large.

15. The growth rates implied by this strategy will differ between countries. Because of the depth of the recent recession, a period of somewhat above-average growth will be possible and necessary to restore full employment, although care will be needed to avoid rekindling inflationary forces and to slow down demand in line with longer-term growth potential as the present slack is taken up. Allowing for this recovery element, Ministers consider that if the right policies are followed and inflation rates are further reduced, there is scope for the growth rate for the GNP of the OECD as a whole to average 5 per cent or somewhat more over the five years 1976-80, with world trade expanding by 8 per cent or somewhat more.

16. National economic policies in support of this general strategy of a moderate but sustained expansion should be guided by the following principles:

- a) Governments should make firm use of fiscal and monetary policy to achieve the general stability in their economies that non-inflationary growth requires. This means that action taken to dampen short-term fluctuations in demand must be formulated in the light of the need for greater steadiness and predictability of policies over the medium run.
- b) In many countries, continuing efforts to develop a better social consensus as to the aims of the economic policy will be needed, which may involve various forms of prices and incomes policy. Such policies can complement, but cannot replace, sound demand management policies which are essential in any event.
- c) Action should be taken appropriate to the circumstances to deal with unsatisfactory aspects of the employment situation in accordance with the 1976 Recommendation of the Council of the OECD on a General Employment and Manpower Policy as elaborated by the Manpower and Social Affairs Committee meeting at Ministerial level on 4th-5th March, 1976. This action may include selective policies to cope with sectors and areas which have particularly acute employment problems.
- d) In most countries, policies should be directed more towards promoting investment rather than

consumption. In many cases, this will require an appropriate recovery of profits from the depressed levels of recent years. It may also require action to stimulate investment, to encourage savings over the medium run and to restrain the rise of public expenditure.

17. Ministers agree that national policies in pursuit of this strategy should be based on a clear recognition of countries international responsibilities. They noted that some larger Member countries and quite a number of smaller Member countries are running unsustainably large current account deficits. So long as the OECD area continues to run a large current deficit with the OPEC countries, Member countries in a strong external position should, while pursuing their anti-inflationary policies, not resist market forces tending to push their current account into deficit. The priority task in countries in a weak external position must be effective policies to bring down the rate of inflation. Because of the interaction between domestic policies, inflation rates and exchange rates, the continuation of much stronger inflation in some countries than in others could have adverse effects on growth and international monetary stability. Ministers recognised the importance of inter-governmental consultation and co-operation to support national stabilization policies. Note was taken of the progress made towards ratifying the Agreement establishing the OECD Financial Support Fund, and there was agreement on the need to complete the process rapidly.

18. Ministers discussed the employment problems of European Member countries where emigration has been an important factor in the past. They agreed that more emphasis should be given to the creation of indigenous employment opportunities, and that this could be facilitated by the creation of conditions conducive to increased capital flows to, and imports from, these countries. Major changes in migration flows between some European Member countries call for intensified co-operation between host countries and countries of origin, so that the burden of adjustment can be equitably shared.

19. Ministers examined the current economic situation and concluded that the recovery now evident in almost all Member countries is on a course consistent with achieving sustainable expansion. They welcomed the fact that in many countries unemployment has stopped rising or begun to decline and that the outlook for labour costs offers hope of a further reduction in inflation. But care will be needed to ensure that the recovery is kept under control and to avoid the undue fiscal ease and excessive rates of monetary expansion which characterised the similar phase of the last upswing; to this end, close international consultation and collaboration will be essential.

20. Ministers instructed the Organisation to examine regularly the extent to which the policies being followed are consistent with the agreed medium-term strategy. They stressed, in particular, the importance of analysis and consultations within the Organisation directed towards the early detection of changes in the pace of expansion in the OECD area, the avoidance of undue fiscal ease or excessive rates of monetary expansion and the identification of potential bottlenecks. They also requested the Secretary-General to ensure that careful attention is given to the problem of the recent divergence in the economic performance of Member countries by the appropriate bodies of the Organisation.

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# Meeting of the Council at Ministerial Level in June 1977

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the Organisation for Economic Co-operation and Development met in Paris at Ministerial level on 23rd June, under the Chairmanship of the Honourable Andrew Peacock, M.P., Australian Minister for Foreign Affairs, and on 24th June with the Right Honourable Phillip Lynch, M.P. Australian Treasurer, in the Chair.

### Development Co-operation

2. Ministers reviewed the results of the Conference on International Economic Co-operation and discussed longer- term aspects of international development co-operation. Ministers then adopted the Declaration on Relations with Developing Countries annexed to this Communiqué. They reaffirmed the importance of close collaboration and strengthened co-ordination within the OECD to assist Member Governments to prepare for specific discussions with the developing countries in the various international fora in working toward the objectives set forth in the Declaration.

### Energy

3. Ministers recognised that an imbalance between world energy supply and demand, which could occur as early as the 1980s, would have severe economic, social and political repercussions in OECD countries and throughout the world. They expressed their determination to avoid that situation by stronger action to conserve energy and develop alternative sources of energy and by including sound energy policies in their overall economic policy.

### Commodities

4. Ministers noted the importance of continuing discussions on commodities and endorsed the agreement reached in the CIEC to establish a Common Fund with the specific purposes, objectives and other constituent elements to be further negotiated in UNCTAD, and the willingness declared at the Conference to make all efforts for the success of the negotiations being undertaken in UNCTAD on commodities. They invited the Organisation to continue its work in the field of commodities in order to assist Member countries in these efforts, and to examine other related commodity issues.

### Trade

5. Ministers agreed that, while in several respects the economic situation was different from that which prevailed at the time of the adoption of the Trade Declaration in 1974, it was still characterised by exceptional difficulties and divergencies in Member countries' situations. They noted with concern that persistent high levels of unemployment and difficulties in certain sectors have increased protectionist pressures. Ministers emphasized that recourse to protectionist policies would foster unemployment, increase inflation and reduce economic welfare. They agreed that the present economic situation together with the increasing interdependence of OECD economies reinforced the need for a renewed political commitment to avoid restrictive unilateral trade and current account measures and the artificial stimulation of exports; measures of this kind tended to carry the risk of proliferation with self-defeating implications. They also agreed that such a commitment and related disciplines in the field of general economic policy were an essential element of the strategy for sustained non- inflationary economic growth in the OECD area. Indeed such growth should itself facilitate the avoidance of restrictions.

6. Member Governments therefore decided to renew, for a further year, their Trade Declaration of 30th May, 1974. They agreed that full use should be made of the existing possibilities for consultation in

order to find and implement multilaterally-acceptable solutions to trade problems, whether industrial or agricultural, in a manner which would take into account the interests of all concerned. In the case of sectoral problems, every effort should be made to identify such problems before they assume critical proportions and to proceed to consultations in their regard, taking into consideration, inter alia, structural changes in the world economy.

7. Ministers welcomed the progress achieved in multilateral co-operation concerning export credits and underlined the need for further efforts to improve and extend the consensus on guidelines for the extension of officially-supported export credits.

8. Ministers reaffirmed that it was essential to maintain an open and multilateral trading system as a basic element in the overall approach to the economic problems with which their countries were confronted and stressed the importance of giving impetus to the Multilateral Trade Negotiations with the objective of making substantive progress in key areas in 1977, and achieving agreement over the range of issues as rapidly as possible.

9. Ministers welcomed the work being done in the United Nations Economic and Social Council on corrupt practices in international commercial transactions, and expressed the hope that it would take the measures necessary with a view to reaching agreement as early as possible on appropriate means, including the negotiation of an international agreement, of combating illicit payments.

### **International Investment and Multinational Enterprises**

10. Recalling the Declaration and the Decisions of OECD Member Governments of 21st June, 1976, on International Investment and Multinational Enterprises, Ministers also welcomed the work of the United Nations Commissions on Transnational Corporations on code of conduct.

### **Progress Under the Strategy for Sustained Economic Expansion**

11. Ministers reaffirmed the strategy for a sustained expansion, aiming at a progressive return to full employment and price stability, which they adopted in June 1976. The basic premise on which this strategy rests is that the steady economic growth needed to restore full employment and satisfy rising economic and social aspirations will not prove sustainable unless Member countries make further progress towards eradicating inflation. Ministers examined the progress made in implementing the strategy and reviewed the prospects for the coming year. While recognising that serious problems persisted, they welcomed the fact that some Member Governments had committed themselves to economic growth targets during 1977 and some others to stabilization policies which were intended to provide a basis for sustained non-inflationary growth world-wide.

12. Ministers agreed that the achievement of the objectives of the strategy would be promoted by a somewhat faster rate of expansion in the OECD areas as a whole in 1978 than seems likely to be achieved in 1977, although this does not apply to some countries. An overall growth rate of OECD GNP of around 5 per cent in 1978 would at this point seem desirable and consistent with the strategy. They agreed that, where necessary and appropriate, action should be taken to achieve this. This somewhat faster rate of expansion should:

- enable real progress to be made in reducing unemployment next year;
- help to stimulate the productive investment needed to provide jobs for the unemployed; and
- be compatible with a further reduction in the rate of inflation.

13. Further progress against inflation will not come about of its own accord. Determined action will be required to slow down the price/wage spiral. Some countries will need to pursue and some to reinforce vigorous stabilization policies. To promote better payments equilibrium, Member countries in a weak external position will hold the growth of domestic demand to a rate compatible with reducing inflation, and also follow policies to improve their competitive position, so as to attain a sustainable current-account position. Member countries in a strong external position will provide for a sustained expansion of domestic demand compatible with further reduction of inflation; they are ready to see a weakening in

their current-account position and an appreciation of their currencies in response to underlying market forces.

14. Specific objectives and policies for expansion and stabilization will vary as between Member countries. But, taken together, they must provide the basis for sustained non-inflationary growth in the OECD area and the world economy as a whole. Ministers agreed on the need to strengthen procedures for monitoring progress under the strategy. To this end, they decided that Member countries would communicate their preliminary objectives for the growth of output and domestic demand and their stabilization policies for 1978 to the Organisation so that their mutual consistency and global implications can be examined, and can then provide the basis for monitoring progress during the course of next year.

15. Ministers recognised that a sustained increase in demand, while necessary, will not on its own solve the problems of unemployment and lagging investment, which are due in part to structural causes and the legacy of events of recent years.

- Lagging investment now can lead to unemployment later. In countries where real wages have run ahead of productivity increases in recent years there is a need to increase the return on investment. In some countries there may be need for a greater consensus between government, labour and management on the reduced scope for increases in public and private consumption.
- In prevailing circumstances further efforts where appropriate should be made to supplement overall demand management policies by specific measures designed to increase employment, including policies which help adapt the labour force to the requirements of rapid structural and technological change.
- In the efforts to reduce unemployment, particular attention should be paid to the unemployment of young workers. Special measures have been taken in many countries and more may be needed. Ministers instructed the Organisation to strengthen its exchange of experience and to organise urgently a high-level conference for this purpose.

16. Ministers reviewed the international payments situation. They welcomed the progress being made towards a more appropriate payments position by some of the larger Member countries. While some of the smaller Member countries are also making progress in the right direction, many of them are still running unsustainably large current account deficits. Ministers underlined the need for continued efforts to arrive at a more sustainable pattern of current-account positions in the OECD area. They agreed on the need to ensure that adequate official financing facilities are available to back up appropriate stabilization programmes. In this connection they heard a statement by the Managing Director of the International Monetary Fund on the progress made in negotiating additional resources to finance balance of payments through the IMF. Many Ministers stressed the importance they attached to implementation of the OECD Financial Support Fund in addition to the IMF facility.

17. Ministers noted that present conjunctural difficulties are exacerbating longer-run structural and development problems, as well as the employment and balance-of-payments difficulties, of some Member countries. Ministers therefore agreed that the competent bodies of the Organisation dealing with the various aspects of these problems should, in a positive and co-ordinated way, take into consideration the means to overcome such difficulties.

18. Ministers noted with interest the recommendations contained in the report Towards Full Employment and Price Stability produced by a group of experts under the chairmanship of Professor McCracken and instructed the Organisation to examine both the analysis and recommendations in the Report. They agreed that, taking account of the important differences between countries, the Organisation and Member governments should study in particular the recommendation that, over the medium term, a policy of not accommodating high rates of inflation should be built around some or all of the following elements: publicly announced norms for the growth of the monetary aggregates; a fiscal policy geared to guidelines for public expenditure and a budget norm designed to avoid giving an inflationary stimulus; and consultative arrangements designed to clarify the kind of price and wage behaviour consistent with achieving and maintaining full employment.

19. Ministers also noted with interest the reports by the OECD Trade Union Advisory Committee on a strategy for full employment and instructed the Organisation to study and evaluate the proposals contained in them, as well as in the THC paper by the OECD Business and Industry Advisory Committee on non-inflationary growth.

## **DECLARATION ON RELATIONS WITH DEVELOPING COUNTRIES**

**Adopted by Governments of OECD Member countries on 23rd June, 1977**

1. Ministers of Member governments of the OECD meeting in Paris on 23rd June, 1977, discussed relations with developing countries and the longer-term orientation of international development co-operation.
2. Ministers affirmed that the CIEC had played a valuable role in building up a climate of dialogue between the developing and developed countries. It had provided the opportunity for a thorough global examination of the major issues involved and agreement was reached on a number of important points, although it had not been possible to reach agreement on some other important topics of mutual interest. All Member governments of the OECD, including those who did not participate in the CIEC, joined together in welcoming the agreements that were reached there. They also welcomed the intention of some OECD Member governments in addition to those who took part in the Conference to associate themselves with a Special Action Programme announced at that Conference.
3. Looking ahead, they agreed that further efforts were needed on the part of both developed and developing countries to build a more equitable and stable international economic system, one which would create a better life for all people. These efforts will be supported by a return to full health of the international economy which is the concern of developed and developing countries alike. Recalling their Declaration of 28th May, 1975, Ministers expressed their readiness to pursue actively the ongoing dialogue with developing countries in the United Nations system and in other appropriate fora and to co-operate in solving economic and social problems of common concern, thereby making it possible for the developing countries to participate increasingly in the benefits of an improved and expanding world economy. In this connection they stressed their willingness to encourage effective international co-operation and dialogue on energy.
4. Welcoming the progress made in development co-operation on many fronts, Ministers acknowledged the necessity to continue working with developing countries towards improved and more effective development co-operation policies. They affirmed that while development co-operation concerned relations between governments its objective was the well-being of individuals; development co-operation should therefore fulfil the dual purposes of growth of incomes and meeting basic needs of individuals in all developing countries. They stressed that development policies for transfers of resources and structural changes should be clearly directed of these purposes. This was particularly necessary in order that the objectives and policy concepts of development co-operation would be better understood and supported by the peoples of industrialised and developing countries.
5. Ministers of OECD countries donors of aid, reaffirmed the intention, as expressed by their countries in different fora to increase effectively and substantially their official development assistance and to achieve an improved balance of their efforts in this regard. They announced their determination to direct in co-operation with developing countries, a progressively larger share of their efforts to programmes meeting basic human needs. To realise this new orientation with respect to all developing countries, they also agreed to review the scope and direction of development assistance with a view to achieving greater volume and more efficiency in its use in an enlarged international effort.

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# Meeting of the Council at Ministerial Level in June 1978

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the Organisation for Economic Co-operation and Development met at Ministerial level on 14th-15th June, 1978, under the co-Chairmanship of Mr. Kiichi Miyazawa, Minister of Economic Planning of Japan, and Mr. Nobuhiko Ushiba, Minister for External Economic Affairs of Japan.

2. Agreement was reached on the major components of a broad programme of internationally concerted action by Member countries to achieve more sustained economic growth, and on the respective responsibilities of individual Member countries in contributing to faster growth, greater price stability, better payments equilibrium and strengthened energy policies. Recognising that the maintenance of an open market-oriented economic system is an essential part of this programme, Ministers renewed the Declaration of 30th May, 1974 (the ) and agreed on the general orientations for policies to facilitate the structural adjustments needed to sustain faster economic growth (annexed to this Communiqué).

3. Ministers considered the implications of the growing economic interdependence between developed and developing countries for trade and investment. They confirmed their commitment to constructive policies for development co-operation to help developing countries to strengthen and diversify their economies and to improve the welfare of their people. They emphasized that the capacity of developing countries to participate more fully in world economic growth would be strengthened by an increase in the flow of resources, including increased aid, and an improvement in the conditions of world trade.

### I. The Economic Background

4. Ministers noted that despite the difficult circumstances there has been some improvement in world economic conditions: recession has been replaced by positive economic growth; inflation has been significantly reduced; unemployment has been substantially reduced in the United States and has been mitigated in a number of Member countries, inter alia by special manpower and employment policies; an open trading system has been maintained; some important payments imbalances have been corrected; and international financial markets have helped to alleviate the problems posed by large trade imbalances inside and outside the OECD. Nonetheless, the record of recent years is in many ways disappointing: unsatisfactory growth rates; inflation and unemployment rates that are still too high; periods of disorderly exchange-market conditions; increasing pressures for forms of government intervention which inhibit market forces in general and world trade in particular; and insufficient preparation against future needs in respect of energy. While these developments are harmful to the welfare of all countries, the adverse consequences for the development prospects of the poorer countries are of particular concern.

5. Ministers recognised the costs and dangers inherent in the continuation of present trends:

- There are increasing economic and social costs of continuing high levels of unemployment, particularly among youth and disadvantaged groups.
- There are growing pressures for protection against foreign competition and for export subsidies, and a growing risk that unilateral trade and other current account measures could touch off chain reactions.
- There has been a tendency for sectoral, regional and manpower policies to shift from action to foster adjustment to structural change to measures of a defensive character that tend to preserve the status quo, which thus in important respects have the same effects as protectionist trade measures. Under conditions of high unemployment, some domestic measures to maintain existing employment in sectors or companies in financial difficulty may in certain circumstances be

justified in the short run. But their continuation on a large scale would over time undermine the dynamic process which underlies rising productivity and would inhibit sustained non-inflationary growth.

- The task of creating sufficient jobs in some less-industrialised Member countries has been made much more difficult by restrictions on immigration, and by serious payments difficulties, and their development risks being gravely impeded if it takes place in a climate of depressed world trade and growing protectionism.

6. Ministers discussed the constraints on economic growth. Many of these are internal to the countries in question: high rates of inflation, low profits, heavy dependence on exports and difficulties in financing large budget deficits without adverse effects on inflationary expectations and concern about the rapid increase in governments' indebtedness. There is also an external constraint on countries with a weak balance of payments. Together, the persistence of high rates of inflation, low levels of profits and capacity utilisation, large international payments disequilibria and periods of disorderly exchange-market conditions have depressed business confidence. A further significant factor has been uncertainties about the future supply and price of energy, resulting in part from delays in the implementation of effective energy policies. Under these conditions, private investment has not responded as expected to the action taken to stimulate aggregate demand.

7. While recognising these constraints, Ministers reaffirmed the decision they took in 1976 to aim for a moderate but sustained rate of expansion, sufficient to achieve a progressive return to full employment over a number of years, but not so fast as to risk the re-emergence of bottlenecks and an upsurge of inflationary expectations. In line with this strategy, Ministers agreed that there is a clear need to step up economic growth in the OECD area as a whole above the rate experienced over the last 18 months so as to reduce unemployment. While expansionary demand management policies have a role to play, this cannot be achieved simply by injections of additional purchasing power. The difficulties now facing the world economy are inseparable and cannot be looked at in isolation: growth, jobs, price stability, energy, adjustment to structural change, are only individual facets of the overall predicament facing Member countries today. What is needed now, and over the medium-term, is a combination of policies to ensure adequate domestic demand and to create the right environment for sustainable growth, which requires less inflation, the maintenance of an open market-oriented economic system, and a recovery in productive investment and profits.

8. A key feature of the programme of concerted action set out below is that differentiated action on various fronts by each Member country can, taken together, ease the constraints facing each of them individually:

- the continuation and, in some cases, strengthening of anti-inflationary policies in countries with a poor price performance will lessen the risk that faster growth in the OECD area as a whole sets off a renewed burst of inflation;
- action by an important group of countries to achieve faster growth will ease the balance-of-payments constraints on countries in a weak external position;
- by acting together countries will individually need to take less expansionary action, and incur smaller budget deficits, than if they acted in isolation;
- policies to facilitate adjustment to structural changes will help to ensure that rising demand is matched by increased supply potential; and
- stronger policies to encourage conservation and increase production of energy in countries best placed to do so will improve confidence in all Member countries.

9. Ministers underlined the fact that successful implementation of this programme depends not only on government policy, but also on the extent to which all concerned pursue responsible attitudes towards the determination of prices and incomes. They stressed their conviction that, with the necessary co-operation from both sides of industry, more sustained and better balanced economic growth can be secured with a further progressive reduction of inflation.

## II. A Programme of Concerted Action

10. Against this background, Ministers have agreed on the following major components of a programme of concerted action.

### **Demand Management and Stabilization**

11. Ministers agreed on the respective responsibilities of individual Member countries in contributing to faster growth, greater price stability and better payments equilibrium over the next 18 months:

i) Belgium, Canada, France, Germany, Italy, Japan, Switzerland and the United Kingdom should ensure, by appropriate measures as necessary, that the expansion of their domestic demand is significantly greater than in 1977 or, where capacity is already fully utilised, should ensure that total demand increases in line with productive capacity. The Netherlands should consolidate the effects of the boost in domestic demand which was achieved last year. The scale and timing of expansionary action by countries in this group should be determined in the light of their internal and external circumstances; in this respect a particular responsibility lies with countries in a strong balance-of- payments position. Such action should not undermine anti-inflationary policies.

ii) All other Member countries, who are not currently in a position to take explicit action to expand domestic demand beyond what is now in prospect, should concentrate primarily on reducing inflation and improving their balance-of- payments position. Most countries in this group can accept the faster growth which concerted action will impart through a stronger rise in their exports. But in a few of them, where activity has been increasing briskly and demand pressures are quite strong, increased exports resulting from concerted action should be accompanied by reinforced stabilization policies which prevent any net addition to total demand. It is particularly important that the recent acceleration of inflation in the United States should be reversed.

### **Maintenance of an Open Market-Oriented Economic System**

12. Ministers agreed that firm commitments to maintain an open market-oriented economic system are essential to the success of this programme. To this end, Ministers:

i) Reiterated their commitment to an open multilateral trading system and decided to renew the Declaration to this effect of 30th May, 1974, with a new preamble which takes into account developments since then and reflects the spirit in which they intend to pursue its implementation (see Annex I).

ii) Reaffirmed their determination to bring the Multilateral Trade Negotiations to a successful outcome in the near future.

iii) Expressed satisfaction that the negotiations for an Arrangement on guidelines for officially supported export credits had been successfully concluded in February. The United States and Canada requested other Participants in it to enter into negotiations for the substantive improvement of the existing Arrangement. Other Participants were not in a position to react definitively to this request on this occasion. However, in recalling that the Arrangement had only come into force in April, they noted the provision in it for reviews at regular intervals, starting this autumn, of its operation in practice and that these reviews would provide the opportunity to consider any further suggestions for reinforcing administration of the guidelines.

iv) Agreed on the general orientations for policies to facilitate the structural adjustments needed to sustain faster economic growth annexed to this Communique (Annex 11).

### **Energy**

13. Ministers took note of the decision as adopted by the Governing Board of the International Energy Agency at Ministerial level on 6th October, 1977. They stressed that strengthened energy policies form an essential part of the concerted action programme. While recognising that considerable progress has been made. Ministers underlined the following orientations for energy policies and agreed that they need



to be pursued vigorously:

i) Countries where energy pricing is still below world levels should pay particular attention to this element in energy policies since the price mechanism is one of the most important instruments for promoting increased efficiency of energy use and for expanding energy supplies.

ii) More should be done to achieve greater energy conservation, to replace oil by other forms of energy (particularly by expanding coal use, assuring adequate nuclear programmes as appropriate and developing stable and reliable conditions for trade in coal and nuclear fuels and technologies) and to encourage expanded oil and gas exploration and development and intensified research and development for new energy technologies. A key requirement is the need to resolve as soon as possible conflicts which may exist between energy requirements and important environmental, regional, safety and security concerns.

14. Given its predominant weight as both a consumer and producer of energy and the cost of oil imports to its balance of payments, it is of decisive importance that the United States should complete the adoption of a comprehensive energy policy along these lines as soon as possible. At the same time, other Member countries have, in the aggregate, an equally important contribution to make, and Ministers agreed that in these countries energy policies need to be strengthened further.

### **Monetary Co-operation**

15. Implementation of policies along the lines described above, particularly if adopted in the framework of a concerted programme, will not only improve the prospects for economic growth, but will also help to reduce existing payments imbalances and thereby contribute to greater stability in foreign exchange markets. Ministers agreed that monetary policy has an important role to play in the achievement of these objectives. While recognising that exchange rates need to reflect underlying economic conditions, Ministers agreed that their countries will continue to co-operate closely and to intervene in exchange markets to counter disorderly conditions. Greater stability in foreign exchange markets will, in turn, improve confidence and help to achieve sustained economic growth.

16. Ministers agreed that the prompt implementation of the various components of this programme of concerted action should be followed up in the appropriate bodies of the Organisation.

17. Ministers noted the work undertaken with respect to paragraph 17 of the Communique issued after their last meeting concerning the particular problems of the less-industrialised Member countries, and agreed that the outcome of this work should be reported to the next meeting of the Council at Ministerial level.

### **III. Global interdependence and relations with developing countries**

18. Ministers reviewed relations with developing countries in the perspective of development co-operation and the management of global interdependence. Recognising that the prosperity of the OECD countries cannot be pursued in isolation, they emphasized the importance of strengthened co-operation with the developing countries to advance common interests in efficient global economic management and mutually beneficial changes in the structure and balance of the world economy. They also stressed the need for positive policies for increased and more effective support of accelerated economic and social development of the developing countries. They noted with satisfaction the recent establishment of the United Nations General Assembly Committee of the Whole as a new form of dialogue on global economic issues with the developing countries. They expressed the hope that its work would be developed constructively and affirmed the determination of their governments to work to this end.

### **Interdependence, Trade and Adjustment**

19. Ministers discussed recent changes in the pattern of world production and trade, with particular reference to the industrial advances made by some developing countries. While, especially under

conditions of slower growth, these advances have been a factor in adjustment problems in a limited number of industrial sectors, Ministers agreed that trade with developing countries has brought positive benefits to both parties, and that there is a mutual interest in continued expansion of such trade. Ministers reiterated their commitment to an open multilateral trading system on a world-wide basis and re-affirmed their readiness to adjust to changes in the pattern of world production and trade. Renewal of the Trade Pledge, a successful outcome to the Multilateral Trade Negotiations and endorsement of the need for more positive adjustment policies will contribute to this end.

20. At the same time Ministers noted the advantages which would follow to the world economy in general, including to other developing countries, if developing countries with stronger economies would progressively adapt their trade and other policies in line with their level of development and overall financial strength.

### **Interdependence and International Public and Private Investment**

21. Ministers noted that increased investment in developing countries would contribute to sustained and more balanced world economic growth as well as enhancing development in the countries concerned. Both developed and developing countries therefore should have a mutual interest in measures to stimulate investment in developing countries on an economic basis. Among the sectors mentioned were energy, food production, raw materials and processing and related infrastructure. In this connection, Ministers noted the importance of current and prospective negotiations to expand the lending capacity of the international and regional development finance institutions. They agreed to examine within the Organisation the utility and feasibility of other measures designed to increase investment flows to developing countries, building on existing institutions and mechanisms. Such measures clearly need to be compatible with the development objectives of the countries concerned and would naturally have to be worked out in close co-operation with the developing countries. These measures, which should also be of a kind to stimulate investment in least developed countries should be explored in the framework of positive development cooperation including increased aid.

### **Energy Co-operation**

22. Ministers also emphasized that the energy problems of the future would affect all countries and would need to be tackled by all countries working in co-operation. They reaffirmed their willingness to engage in such co-operation, especially with the developing countries.

### **Development Co-operation**

23. Ministers agreed on the need for an evolving approach to development co-operation to help developing countries in their efforts to strengthen and diversify their economies, to secure decent conditions of life for their people, and to participate increasingly as more equal partners within the world economy. In particular, stepped-up collaborative efforts are required to help ensure that the basic needs of the world's poor are met and to encourage constructive structural change in international economic relations, leading to a more equitable and stable international economic system. Ministers noted the disappointing overall recent level of aid flows. However, they welcomed the performance of some donors and the statements by a number of other donors on plans for expanding their aid allocations and taking other measures to make their official assistance more effective. Ministers of OECD countries, donors of aid, reaffirmed the intention as expressed by their countries in different fora to increase effectively and substantially their official development assistance and to achieve an improved balance of their efforts in this regard. They agreed to examine further how best to ensure that larger aid allocations are effectively spent.

## **IV. Other matters**

### **Illicit payments**

24. Ministers expressed their satisfaction with the substantial progress made this year by the special working party of the United Nations Economic and Social Council in the preparation of a treaty to

prevent illicit payments in connection with international commercial transactions. They expressed the wish that subsequent progress would permit that a conference of plenipotentiaries could be convened at the earliest possible date.

## **Annex II to the Communique of 1978**

### **POLICIES FOR ADJUSTMENT: SOME GENERAL ORIENTATIONS**

1. Certain industries, regions and groups in the labour force have been particularly hard hit by the sequence of events since the early 1970s the synchronous boom, inflation and the oil crisis which have changed relative prices, cost structures and patterns of demand. Adjustment to these changes has been rendered more difficult and painful by slow growth, high unemployment and longer-run trends which have increased fixed costs.
2. Given the persistence of abnormally high unemployment there has been a short-term case to cushion the impact of these changes by selective measures designed to maintain existing employment and preserve existing productive capacity. Over time, however, there is likely to be a deterioration in the tradeoff between the short-term economic and social benefits from such measures and their longer-run costs. Action to provide help at the specific point at which labour is about to be laid off, or producers to go out of business, will, if rolled forward, often turn out to be action to support employment where labour is being used least efficiently or to produce products for which there is no longer a market. The economy will gradually become both less productive and more inflation prone. Moreover, such domestic measures may have much the same effect as protection at the frontier in enabling inefficient producers to compete with foreign suppliers and in delaying necessary structural adjustments. They may both create a vested interest in protection in the country concerned, and provoke protectionist reactions in other countries.
3. A more constructive approach is to further adjustment to new conditions, relying as much as possible on market forces to encourage mobility of labour and capital to their most productive uses. At the same time, governments are pursuing other social and political objectives concerning the social and physical environments, the distribution of income, and the fair sharing of the burden of adjustment to structural change. It is essential, however, that these goals should be sought through policies which minimise any resulting costs in terms of reduced economic efficiency.
4. It is difficult for countries to shift away from defensive action to prop up weak sectors unless overall demand is rising fast enough to provide alternative employment elsewhere. Equally, however, a progressive shift away from defensive policies is necessary, along with appropriate macro-economic policies, to ensure sustained growth. Otherwise, with labour and capital locked into declining activities, bottlenecks will emerge and renewed inflation will constrain expansionary policies and undermine the recovery. A progressive shift to more positive adjustment policies must, therefore, be an integral part of the programme of concerted action for more sustained and better balanced growth in the world economy.
5. While there is a close interrelationship between growth and adjustment policies, it should not be interpreted rigidly. In some cases, action can and should be taken in advance of achieving faster growth. This applies generally to measures designed to avoid introducing further rigidities into the economic system or to alleviate existing ones. It may also apply where the budgetary costs have become too high, or where labour and capital need to be shifted in the interest of improving the competitive strength of countries with a weak balance of payments, or of shifting resources away from the export sector in countries with an excessively strong external position. On the other hand, there may be cases where the phasing out of temporary measures with a high short-term social return and relatively low short-term economic cost can be left until appreciable progress has been made in reducing unemployment.
6. In sum, a reasonably strong rise in aggregate demand and the prospect of sustained growth are required if governments are to shift to more positive adjustment policies, but the rise in demand will not be sustainable unless such a shift is started at the earliest possible opportunity.

## Industrial Policy

7. In responding to requests for help from enterprises in the industrial sector in financial difficulty, it should be recognised that under normal conditions there is usually a presumption against selective action to assist loss-making activities, in favour of more general measures. Where the difficulties being encountered are mainly cyclical, they will normally be best handled by measures to facilitate access to external sources of finance and to raise demand and improve profitability in the economy as a whole. Even where the difficulties are more deepseated, reflecting unanticipated adverse trends in demand or competition from other sources of supply, special intervention will normally only be justified if the economic or social costs of the necessary adjustments are likely to be unacceptably high in the short run, and cannot be adequately handled through existing policies to ease the burdens of adjustment. Thus, cases where specific action to protect or support individual sectors or companies in financial difficulty can be justified and are likely to be successful, should be relatively rare.

8. Where, nevertheless, governments find it necessary to intervene, experience has shown the importance of the following criteria:

- i) Action should be temporary and should, wherever possible, be reduced progressively according to a pre-arranged timetable.
- ii) Such action should be integrally linked to the implementation of plans to phase out obsolete capacity and re-establish financially viable entities, without, however, seeking to raise prices above levels providing an adequate return to efficient producers.
- iii) The cost should be made as evident as possible to decision-makers and the public at large. Careful attention should be paid to the cost to consumers of action which raises prices, to the cost to tax-payers, and to the effects of subsidised competition on employment elsewhere.
- iv) Where public funds are being injected into the private sector, it is desirable that private risk capital should be involved.
- v) Assistance given on a company-by-company basis should be framed so as to provide an incentive for improved management practices, notably by ensuring sufficient domestic and international competition.
- vi) Where the primary objective is to support employment in particular regions or towns, consideration should be given to action that can benefit any eligible company in the area concerned, rather than only those in financial difficulty.
- vii) While recognising that governments must pay due regard to the interests of national security, care should be taken to see that arguments based on considerations of self-sufficiency should not be misused to justify measures for protection and support.

9. To varying degrees, OECD governments have tried to follow industrial policies aimed at "picking the winners". Experience shows, however, that this is far from easy, particularly for industrial countries at the frontiers of technological progress and changing patterns of consumption, and possessing roughly similar factor endowments and management skills.

10. There are, however, directions in which according to country circumstances, policies based on rational economic criteria may seek to supplement market forces in promoting desirable developments. For example:

- i) There are certain areas where markets are unlikely adequately to reflect and anticipate future economic and social needs. This applies, for example, to research and development and investment in producing and saving energy; to improvements in environmental quality, health care, urban infrastructure. etc.

ii) Recent difficulties have caused many companies to reduce long-term research in advanced technologies involving large investments, in favour of research to meet more immediate requirements. Governments should, therefore, ensure that adequate incentives for long-term research and development exist.

iii) Since much technological progress and response to changed demands has come from small and medium-sized companies, there is a good case for strengthening policies designed to ensure that they have adequate access to venture capital and incentives and opportunities to innovate, specialise and modernise.

### **Employment and Manpower Policies**

11. The longer slow growth continues, the more important it becomes to ensure that measures to protect employment do not preserve unviable industrial structures, impede technological change and distort trade flows. The very success of such policies in alleviating unemployment can lead to strong pressures to carry them forward into the medium term.

12. There is a particularly strong link here between the conditions for sustained economic growth and a shift to more positive adjustment policies. To meet longer-run economic and social objectives:

i) There should be renewed emphasis on supply measures such as training, mobility and placement to facilitate adjustment to shifting demands, technological progress and changing patterns of trade.

ii) Job creation programmes should be targeted more directly to benefit clearly- defined disadvantaged groups encountering structural employment problems (youth, women, minorities and other target groups). As the general expansion of output gathers sufficient momentum to bring about sustained reduction in unemployment:

iii) General incentives to prevent redundancies should be phased out, or replaced by schemes which encourage taking on additional workers in other activities.

iv) Temporary job creation schemes in the public sector which merely serve to maintain employment in place of income support should be scaled down, while continuing to develop programmes to meet legitimate needs for increased public services.

13. Action is also necessary to reduce the rigidities and distortions in the labour market which have become increasingly apparent under conditions of slow growth:

i) Improved job security cushions the impact of change on individuals, gives them more time to adjust and provides compensation for the economic and social costs involved. At the same time, however, it may slow down necessary shifts in employment and may inhibit the investments called for by technological change; under conditions of slow growth, it also discriminates against those without jobs. In countries where this is a serious problem, there is a good case for shifting more of the costs of changing jobs (redundancy payments, retraining, etc.) from employers to society as a whole, either by taking them over directly or by providing compensation through the tax or transfer system.

ii) Companies ability to compete can be hampered and distorted by arrangements for financing social security which have the effect of levying a heavy tax on employment, particularly on the lowest paid workers. This introduces an unnecessary bias in favour of labour- saving investment and against labour- intensive activities which, paradoxically, the government may find itself having to protect or subsidise to enable them to compete with competition from " low wage" countries. The situation in this respect varies greatly between countries, but in some countries there appear to be good grounds for shifting from what are, in effect, taxes on the use of labour, to taxes on income or expenditure.

iii) Better functioning of the labour market calls for efforts by governments, unions and employers

to ensure that the structure of wages does not inhibit the adjustment of labour supply to changing needs and adversely affect the employment prospects of certain types of labour.

14. The capacity and willingness of labour to adjust to changing employment patterns is also influenced by the arrangements for providing income support to the unemployed. While such arrangements are essential to alleviate social hardship, and to give workers time to find new jobs suited to their needs and abilities, they should be carefully designed to ensure that, over time, they do not unduly affect attitudes to work and willingness to accept necessary change. Under conditions of persistent slow growth, there is also an increasing need for special employment programmes directed to the long-term unemployed.

### **Agricultural Policy**

15. Policies towards agriculture have traditionally been influenced by broad social and political objectives, taking into account different national conditions. As part of these policies considerable emphasis has been put on increasing agricultural productivity in OECD Member countries. Under conditions of slow growth, these policies have helped to support agricultural incomes and employment at a time when there have been fewer employment opportunities for surplus agricultural labour in the rest of the economy. Although, in this respect, these policies have a stabilizing effect, they involve risks and costs as set out in paragraphs 2 and 3. Under present difficult conditions with continuing inflationary dangers, it is particularly important to ensure that agricultural policies, no less than the other policies discussed above, are designed to achieve their social, economic and political objectives at minimum cost to the consumer and taxpayer without neglecting the legitimate interests of the agricultural producers and while ensuring the necessary overall food security. More generally, it is advisable to seek improvement in the functioning of agricultural markets as well as in their stabilization.

### **Regional Policy**

16. A recent OECD review of regional policies noted that there had been a shift towards assistance which was not regionally differentiated but went to sectors or enterprises facing severe structural problems or other difficulties. But since such support will not help to develop viable new industries in the weak regions, there will be a strong case for shifting the emphasis progressively back to measures more likely to be beneficial over the longer term, such as the provision of infrastructure and regionally differentiated fiscal arrangements.

### **Regulatory Policy**

17. In order to increase the ability of the economy to adjust to new conditions, governments could do more to reduce the uncertainties and the additional costs caused by their own policy actions. This implies efforts to avoid unnecessary regulation and reporting requirements, and to maintain better co-ordination, clarity and continuity in government regulations, including those regarding safety, health and the environment.

### **International Co-operation**

18. Continuation of defensive measures and lack of longer-run restructuring programmes in some countries will make it politically difficult for others to pursue their own adjustment policies. Collective agreement on the need to shift from defensive to more positive adjustment policies in the areas of industrial, employment and manpower, agricultural, regional and regulatory policies, as part of a concerted programme for more sustained and better balanced growth, will make it easier for each Member country to follow appropriate domestic policies, and to honour its commitments under the OECD Trade Pledge. It is also an affirmation of Member countries willingness to adjust to changes in their trade in manufactures and other products with developing countries. Continued efforts for co-operation and co-ordination of adjustment policies in the appropriate fora, whereby current and perspective developments are reviewed, analysed and discussed, should help governments to formulate policies which take into account possible impacts on other countries and involve a fair sharing of the costs of adjustment.

# Meeting of the Council at Ministerial Level in June 1979

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the Organisation for Economic Co-operation and Development met at Ministerial level on 13th and 14th June, 1979, under the chairmanship of Dr. Hannes Androsch, Vice-Chancellor and Federal Minister of Finance of Austria.

2. Renewed inflation and uncertain energy supplies have become major obstacles to achieving sustained economic growth and more jobs in OECD countries. Economic and energy policies must respond if serious consequences for both developed and developing countries are to be avoided. It will be easier to take the difficult decisions required if Member countries act together.

3. Ministers therefore agreed on the need for greater solidarity among Member countries. They carried forward the concerted action programme adopted last year, revised in the light of the current economic and energy situation, and agreed on some guidelines for policies over the medium term. They reviewed the outcome of UNCTAD V and reaffirmed their commitment to constructive co-operation with the developing countries.

### I. Overcoming the Obstacles to Sustained Economic Growth

4. The programme of internationally concerted action adopted last year has yielded positive results in more internationally balanced economic growth, reduced payments imbalances and greater exchange rate stability. It is encouraging that:

- some countries succeeded in bringing inflation back down to the level of the 1960s,
- where capacity utilisation has risen and profitability has improved, productive investment has picked up; and,
- where demand management policies and exchange rates have been working in the right direction international payments imbalances have been sharply reduced.

5. On the other hand:

- even before the sharp rise in oil prices the underlying rate of inflation had begun to pick up again in a number of countries;
- unemployment remains unacceptably high in most Member countries;
- there has been a serious turn for the worse in the shorter and medium term energy situation; and,
- with slow growth and high unemployment there is an ever present threat of increased protectionism in all its many forms.

6. *Inflation.* Ministers agreed that the most obdurate obstacle to faster growth and more jobs is the continuing high rate of inflation in many Member countries, and the risk that it may accelerate. Inflation undermines growth directly by creating uncertainty and inhibiting investment; it may also require governments to pursue restrictive demand management policies.

7. *Energy.* Ministers examined the economic implications of the energy situation. They took note of the outcome of the meeting of the IEA Governing Board at Ministerial level on 21st-22nd May. There is

now a real danger that, without responsible policies by oil consumers and producers alike, the energy situation will seriously damage the world economy.

8. Without effective action to restore balance in world oil markets the rise in oil prices could set off a new inflation-generated recession as in 1974-75. Many of the measures needed to reduce the growth of energy consumption quickly may be painful, but if they are not successful the inevitable consequences in terms of increased inflation leading to less growth and more unemployment will be far more costly and socially detrimental.

9. There is no escape from the reduction of real incomes caused by higher prices for imported oil; claims for compensatory increases in money incomes will only make matters worse by aggravating inflation and increasing unemployment.

10. *Payments imbalances.* Welcome progress has been made in reducing payments imbalances within the OECD area, but they could re-emerge due to strengths and weaknesses in countries competitive positions, and become again a constraint on growth.

11. Higher oil import bills will inevitably worsen the current account situations of oil importing countries. While existing financial mechanisms seem capable of providing sufficient finance to meet higher current deficits in most cases, the resulting increase in indebtedness is a matter of concern to oil importing countries, especially the developing countries among them. Ministers noted that in present circumstances, countries highly dependent on the spot market may face particular difficulties.

#### *The Policy Response*

12. Ministers recognised that economic and energy policies have become inseparable. They are convinced that there is a combination of policies which can, over time, significantly ease the energy and inflation constraints on economic growth and permit continued economic and social progress. To this end they have agreed on the following guidelines for policy.

#### *Policies for the Next 12-18 Months*

13. Ministers agreed that:

i) The demand management elements in last year's concerted action programme will be carried forward with particular emphasis on:

- the need for a cooling-off period in the United States to achieve an important reduction in the rate of inflation
- the desirability of avoiding a significant slackening of the growth of domestic demand in the rest of the OECD area, taken as a whole, and the role that, to varying degrees, Germany, Japan, Switzerland, Belgium, the Netherlands and Austria can play in this respect; and,
- the need for virtually all other countries to pursue cautious demand management policies in order to reduce inflation and, in some cases, external deficits which pre-date the latest oil price rise.

ii) To this end, however, effective action to reduce energy consumption, or increase production, or both, so as to implement the commitments agreed to in different fora to reduce Member countries demand for oil on the world market by some 2 mbd is essential. The present degree of understanding of the operation of the oil market is unsatisfactory and should be improved.

iii) Higher oil prices should be passed on in an appropriate manner to energy users in order to encourage conservation and the development of alternative energy sources. Member countries that have not already done so should raise the price of domestically produced oil to the world level as soon as possible.



- iv) Important efforts will be made to gain acceptance of the fact that the rise in oil prices reduce for all social groups, the scope for higher real incomes.
- v) An assessment is being made, as a matter of urgency, of the progress that countries have made towards reduction of oil demand, and, under the direction of the Economic Policy Committee, of the macro-economic consequences of the energy situation. When these have been completed the Organisation will examine the implications for demand management policy. If substantial further oil price increases have occurred, growth objectives for 1980 will have to be reduced. Failure to limit the pass-through of higher oil prices into higher money incomes could also make more cautious demand management policies inevitable.
- vi) Close monetary co-operation, including through arrangements agreed between the United States, Germany, Japan and Switzerland, through the European Monetary System and through the IMF, will be continued.

### *Policies for Overcoming the Medium Term Constraints on Growth*

#### *The Inflation Constraint*

14. Although there are differences between Member countries in the success they have had in restoring the conditions needed for sustained non-inflationary growth, improved economic performance requires consistent and sustained attention to the price stabilization objective. Countries where domestic pressures on the price level have been reduced are better placed to increase economic activity and reduce unemployment. Other countries must concentrate on achieving better price stability; as they succeed in this they will create the conditions for sustained growth and policies can become more growth-orientated.
15. Better price performance required *cautious and steady monetary and fiscal policies*. Budget deficits should not exceed any excess of savings in the private sector. Where rising taxes and social security charges have generated inflationary pressures the share of public expenditure in GNP will have to be restrained.
16. Better price performance also requires *further efforts to seek greater consensus and where appropriate modify wage and price setting behaviour* to restore the profitability of productive investment, ease inflationary pressures caused by the wage-price spiral, and facilitate necessary changes in relative prices and the structure of wages.
17. There is a risk that slow growth becomes self-perpetuating. It inhibits investment and encourages defensive attitudes on the part of Governments, business and labour such as protectionism and support for declining and inefficient activities. These reactions generally impair productivity and sharpen the inflation constraint on growth by raising costs and reducing the supply of available goods. It makes little sense to accept the need for a further period of unsatisfactory growth performance because of the inflation constraint if Governments then try to mitigate the effects on employment by measures which reduce productivity or increase costs and prices in other ways.
18. Cautious demand management policies should therefore be combined with action or the unwinding of previous actions *to improve the supply side by benefiting from lower cost imports, encouraging investment, and facilitating necessary structural adjustments*.
19. Ministers therefore stressed the importance of the special two-year programme on *positive adjustment policies* just adopted by the Organisation. All competent bodies of the Organisation will pay special attention to policies in their field of competence which have an impact on structural change. A special group of senior officials has been created to keep under review the macro-economic and international consequences of measures promoting or hindering necessary structural adjustments in the field of manpower, industrial, agricultural, regional, trade and other policies.
20. Positive adjustment should rely as far as possible on market forces to encourage mobility of labour

and capital to their most productive uses. Measures to help sectors or firms in difficulty should be temporary and integrally linked to the implementation of plans to phase out obsolete capacity and reestablish financially viable entities. Positive adjustment can be facilitated by the dissemination of better information on the costs and benefits of government measures, proper consultation between labour and management, vigorous action to maintain competition and curb monopoly power, policies that encourage research, innovation and investment, well designed regional policies, and efforts to avoid unnecessary regulation and reporting requirements.

21. Ministers also reaffirmed their attachment to an *open world trading system* and their determination to continue to fight against protectionism in all sectors and to work towards improvements in the system. They therefore:

- i) Welcomed the completion of the Multilateral Trade Negotiations, and stressed the need for timely and effective implementation of the results.
- ii) Extended their 1974 Trade Declaration (the "Trade Pledge") for an additional year.
- iii) Agreed to make particular efforts in the work of the Organisation in the coming year to study the problems of agricultural trade.

22. Ministers agreed that *better functioning of commodity markets*, including improved market access and security of supplies, would benefit both consumers and producers and reduce one potential source of inflation.

23. There was broad agreement on the need, in appropriate cases, to pursue *efforts to promote higher employment, particularly among the disadvantaged groups*.

- i) There may be scope for modifying hiring practices in the public and private sectors to alleviate the problems of youth and disadvantaged groups and to respond to the growing demand for flexible part-time job openings. The Organisation should study the possible role of marginal employment subsidies, and of shifts away from heavy payroll taxes, as well as the impact of migration policies on employment and the efficient functioning of labour markets.
- ii) The possibility of work-sharing arrangements should be assessed; but attempts to increase the number of jobs by accelerating the tendency towards a shorter working week have to be looked at with caution since they may have inflationary consequences.
- iii) There may be scope for expanded training and retraining programmes as a vehicle for improving skills and hence future productivity, while reducing current unemployment.

Measures such as those described above should be undertaken only after consideration of their possible adverse impact on productivity and inflation.

#### *The energy constraint*

24. Without strengthened policies energy supplies over the medium run will not be sufficient to support an adequate rate of economic growth. Taking into account the different situations in Member countries, Ministers agreed on the urgent need for:

- i) A pricing and tax policy for oil and other energy sources which recognises that the long-term trend of real energy prices is almost certainly upwards, and that this expectation should become firmly embedded in the consciousness of energy users.
- ii) Conservation programmes based on an appropriate mix of pricing policies, voluntary programmes, fiscal incentives and disincentives and mandatory controls where necessary; a major effort to increase production, trade and use of coal and gas; production of indigenous oil; continued development of nuclear power with the necessary safeguards, having due regard to legal

and constitutional provisions; major R & D efforts on new energy techniques and renewable energy resources; and assistance to non-oil developing countries in the identification and development of their energy resources.

### *The balance of payments constraint*

25. To ease the balance of payments constraints on growth:

i) Countries in a strong external position should maintain the momentum of domestic demand; deficit countries should concentrate on controlling domestic inflation; and exchange rates should play their proper role in the adjustment process.

ii) The structural imbalances that remain call for resolute policies to improve productivity and stimulate exports in the deficit countries, and policies by the surplus countries to encourage imports and rely primarily on domestic demand for economic growth.

iii) When current account imbalances nevertheless remain important, surplus countries should ensure offsetting capital outflows on a sustained basis. The Organisation is instructed to give further attention to these questions.

## **II. World Interdependence and Relations with Developing Countries**

26. Ministers considered the implications of global economic trends for relations with developing countries. They reaffirmed the need for strengthened co-operation with the developing countries which is an indispensable element in achieving more sustained and stable world economic growth and which provides an improved basis for development policies. They stressed that in view of the difficult global policy challenges ahead, improved co-operation with developing countries had assumed even greater importance.

27. Ministers discussed the results of UNCTAD V. They felt that, although the overall results of the Conference had been limited, valuable progress had been made in specific areas. It is now essential to continue constructive co-operation with developing countries in the appropriate fora and in the preparations for the new International Development Strategy. In this connection, Ministers noted the importance of the participation of all countries, including the industrialised countries outside OECD, in the international development effort.

28. Ministers welcomed the convening of the United Nations Conference on Science and Technology for Development to be held in August in Vienna as a major opportunity to promote effective international scientific and technological co-operation, especially for the benefit of developing countries, and pledged to work towards its successful conclusion.

29. Ministers noted the value of pragmatic forms of consultation and co-operation with developing countries in areas of significant mutual interest. The contribution that the Organisation can make in this should be actively examined.

### *Trade and Adjustment*

30. An expansion of world production and trade and further changes in their structures are essential means to raising living standards and promoting economic and social progress in developed and developing countries alike.

31. Ministers acknowledged the desire of developing countries to industrialise further and to contribute a larger share of world trade in accordance with their comparative advantage. They stand ready to assist in this process in such areas as trade, investment and technical co-operation.

32. Ministers stressed the importance to trade relations with developing countries of the general measures to maintain and further improve the open international trade system now being taken. In

particular they:

- i) Underlined the significance of the new special two- year programme of the Organisation on positive adjustment policies to facilitate mutually beneficial structural change in production and trade.
- ii) Emphasized the significance of the renewed Trade Pledge for their trade with developing countries.
- iii) Declared their determination to implement the results of the Multilateral Trade Negotiations and to build on these results taking into account the particular concerns of developing countries.

33. While OECD countries bear a particular responsibility in the maintenance of an open international economic system, they believe that developing countries, in particular those which have reached a relatively advanced stage of industrialisation and have shown their capacity to compete effectively on international markets, should gradually take a larger part in this effort: by liberalising trade both among themselves and globally, complying more fully with international rules in this field, and more generally adopting policies contributing to satisfactory trade and payments relations.

#### *Energy Co-operation*

34. Ministers reaffirmed their willingness to contribute to international energy co-operation among developed and developing countries and to discuss energy questions of mutual interest with oil-exporting and oil-importing developing countries. They welcomed the adoption by the World Bank of an energy programme which should serve to strengthen the domestic energy production of oil-importing developing countries and noted related activities by other international and regional institutions. They stressed the urgency of examining with interested developing countries the scope for strengthened co-operation to identify and develop these countries energy resources. They welcomed the report of the OECD Council Working Party established last year to develop a co-ordinated effort to help developing countries to bring into use technologies related to renewable energy, especially in the light of the forthcoming United Nations Conference on New and Renewable Energy Resources.

#### *Commodities*

35. Ministers noted with satisfaction the results of the negotiations on the Common Fund. They agreed to pursue, in a positive spirit, the establishment of this mechanism as well as the current discussions and negotiations on individual commodity agreements. They emphasized their interest in examining the scope for further action to strengthen food and commodity production and processing in developing countries, bearing in mind their development needs and priorities.

#### *Environment*

36. Stemming and reversing environmental degradation through deforestation, desertification and soil and water erosion is a matter of global concern and required international co- operation. Ministers recognised that developing countries have limited resources for such purposes and need international support.

#### *Aid and Financial Resource Transfers*

37. Ministers underlined the importance and substantially- increased and stable flows of aid, finance and investment. Recognising the essential role of aid, Ministers called for an expanded, qualitatively-improved, and equitably shared collective effort for official development assistance. Concessional transfers should, as far as possible, be concentrated on the least-developed and other developing countries most in need. They invited the Development Assistance Committee, bearing in mind the studies on this subject in other international fora, to conduct an in-depth review of the scope for improved financial co-operation with developing countries, at adequate levels and reflecting their specific development problems, including their debt problems with a view to contributing positively to

the new International Development Strategy.

### III. International Investment and Multinational Enterprises

38. The Ministers undertook the Review foreseen in the 1976 agreements on International Investment and Multinational Enterprises. They noted with satisfaction that the three related instruments approved in 1976, dealing respectively with guidelines for multinational enterprises, national treatment for enterprises under foreign control and with incentives and disincentives for investment, have demonstrated their effectiveness as a framework for strengthened international co-operation in matters related to international investment and multinational enterprises not only for the Member governments but also for the business community and the labour organisations.

39. Ministers affirmed the continued commitment of their governments to the 1976 Declaration. They agreed to steps designed to further strengthen the effectiveness of their co-operation in future. In this connection, as regards the guidelines for multinational enterprises, where one addition is being introduced, the follow-up procedures at national and international levels are to be strengthened and developed further through additional arrangements for consultations with business and labour and for reporting. Ministers also approved new work to be undertaken on the use of investment incentives and disincentives and the international repercussions on other countries of such measures.

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# Meeting of the Council at Ministerial Level in June 1980

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G8 CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the Organisation for Economic Co-operation and Development met at Ministerial Level on 3rd-4th June, 1980, under the Chairmanship of Mr. Kjeld Olesen, Minister of Foreign Affairs and Mr. Ivar Norgaard, Minister of Economic Affairs, for Denmark.

### I. The Economic and Energy Situation

2. Ministers noted that the programme of concerted action adopted by Member countries in 1978 had beneficial results which have continued to make themselves felt over the last twelve months, particularly as regards reduced payments imbalances. But unemployment has remained unacceptably high, inflation has remained deeply entrenched in many countries, and progress towards better balanced and less inflationary growth has been interrupted by the massive rise in world oil prices.

3. At their meeting a year ago Ministers agreed that the right response to the inflationary impact of higher oil prices was non-accommodating monetary policies and tight fiscal policies, coupled with important efforts to gain acceptance for the fact that the rise in oil prices reduces, for all social groups, the scope for higher real incomes.

4. These policies are beginning to produce some positive results. In most Member countries, the latest wave of inflation may be nearing its peak, and there should be a slow but steady improvement over the next twelve months (unless there is a further rise in oil prices). An encouraging feature is that in quite a number of countries the inevitable real income losses resulting from higher oil prices appear to be being progressively absorbed without a significant acceleration in money incomes. Unavoidably, however, the combination of the rise in oil prices and the necessary restrictive monetary and fiscal policies is leading to an economic slowdown and rising unemployment in the OECD area over the next twelve months.

5. After reviewing the prospects, Ministers agreed that the basic aim is to restore price stability and to promote in both the short and the medium term the conditions for investment-led supply-oriented growth in output and employment. This involves:

- Bringing the oil-induced surge of inflation under control and keeping or bringing about a relationship between costs and prices sufficiently favourable to make investment worthwhile.
- As this is achieved, and as continuing efforts to reduce the underlying rate of inflation take effect, policies to ensure a sufficient level of activity for productive investment to be needed as well as profitable.
- Positive supply-oriented policies to improve productivity and inflation performance, and provide more jobs, through raising the share of savings and productive investment in GNP and improving the operation of product, capital and labour markets.

#### *The Demand Side*

6. Ministers noted the slowdown expected for the economy of the OECD area. They agreed, nonetheless, that in the period immediately ahead priority should continue to be given to containing oil-induced inflation and protecting the profitability of productive investment, in order to restore the conditions for an increase in employment, through:

- Monetary and fiscal policies designed to prevent higher oil prices from pushing up the underlying rate of inflation.
- A dialogue between or with the social partners on the need to accept the consequences of higher

oil prices on real incomes, and on the role of labour market policies and other policies to improve the investment climate and the employment situation.

7. Ministers agreed that it would be a serious error to relax tight monetary and fiscal policies until the current surge in inflation has demonstrably been brought under control and the consequences of higher oil prices on real incomes are fully absorbed. As these are achieved, more buoyant private demand should emerge, particularly as adherence to target rates of monetary expansion should lead to significantly lower interest rates as credit demand eases and inflationary expectations subside. But, in many countries, it is doubtful whether on present policies there will be an entirely self-generated recovery. As the second oil shock is successfully absorbed, therefore, it may become desirable and possible to shift back to a less restrictive fiscal stance consistent with a balanced medium-term growth path. Countries where the underlying rate of inflation remains a major problem will, however, have to continue a restrictive monetary and fiscal stance, while countries where the oil shock has been absorbed and the underlying rate of inflation is satisfactory should not delay shifting their policy stance if the self-generated elements of recovery prove insufficient.

8. To the extent that, in the context of continuing efforts to reduce underlying inflation rates, room for fiscal action emerges over time, priority should be given to measures which lower costs and encourage investment, particularly investment in energy production, fuel switching and conservation.

9. Ministers agreed that Member countries, as a group, will have to accept a large but diminishing current account deficit, corresponding to their share of the counterpart of the OPEC surpluses, for some time to come. All countries will have to pursue policies designed to reduce inflation and to promote structural adaptation to higher energy prices. Those countries which have no difficulty in external financing should refrain from taking policy measures specifically aimed at reducing current account deficits.

10. Ministers stressed the continued importance of close co-operation on monetary policies and exchange market intervention to avoid excessive exchange rate variations, or variations in interest rates which do not correspond to the internal needs of the economy, as means of dealing with major changes in the pattern of international payments.

### *The Supply Side*

11. Ministers agreed on the importance of supply-side measures to encourage investment and improve the operation of the market mechanism through the removal of distortions and rigidities, vigorous action against restrictive business practices and maintaining an open system for international trade and investment.

12. Ministers agreed that policies which would encourage more buoyant productive investment over the medium run should:

- Ease the pressure on resources and taxable capacity in countries where public expenditure has been rising too fast.
- Avoid sharp or unpredictable changes in the direction of policy, so as to reduce uncertainty.
- Promote reforms, where appropriate, to remove existing structural biases against the use of capital, and measures to improve the operation of capital markets and increase the supply of risk capital.
- Bear in mind the need to ensure an efficient international allocation of investment.

13. Ministers agreed that measures to remove or attenuate rigidities in labour markets should, over time, improve productivity and inflation performance, prevent the early emergence of bottlenecks as growth picks up, and enhance employment prospects in the medium term even where there are short-term job losses.

14. Ministers agreed that even if a satisfactory solution of the employment problem was not within reach in the short term, great efforts should be made to alleviate those aspects of the unemployment situation

which can be effectively dealt with under present circumstances. The prospect of continuing high and rising levels of unemployment, especially among young people strengthens the case for such approaches as targeted programmes of training and work experience and, where appropriate, job creation or incentives to improve the employment prospects of disadvantaged groups as well as migrant workers.

15. In putting stress on the supply side, Ministers reaffirmed the importance of the Orientations for positive adjustment policies, relying as far as possible on market forces to direct labour and capital to their most productive uses, which they adopted in June 1978, and welcomed the encouraging progress made in the Organisation's work in this area.

### *Energy*

16. The oil price increases in 1979/80 are severely damaging the world economy. Moreover the occurrence of two large and sudden price increases since 1973 reflect continuing danger for future economic and social development worldwide. The degree of risk is underlined by the fact that the multiple price increases since the beginning of 1980 have occurred despite falling oil demand, and appear to have been made without taking into account their adverse impact on the world economy.

17. Given the dangers outlined above and in particular the currently fragile state of the world economy and the serious damage that would be done by further large and sudden oil price increases, Ministers agreed that adequate arrangements to limit the damaging effects of short-term market disruptions will have to be carried through and adapted to the situation as it evolves.

18. Ministers agreed that, in order to restore satisfactory conditions for economic growth, strong policy action to improve the energy supply/demand pattern in the medium term is an urgent necessity. Ministers agreed that for this purpose the price mechanism has an important role to play in accelerating the process of using energy more rationally, switching away from oil and increasing production of alternative sources of energy, and thus bringing about the necessary structural change. It is therefore important for OECD countries, both as producers and consumers of energy, to make proper use of the price mechanism, fiscal measures and other energy policy measures to strengthen and hasten the action needed.

19. Decisions have been taken by OECD countries in various frameworks in order to:

- Strengthen energy policies in ways which ensure that structural changes in energy economies actually do take place over the medium term, reducing the need for energy, and oil in particular.
- Make proper use of short-term instruments to limit the damaging effects of short-term disruptions, which could occur in the oil market.

In this respect Ministers took note of the decisions taken at the meeting of the IEA Governing Board at Ministerial level on 22nd May, 1980. Ministers agreed that action on these lines is essential for continuing economic and social stability.

### *International Trade*

20. Recognising that an open multilateral trading system is a prerequisite for the achievement of their macro-economic objectives and the importance of vigorous efforts to resist protectionism, governments of OECD Member countries have adopted the attached new Declaration on Trade Policy. They have, in particular, declared their determination to maintain and improve the open and multilateral trading system, implement fully and effectively the commitments made in the Multilateral Trade Negotiations, strengthen trade relations with the developing countries, and avoid restrictive measures in the trade field and on other current account transactions. They also agreed to continue efforts to ensure a more general public understanding of the advantages for all of an open trading system.

21. Ministers, having in mind their common aim to expand world trade, gave their full support to the efforts under way to adapt the terms of the Arrangement on Export Credits to bring them closer to current market conditions and reduce distortions in export competition, recognising the differentiated



treatment of developing countries in the Arrangement. They welcomed the immediate measure recently taken in the field of interest rates and encouraged the Participants in the Arrangement to pursue their efforts, as it was agreed among them, with a view to reaching a mutually acceptable solution by 1st December, 1980.

22. Ministers reaffirmed the importance they attach to international co-operation in the field of commodity policy in the interest of all producer and consumer countries, recognising the special interests of developing countries in this field. They expressed their determination to contribute to the successful outcome of the negotiating conference on a common fund and to progress in discussions and negotiations on commodities and commodity agreements with a view to improving international commodity trade, in particular long term supply and demand prospects.

23. Ministers also agreed on the need to:

- i) ensure that actions taken to deal with the problems of specific sectors, including those in the field of trade policy, conform to the agreed Orientations for positive adjustment policies, and are consistent with the objectives of containing inflation and improving productivity and with the mutual benefit deriving from the increased trade between developed and developing countries;
- ii) intensify efforts in the agriculture sector towards the achievement of the objectives agreed at the meeting of the Committee for Agriculture at Ministerial level in March 1980, inter alia to facilitate a more efficient use of agricultural resources on a world-wide scale and an orderly expansion of world trade and to improve both access to markets and security of supply and to avoid trade practices that lead to market distortions.

24. Ministers considered the implications of global economic trends for relations with developing countries and affirmed their determination to respond positively to the needs of developing countries in the difficult period ahead. They stressed the importance of constructive co-operation with developing countries in forthcoming international negotiations with the aim of restructuring international economic relations in order to improve the functioning of the interdependent world economy and to help developing countries to achieve rapid economic and social development.

25. Ministers emphasized that the effects which the economic slowdown in the OECD area may have on developing countries growth must and can be minimised and that it is critically important for developing countries as well as industrial countries that policies strive to this end. They stressed that in the current circumstances it is in the best interest of all that OECD countries pursue policies which curb inflation and favour investment over consumption, thereby laying the ground for faster non-inflationary growth in the 1980s.

26. The immediate consequences for developing countries of the oil price rises and the economic slowdown in the OECD area are major increases in their current account deficits and balance-of-payments adjustment problems. Ministers considered that the situation called for a combination of effective mechanisms for development and balance-of-payments financing and determined policies: by developing countries to contain inflation, to adjust to external constraints and to step up productive investment as part of coherent adjustment and longer-term development efforts; by OECD countries, in addition to their development financing efforts, to maintain open markets to facilitate developing countries efforts to expand exports.

#### *Effective Mechanisms for Development and Balance-of-Payments Financing*

27. Ministers recognized the key role of the recycling process. They recognised the difficulties of the developing countries in their development and balance-of-payments financing which have been increased by the deterioration in the global economic situation. They were agreed on the importance of keeping existing arrangements for coping with development and balance-of-payments financing needs under review. Ministers believed it was important to ensure that mechanisms, policies and resources were adequate. They noted that these matters were under consideration in the International Monetary Fund and in the World Bank and expressed the wish that the complementary work in the OECD on

recycling problems for developing countries should continue to be pursued.

28. Ministers emphasized that, especially in view of the difficulties of some developing countries in attracting commercial lending, the international financing institutions must play an important role in providing adequate financial assistance including lending for structural change, while encouraging effective adjustment policies. They agreed that these institutions should have effective policy and financial support and that legislative delays in replenishment actions should be overcome as quickly as possible. They fully support the adaptations in the international financial institutions now underway.

29. Ministers agreed that in this period of difficult adjustment and development financing problems increased levels of official development assistance are of particular importance for developing countries, especially the most disadvantaged among them. Ministers affirmed the determination of their governments to contribute adequately and to the best of their ability to the international aid effort, in accordance with their commitments to the international aid objectives. They stressed the importance of improved aid effectiveness and quality to achieve the greatest possible development effects and to sustain public opinion support. Ministers welcomed that OPEC countries have become a major source of aid and hope that these countries will decide to channel part of their increased earnings into renewed ODA expansion. They expressed the hope that CMEA countries would strengthen their contribution to the international development assistance effort.

#### *Direct Investment*

30. Ministers emphasized the importance of an improved investment climate to achieve an enlarged flow of direct investment to developing countries. The negotiations in the United Nations on a Code of Conduct for Transnational Corporations should result in a positive outcome at an early moment. Ministers expressed their determination to contribute to this result.

#### *Trade*

31. The determination of OECD governments to strengthen trade relations with the developing countries is reflected in the new Declaration on Trade Policy and other relevant conclusions of this meeting (see paragraphs 20-23 above). Ministers stressed the potential advantages of the Multilateral Trade Negotiations for developing countries and noted that the greater the number of countries which decide to use and participate in the mechanisms provided by Multilateral Trade Negotiations, the greater will be the prospect of improvements in trade relations between developed and developing countries. Ministers also recognised the importance of commodities for the export earnings of the developing countries. As stated in paragraph 22 above, they expressed their determination to continue their efforts to promote international co-operation in the commodity field, including in negotiations on a Common Fund, bearing in mind the special interests of the developing countries.

#### *Energy Co-operation*

32. Ministers affirmed the importance they attach to discussion of energy issues with developing countries with a view to considering questions of common interest. They stressed the need for strengthened co-operation with interested developing countries to help them in identifying and developing their indigenous energy resources, thereby contributing to their own economic development and to more balanced world energy markets. In their view this is a particularly promising area for co-operation between industrial countries and oil-exporting countries. OECD countries are also ready to strengthen industrial and technological co-operation with oil-exporting developing countries to help them in their efforts to build strong and diversified economies.

#### *Food Supply and Food Security*

33. Ministers agreed that action to secure adequate food supplies and greater food security are high priority international objectives. International measures to support national programmes to increase food production, particularly for low-income food deficit countries, should be considered urgently. In this context, they stressed the desirability of an improved grains agreement and measures to reduce

fluctuations in agricultural markets.

### *Refugees*

34. Ministers noted that the numbers and problems of refugees were growing dramatically, and stressed the need for greater and more timely relief efforts.

### *The Brandt Commission Report*

35. Ministers welcomed the Report by the Independent Commission on International Development Issues which should provide a major impetus to action by increasing awareness of the common interest in and responsibility for better balanced global economic progress and of the incompatibility of widespread extreme poverty and privation with global peace and progress.

### *The New International Development Strategy and The Global Negotiations*

36. Ministers attach great importance to the adoption by the upcoming Special Session of the United Nations General Assembly of the new International Development Strategy for the coming development decade as an expression of the determination of the international community to make progress towards the fundamental objectives of development - improving the productivity of the economy and welfare of people, especially in the most disadvantaged developing countries, and working towards more equitable international economic relations. It is important that the new Strategy be realistically ambitious, comprehensive and provide an effective framework for improved development co-operation.

37. Ministers welcomed the forthcoming global negotiations on international economic co-operation for development as a major opportunity to tackle problems of common concern. They expressed their determination, after adequate preparation, to contribute to the success of these negotiations which should reflect the common interest of all participating countries. They reaffirmed the commitment of their governments to General Assembly Resolution 34/138 and emphasized the necessity of agreement on an agenda and procedures under which:

- there is concentration on problems of importance for the global economy and for development;
- a coherent and integrated approach is ensured;
- full use is made of the competence of the existing specialised bodies;
- the contributions of all countries can be mobilised.

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# Meeting of the Council at Ministerial Level in June 1981

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	OR CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the Organisation for Economic Co-operation and Development met at Ministerial level on 16th-17th June, 1981, under the Chairmanship of Mr. Jose Desmarests, Deputy Prime Minister and Minister of Planning, and Mr. Willy Claes, Deputy Prime Minister and Minister of Economic Affairs, for Belgium. Attention was concentrated on Member countries economic prospects and policies, current trade problems, the energy situation and relations with developing countries.

### I. Economic Prospects and Policies

2. Despite some encouraging developments, notably the way in which OECD Countries have adjusted to the second oil shock, Ministers recognised that they were meeting at a time when OECD economies were facing particularly difficult and complex problems, with unemployment high and continuing to rise, inflation stubbornly high despite weak activity, money and exchange markets afflicted by inflationary expectations and uncertainty, and persistent global adjustment problems.

3. Ministers recognised that these problems have their roots in economic developments and policies going back a number of years. External circumstances, including two massive oil shocks, have been a major factor. It is also clear, with hindsight, that insufficient attention to the medium-term inflationary and structural consequences of some policies adopted over the past two decades has contributed to current difficulties. Ministers noted that, just as it took time for these problems to develop, it will take time to resolve them.

4. Reviewing performance over the past year, Ministers agreed, however, that there were some encouraging factors. The general adoption of non-accommodating monetary and fiscal policies in the wake of the 1979-80 oil crisis has helped prevent higher oil prices from pushing up the domestically generated underlying rate of inflation. In contrast to the first oil crisis, there has not been a serious profit squeeze or decline in business confidence that would have sapped the recovery of investment over the longer term. The demand for energy, and oil imports in particular, has been reduced substantially as a result of increasing adaptation to the higher energy prices and vigorous energy policies.

5. Looking ahead, some further slowdown of inflation can be expected. In the United States, recent buoyant growth is expected to moderate for a time. In Japan, steady growth is expected to continue, with some acceleration next year. In many other OECD countries, particularly in Europe, the recovery in demand and activity may come later this year or early in 1982, but may be insufficient to prevent a further rise in the already high levels of unemployment, especially in view of the expected rapid growth of the labour force.

6. Significant exchange rate variations have taken place during recent months. The pronounced depreciation of continental European currencies and the appreciation of the dollar will raise the price of imports in Europe and thereby weaken domestic demand, increase inflationary pressures and contribute to worsening unemployment prospects in the near term. Recovery will also be delayed by the sharp rise in interest rates in many countries, resulting in part from efforts to limit further depreciation of their currencies. On the other hand, an improvement in the competitive position of Europe can be foreseen provided that the inflationary consequences of the depreciation are contained. This in turn can help to promote a stronger recovery later this year and improve exports and employment prospects.

7. Ministers discussed the likely duration of the transition to improved growth and economic performance. In particular, it was noted that the constraints on the conduct of monetary policy in some European countries may lessen progressively when their external positions begin to improve; also some

relief might be provided if the modest easing of oil prices is sustained for a period. A relatively rapid downward adjustment of inflation, inflationary expectations and interest rates in the United States would also ease the path to the achievement of better economic performance for other countries. Conversely, the persistence of other factors putting downward pressure on European currencies or a slower adjustment of U.S. interest rates might tend to lengthen this transition. These are difficult questions, and therefore assessments differed.

8. Assessments also differed over the risks, in this transition period, to better longer-term performance. Some emphasized that ill-timed action to reflate demand would risk undoing the progress made on reducing inflation and would result in a further entrenching of inflationary expectations, with consequent worsening of growth performance. Others stressed that, in the absence of strengthened demand, there would be increased risks of protracted high unemployment, heightened protectionist pressures, amplified structural distortions and weakened investment and productivity gains.

### *Policy Stance*

9. Ministers emphasized that the objective of economic policy was to enhance the well-being of people. In the present circumstances curbing inflation and reducing unemployment must be of prime concern. Ministers reaffirmed that bringing down inflation and inflationary expectations is the indispensable condition for re-establishing the basis for durable increases in employment and more vigorous sustainable growth. The most effective policies to reduce unemployment in the long run are those which improve the overall performance of OECD economies by revitalising productive investment and enhancing market efficiency. All possible steps should be taken to implement these policies in ways that provide a basis for increased employment.

10. Ministers recognised that achievement of these objectives requires the balanced use of a range of available policy instruments, taking account of the interdependence among countries and the need to find the right balance between action directed to conjunctural and structural problems, the demand and supply sides, and the short and medium run. To this end, Ministers agreed:

- i) An appropriate set of policies should be followed, the mix of which depends partly on the situation of each individual country. In all countries, monetary and fiscal policies need to remain steadfastly non-accommodating of inflation, conducted with a medium-term focus and in a complementary fashion so as to avoid financial market pressures. A budgetary composition and stance that promote rather than inhibit investment should steadily be aimed for.
- ii) The implementation of such policies, however, needs to be carefully judged. Where private demand is strong, a fiscal stance that fully supports the achievement of monetary policy objectives is particularly necessary. Where inflation threats are intensifying, and structural public sector deficits are persistently high, resolute measures are called for to curtail such deficits. Where unemployment is high and rising, attempts to reduce deficits quickly would risk being self-defeating if they induced further conjunctural weakening.
- iii) Such mutually supportive monetary and fiscal policies should, as inflationary expectations subside, also allow durably lower interest rates.
- iv) To achieve smooth balance-of-payments adjustment, exchange rates should reflect fundamental economic factors. But care is needed in the conduct of policies so that exchange rate fluctuations associated with interest rate volatility and other short-run factors do not gain momentum, leading to a vicious circle between imported and domestic inflation. To this end, it is of great importance also to find means of modifying practices and arrangements that accentuate the transmission of imported price changes into domestic inflation.
- v) Action to maintain and, where possible, improve the free and open trading system, and to create a climate conducive to technological innovation is essential to achieving a less inflationary and more dynamic economic environment. The Orientations for a progressive shift to more positive adjustment policies adopted by Ministers in 1978 remain as valid as ever, and indeed acquire a

new urgency in current circumstances.

vi) Depending on circumstances in individual countries, price and incomes policies and other measures to develop a stronger consensus through an improved dialogue between the social partners, enhanced and improved skill-training programmes, the non-inflationary redistribution of working time, targeted investment or employment incentives, and measures to improve labour productivity and market flexibility-can also play an important role in accelerating the transition toward a sustainable absorption of the unemployed into productive jobs.

vii) In all countries, effective social policies are necessary. Equally, however, at a time when most OECD economies are striving to improve economic performance, there is increasing need to understand and reduce the possible adverse effects of some aspects of these policies on economic performance, or indeed on the efficient achievement of their own aims.

11. Ministers reiterated the importance of a co-operative approach to the conduct of macro-economic policies and the importance of taking into account the effects of their actions on others. They affirmed again that nowhere is such co-operation more important than in maintaining the open trade and payments system.

## **II. Trade Problems and Policies**

12. Ministers noted that despite the deterioration of the economic situation, governments have managed to keep the general Orientations of their trade policies in line with the objectives of the Declaration on Trade policy adopted in June 1980. Ministers agreed however that the persistence of serious economic difficulties and consequential protectionist pressures required increased and vigorous efforts by governments to avoid a progressive erosion of the open and multilateral trading system. They emphasized in particular the dangers inherent in recourse to trade measures not subject to agreed rules and disciplines and to trade-distorting subsidies and practices.

13. Ministers discussed the interrelations between trade, industrial, agricultural, fisheries and macroeconomic policies. They agree that:

- Macro-economic policy should take account of the risks of rising protectionist pressures, while trade, industrial, agricultural and fisheries policies should be conducted in recognition of the ultimately self-defeating nature of defensive action based on short-term considerations.
- Trade restrictions will not help to overcome trade problems arising from differences in productivity performance between countries; they will, over time, only aggravate them. The best solution consists in continued efforts towards positive adjustment. If difficulties are to be avoided, it is also essential that real incomes should adjust to differences in productivity trends and exchange rates should adjust to changes in competitive strength.
- Government intervention in sectors experiencing structural difficulties should be progressively reduced with the aim of facilitating their return to the normal play of market forces in reasonable time; resumption of expansion would ease such a return.

14. Ministers reaffirmed the objectives of the Declaration on Trade policy adopted last year and their determination to maintain and improve the open international trading system. They agreed on the need to strengthen multilateral co-operation in order to reduce the difficulties and to ensure that trade flows continue to play an efficient role in the achievement of structural adjustment and of other general economic objectives. Their Governments will make full use of existing international institutions and multilateral rules and procedures in the trade field, recognising that in certain respects some of these rules and procedures require improvement and adaptation to current requirements. Moreover Ministers stressed the general desirability of transparency so that all trading partners may assess the content and impact of trade measures.

15. More specifically, Ministers:

- i) Reaffirmed the determination of their Governments to implement fully and effectively the

commitments made in the Multilateral Trade Negotiations and agreed on the importance of action in support of the search for ways and means to improve and to liberalise conditions of international trade including in those fields which had up to now a lesser part in the process of liberalisation. They therefore recognised the need to reflect on the issues to be addressed in the trade field during the next decade. This Organisation will play an important role in examining the issues. To this end they invited the Secretary-General to begin as soon as possible to develop a programme of study within the Organisation, with a view to allowing the appropriate bodies to make a report on the issues by 1st May, 1982, for consideration by the Ministers.

ii) Regretting the absence of agreement to date, they stressed the urgent need to resolve the important outstanding issues with regard to the adaptation of the Arrangement on Export Credits. They urged Participants in the Arrangement to continue actively their negotiations over the coming months with the aim of reaching a mutually acceptable solution before the end of the year. For that purpose Participants should meet at whatever level necessary to reach decisions before the end of the year.

iii) Noted a progress report on the study of problems of agricultural trade which had been undertaken in accordance with the directives they had given a year ago. They agreed to discuss the study at their meeting in 1982.

iv) Welcomed the increased attention given within the Organisation to the service sector in view of the important role played by services in Member countries national economies and in international trade. They recalled that the principles and objectives concerning the liberalisation of international transactions contained in the OECD Convention and referred to in the Declaration on Trade Policy of 4th June, 1980 covered the exchange of services as well as of goods. Ministers expressed the wish that the on-going OECD activities in the field of services be carried forward expeditiously. They agreed that, in the light of the results of these activities, efforts should be undertaken to examine ways and means for reducing or eliminating the identified problems and to improve international co-operation in this area.

### **III. Energy Policies**

16. Ministers reviewed the action taken on energy in various fora and agreed that:

- the oil market situation remains fragile despite reduced oil consumption and relatively stable supply;
- oil stock levels and measures for handling supply disruptions require close attention;
- the structural changes necessary to accomplish the transition away from oil and thus to assist in delinking economic growth and energy uses have begun and are gathering momentum, but better results can be achieved through intensified efforts, including actions to encourage more rational and economic use of energy and to increase the use of coal and, in many countries, nuclear power, new and alternative energy sources, appropriate pricing policies and research and development efforts.

17. Ministers particularly stressed the risk of complacency due to the present easing of the market and pointed out the need to continue strong efforts to reduce vulnerability to possible future supply disruptions, and that it is therefore necessary to encourage the rational use of energy and increased energy supplies.

18. In this respect, Ministers took note of the oral report by the Honourable J.L. Carrick of Australia, Chairman of the meeting of the Governing Board of the International Energy Agency on 15th June, on the results of that meeting.

### **IV. Relations with Developing Countries**

19. Ministers emphasized the continuing fundamental commitment of their governments to co-operate with the developing countries in their mutual interests to achieve better economic growth and sustained

improvements in the welfare of their peoples. Successful adaptation to growing world economic interdependence and stronger resilience of developing countries are important factors for world stability and peace. While development depends, of course, first and foremost on the developing countries themselves, Ministers emphasized the continued contribution which must be made, by their countries and other countries in a position to do so, both to development co-operation and to the promotion of the effective and mutually beneficial functioning of the world economy.

20. In the current world economic situation, Ministers were acutely aware of the balance-of-payments burdens and other economic problems affecting many developing countries. They agreed that present world economic difficulties, including problems of stagflation in many industrial countries and the disequilibrium in international payments, must be addressed urgently, recognising that their solution will require sustained efforts. They believe that successful implementation by the governments of OECD countries of the policies outlined in the preceding sections should help the developing countries in their adjustment and development efforts. They noted that developing countries too will wish to judge carefully their domestic economic policy stance.

#### *International Financial Co-operation and Official Development Assistance*

21. Ministers welcomed as an important achievement in international co-operation the expanded role of the International Monetary Fund in the financing and adjustment of global payments imbalances, particularly those of developing countries. They underlined the importance of providing the multilateral development institutions with appropriate resources. They stressed the urgency of efforts to complete the procedures necessary to enable the IDA, an essential source of concessional assistance for the poorer developing countries, to resume its activities.

22. Ministers noted that in 1980 official development assistance flows from DAC Members as a group were 40 per cent higher, in real terms, than in 1970. Ministers agreed that further increases in official development assistance are important for developing countries, in particular for the most disadvantaged among them. They affirmed the determination of their governments to contribute, to the best of their ability, to an increased international development assistance effort in accordance with their commitments to the international aid objectives. Ministers welcomed the aid given by OPEC countries and expressed the hope that these countries would further strengthen their contribution to the international aid effort. They considered that CMEA countries should make a greater and more effective development assistance contribution

23. Ministers agreed that experience gained over the last two decades had brought about an improvement in aid quality. Aid had made a significant contribution to the advances that have occurred in developing countries production capacity, infrastructure and human resources. In this regard, Ministers emphasized the importance of the policies of both recipient and donor governments in facilitating greater effectiveness of development assistance.

24. Ministers endorsed the work of the OECD Development Assistance Committee on improving the volume and quality of aid and noted the decision, in principle, by the World Bank/IMF Development Committee to establish a task force to carry forward and widen the continuing study of the problems affecting the volume and quality and effective use of concessional flows, both in the shorter and longer term.

25. Ministers stressed the urgent character of the problems and needs of the most disadvantaged developing countries. They agreed to pay special attention to the problems of these countries. Ministers considered the United Nations Conference on the Least-Developed Countries to be an important opportunity to provide impetus to national and international action for strengthening the development of these countries. They declared their intention to play a constructive role in working towards realistic measures to achieve this objective.

#### *Trade and Investment*

26. Ministers recalled their determination, as expressed in the 1980 OECD Declaration on Trade Policy,



to strengthen trade relations with developing countries, taking into account the desirability of differential and more favourable treatment for developing countries, having in mind their special and differing needs, in particular those of the least-developed among them. They recognised the crucial importance of export earnings for developing countries and the favourable effects of high growth in these countries for the world economy. They reaffirmed the need to avoid restrictive measures which might inhibit the dynamic development of trade with developing countries. They underlined that, in addition to liberalisation of trade by industrialised countries, mutual benefits for all trading partners would derive from progressive trade liberalisation efforts by developing countries in a position to do so and, more generally, from the further integration of developing countries into the international trading system.

27. Ministers welcomed the agreement on the establishment of the Common Fund. They expressed their determination to continue their efforts to promote international co-operation in the commodity field. They also welcomed the work of the Organisation on investment in commodity production as well as on broader supply and demand issues in the interests of producers and consumers alike.

28. Ministers agreed that international private capital flows play an essential role in development. They endorsed continuing efforts by the Organisation to facilitate these flows. They noted the significant and particularly effective role of direct investment, which carries with it the advantages of technical, managerial and marketing expertise. They underlined the importance of an appropriate investment climate, and expressed the hope that activities in the United Nations in the areas of international investment, the transfer of technology and restrictive business practices would contribute to expanded and mutually beneficial investments.

#### *Food Production and Food Security*

29. Ministers agreed that food production and food security in developing countries are of major concern. They considered that development assistance efforts, including appropriately designed food aid, to assist domestic efforts and policies in developing countries to strengthen food production and to improve food distribution and nutritional standards, are matters of priority. In this context policies aimed at improved market stability and at enhanced food trade are also essential for attaining food security.

#### *Meeting Developing Countries Energy Needs*

30. Ministers stressed the scope for realising significant mutual benefits in diversifying world energy supplies by means of helping developing countries to deal with their particular energy problems, which range from the difficulty of meeting their oil importing requirements to the growing shortage of fuelwood. Ministers agreed that the development of conventional energy resources was a priority area for co-operation with developing countries. Financing and development of energy production will be an important task for both private and public sector institutions. In this regard, there is a need to expand the lending operations of the World Bank in the energy sector and to examine how additional energy lending could be most appropriately financed and organised. Ministers looked forward to the United Nations Conference on New and Renewable Sources of Energy as the first occasion to lay the basis for increased national efforts as well as intensified regional and international co-operation.

#### *North-South Dialogue*

31. Ministers expressed their satisfaction that the International Development Strategy for the 1980s had been adopted. They recognised that the impact of the Strategy will depend upon the efforts of both industrialised and developing countries to reach the objectives set out in the Strategy. They agreed that it is essential to continue to review with developing countries the problems of the world economy and development issues in competent international fora and to seek constructive international co-operation, building on mutual interests and contributing to the development of developing countries. They agreed that a wide ranging dialogue, conducted in a flexible and realistic manner, taking account of the diversity in the problems, needs and responsibilities of participating countries, as well as their common interests, should make a positive contribution to international co-operation. They recalled the agreement by their governments at the United Nations in 1979 to launch the Global Negotiations after adequate preparations had been made, and affirmed their readiness to carry forward international consultations and co-operation

with the developing countries on a wide range of matters of common interest.

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# Meeting of the Council at Ministerial level in May 1982

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the Organisation for Economic Co-operation and Development met at Ministerial Level on 10th-11th May to strengthen co-operation among their countries, in both surmounting current economic problems and assuring a sustainable recovery of non-inflationary economic growth and employment throughout the interdependent world economy in the 1980s. Ministers reviewed the work done on the trade issues of the 1980s, reaffirmed their commitment to combat all forms of protectionism and gave guidance for the Organisation's future work. They expressed determination that renewed economic growth must be broadly shared and that the co-operation with developing nations must be pursued actively.
2. The meeting was chaired by the Right Honorable R.D. Muldoon, Prime Minister and Minister of Finance of New Zealand. The Vice-Chairmen were Mr. E. Rekola, Minister for Foreign Trade of Finland and Messrs. J. Delors, Minister of Economy and Finance and C. Cheysson, Minister for External Relations of France.
3. Ministers agreed that the short-term prospect is for moderate expansion of economic activity in the OECD area, including perhaps a recovery in employment next year, but not one sufficient to lead to an early reduction in current high levels of unemployment. In many countries, unemployment is being exacerbated by continuing high inflows into the labour market. Progress has been made by individual Member countries in creating the conditions for sustained non-inflationary growth, but this has been uneven.
4. The reduction in inflation should help to encourage a recovery in real demand and output, but continued high interest rates, budget deficits and market rigidities are constraining factors. Ministers stressed the need to ensure stronger growth and lower unemployment over the coming years. They are convinced that this can be achieved if all Member countries, in accordance with their varying room for manoeuvre and within the framework of a common strategy, can successfully overcome their internal problems along the lines set out below, taking proper account of international interdependence and constraints.
5. Ministers agreed to carry forward the broad strategy they have been following since the second oil shock, and emphasized in particular that:
  - there is a pressing need to reduce unemployment, but this objective cannot be achieved on a sustainable basis unless continued successful efforts are made to reduce inflation;
  - sustained non-inflationary growth cannot be achieved unless there is more productive investment, better productivity, and technological progress; an increase in investment requires both sufficient profitability and a favourable prospect for an increase in production;
  - maintenance of an open trading system, improvements in the functioning of markets, and positive structural adjustment are essential.
6. Ministers agreed that within this broad strategy individual countries need to set their economic policies in accordance with the varying nature and severity of the structural and other impediments to growth faced by their economies. Ministers further stressed that close economic interdependence obliges all countries to pay careful attention to the external consequences of domestic policies. Convergent medium-term policies to establish non-inflationary growth are required.

### *Impediments to Better Performance*

7. Ministers addressed the major structural and other impediments to a better performance and the appropriate range of policies to remedy them, stressing the need to continue to keep such problems and policies under close review. They recognised that failure to undertake such policies would lead to continuing slow growth, which itself undermines economic performance. It also increases the risk of protectionism. Slow growth involves not only insufficient productive investment but also the human costs of unemployment, including the erosion of skills and incentives to work, and the lack of work experience by unemployed youth.

#### *The Inflation Constraint*

8. Ministers agreed that although some countries have been successful in lowering underlying inflation, it nevertheless remains a serious problem. Where inflation or inflationary expectations are deeply entrenched, very high priority must continue to be placed on policies to bring inflation down.

#### *Labour Costs, Profits and Employment*

9. In a number of countries labour cost inflexibility and a squeeze on profitability have harmed employment. Low profitability and low rates of production have contributed to weak investment. High labour costs have encouraged capital-intensive investment even under conditions of high unemployment. Ministers agreed that while policies to address these problems were difficult to forge, there is a premium on them so as to speed required adjustment, and the reduction of high unemployment.

10. In some cases, wage settlements have reflected heightened emphasis on employment security and the reduction of costs. Ministers welcomed such innovative approaches. They emphasized that greater realism emerging in the collective bargaining process would foster and sustain the recovery of output and employment. Such efforts might be facilitated by strengthening the dialogue between social partners. Ministers stressed the need for effective policies designed to moderate statutory employment costs, to enhance productivity, and to encourage innovation in the organisation of work. In this connection, Ministers welcomed the report from Mr. J.M. den Uyl of the Netherlands who presided over the March 1982 meeting of the OECD Manpower and Social Affairs Committee at Ministerial level.

#### *Public Expenditure and Taxes*

11. Ministers agreed that in many countries the growth in social security transfers has strained budgets, the increase in tax burdens has been too great, and at the same time public investment has been squeezed. These structural problems of budget control must continue to be tackled directly, independent of the desired overall budget deficit stance. They took the view that in general, when tax changes were enacted, these should remove distortions which discourage savings, employment and investment.

#### *Public Sector Deficits*

12. Public sector deficits are currently at historically high levels in most Member countries. Their reduction is a continuing policy objective. Ministers noted that weak activity and current high interest rates are factors adding to public sector deficits, but structural elements are also important in most countries. Ministers concluded that where public sector deficits are large relative to structural medium-term objectives, deficit reduction should not be postponed. Where underlying inflation has been significantly reduced, yet domestic demand is weak, the fiscal stance should be assessed with due regard to its likely impact on economic activity without jeopardising medium-term objectives.

#### *High Interest Rates and International Tensions*

13. Contrary to previous experience interest rates have remained high relative to inflation, thereby adding a new factor to public sector deficits and restraining demand in the private sector. Ministers recognised the variety of reasons for currently high interest rates noting, in particular, the impact of large budget deficits and uncertainty about the future course of fiscal and monetary policies. A durable reduction in interest rates ultimately rests on a durable reduction in inflation and inflationary expectations. Ministers recognised the importance and results of anti-inflationary policies in the United

States because of the key role of its economy and the dollar in the world economy. Many felt that more action should be taken now to reduce future budget deficits considerably, in order to ease the pressure on interest rates and savings flows.

14. Ministers recognised the importance of a smoother working of the exchange rate adjustment mechanism. Ministers agreed that under present circumstances improved co-operation with regard to convergence of economic policies to reduce excessive exchange rate fluctuations, such as have occurred in recent years, is necessary. Ministers noted, among the complexity of factors affecting exchange rate, the international transmission of high interest rates stemming from the desire to avoid currency depreciation and its unwelcome consequences. Ministers took the view that the economic performance of the OECD as a whole would benefit, and current international trade tensions be lessened, if interest rates came down, and if opportunities for trade, capital flows and investment were increased.

### **Policies for Changing Oil Situation**

15. Ministers welcomed the contribution that energy conservation and progress in switching away from oil have made towards the continued fall in oil demand. They were aware of the risk of complacency and noted the continuing need for policies directed towards progress in achieving greater fuel efficiency and a more balanced energy mix.

16. Ministers agreed that particular attention should be paid to energy pricing including the need for oil prices to consumers to reflect expected longer-term world market price trends.

### **Positive Adjustment Policies**

17. The major changes taking place in the world economy-adjustment to past energy price increases, impact of new technologies, increasing role of the developing countries - call for continuing structural change in the industrialised countries. While this is often painful under present adverse conditions, it is essential for growth and the preservation of mutually beneficial trading relations in the world economy.

18. Ministers welcomed the work done in the Organisation over the past three years on policies to facilitate structural change, and the Final Report of the Special Group of the Economic Policy Committee on Positive Adjustment Policies. Underlining the importance they attach to this subject, they adopted the Statement annexed to this Communique and instructed the Organisation to continue to take positive adjustment policies into account in its ongoing work.

### **Current Trade Problems**

19. Ministers reiterated their full commitment, as expressed in the Declaration on trade policy of June 1980, to the open and multilateral trade system. They are fully aware of the contribution that a further expansion of world trade can make to higher employment, improved productivity and rising income worldwide. They also noted that renewed non-inflationary growth would stimulate production and employment and thereby lessen protectionist pressures. The resumption of such growth could, however, be frustrated by a proliferation of trade restrictions and domestic policy measures having similar effects.

20. As a follow-up to the Declaration referred to above, Ministers reviewed developments in the trade policy field over the past year. Despite present economic difficulties, the international trading system has held up reasonably well. Ministers noted with concern, however, a further extension of protectionist pressures and trade measures, many of which are not governed by multilateral rules and disciplines, as well as the increase in bilateral tensions and disputes which affect the climate of trade relations. They recognised the dangers which these trends pose for the future of the system.

21. Ministers therefore agreed on the need for further joint efforts to resist protectionist pressures, and to resolve urgent short-term problems within the framework of the open and multilateral trading system. They are determined to maintain the credibility of this system at the present difficult juncture, and to work together with their trading partners on the longer-term issues which need to be tackled over the coming decade.

### *Safeguard Action*

22. Ministers underlined the need for full application of international rules and disciplines. They also agreed on the importance of finding an early solution to the safeguard issue in the GATT framework.

### *Export Financing*

23. Ministers welcomed the progress made on the issue of export credits towards the end of last year. They nevertheless regretted that it had not been possible for Participants to reach definite decisions on further improvements in the Arrangement at their meeting of 6th and 7th May. They noted however the initiative taken by the Chairman in presenting a set of measures which, taken as a whole, are intended to constitute a constructive compromise. They stressed the importance they attribute to the Arrangement and agreed that all necessary efforts should be made to preserve and strengthen this instrument of international economic co-operation. Ministers also recognised the need to avoid any risk of distortion of trade and aid in the use of financing instruments which associate export credits with aid to developing countries and noted that particular attention was at present being given to this problem in the Organisation.

### **Trade in the 1980s**

24. Ministers welcomed the intensive work done by the Organisation on the trade issues of the 1980s as requested at their last meeting. This had enabled them to identify and discuss a number of likely key trends in the world trading system over the next decade. It should provide a valuable stimulus to strengthen international co-operation in the Organisation and elsewhere on trade and trade-related issues in response to the important changes taking place in the world economy.

### *Growing Interdependence and the Increasing Importance of Capital Movements*

25. The key features of the past two decades - the rising share of trade in economic activity, the rapid growth of financial interdependence, and the internationalisation of business- are likely to continue. Ministers recognise that this means that their economies are going to be more and more strongly influenced by developments in other countries.

26. The 1980s are likely to see the further evolution of an international monetary system which is characterised by large-scale capital movements and more flexible exchange rates, both strongly influenced by national macro-economic policies. Ministers noted that, should trade problems arise through excessive fluctuations in exchange rates, these can best be solved through improved co-operation regarding convergence of economic policies. In the light of this and the current trade problems described in paragraph 19, they requested the Secretary-General to examine ways of strengthening the existing work of the Organisation on the relation between macro-economic policies and trade policies.

27. Growing interdependence also means that each country's actions not only in the field of trade policy but also in such fields as industrial, manpower, social, regional, agricultural and fisheries policies, will increasingly impact on the interests of its trading partners. Ministers therefore agreed:

- to make full use of the existing arrangements for consultation in the Organisation on measures taken by one Member country which may have important adverse effects on the trading interests of others.
- to request the Secretary-General to propose ways in which the effectiveness of the work of the Organisation on the restructuring of those industrial sectors facing particular structural difficulties can be strengthened, so as to ensure more transparency and a return to the normal play of market forces in a reasonable time.
- that there is a need for better information on the costs and benefits of trade and trade-related measures not only for those directly affected but also for society as a whole in terms of inflation, employment, income and growth.

28. Ministers recognised the growing importance of international investment flows for economic growth and agreed that efforts should be made to strengthen international co-operation on investment issues, building upon the existing agreements to which Member countries have subscribed. Particular attention should be given, in this regard, to measures affecting international investments that can have implications for trade flows in a balanced way which takes into account the interests and preoccupations of both investing and host countries.

29. Ministers recognised that, with the reduction of trade barriers and the growing internationalisation of business activities, there is an increasing likelihood that private restrictive business practice arrangements in one country may adversely affect the interests of its trading partners. They noted that the coverage of the present international arrangements for dealing with issues which arise at the frontier between competition and trade policies should be studied further by the competent bodies of the Organisation with a view to strengthening international co-operation in these matters.

#### *New Trading Partners*

30. The rapid growth of new markets and the emergence of new competitors is expected to continue in the 1980s; perhaps one-half of the increase in OECD exports will be to non-Member countries, compare with only one-quarter before 1973. Ministers are convinced that this will be an important dynamic factor in the world economy, leading to new opportunities for mutually beneficial trade relations between industrialised and developing countries.

#### *Rapid Technological Change*

31. The development of new technologies can and should play a key role in revitalising the world economy and enhancing the comparative advantage of the industrialised countries in capital and skill-intensive activities. There are varying degrees of government involvement in this area. Ministers agreed that an examination should be made of the specific problems which may arise in trade in high technology products and where such problems are identified, of possible solutions. The Ministers also agreed that a study should be made of ways to facilitate the flow of technologies across national frontiers in order to promote economic growth and employment

#### *Services*

32. International transactions in services of all kinds have been growing rapidly and now amount to about one-third of world trade in goods. Ministers agreed that this will continue to be another important dynamic factor in world trade in coming years. They therefore decided to encourage the competent Committees to progress as soon as possible in their analytical and fact-finding work on the complex issues involved so as to be able, in the light of the results, to begin examining ways of removing unjustified impediments to international trade in services and of improving international co-operation in this area.

#### *Agriculture*

33. Ministers welcomed the report "Study of Problems of Agricultural Trade" prepared by the Organisation and endorsed its conclusions. They recognised that agricultural trade is affected by general economic developments and by domestic agricultural policies pursued by all countries which do not always take into account their international consequences. Ministers agreed that agricultural trade should be more fully integrated within the open and multilateral trading system. They recognised the specific characteristics of agriculture and the various objectives pursued by agricultural policies. Ministers agreed that the desirable adjustments in domestic policies can best take place if such moves are planned and co-ordinated within a concerted multilateral approach aimed at achieving a gradual reduction in protection and a liberalisation of trade, in which a balance should be maintained as between countries and commodities. They decided that the Organisation should study the various possible ways in which the above aims could be achieved as a contribution to progress in strengthening co-operation on agricultural trade issues and as a contribution to the development of practical multilateral and other

solutions.

### *The GATT Ministerial Meeting*

34. Ministers heard a statement by Mr. Arthur Dunkel, Director-General of the GATT, on the preparation for a meeting of the GATT at Ministerial level in November. Realising the importance for the multilateral trading system of constructive and forward-looking decisions at that meeting in the interest of all participants, they expressed the determination of their governments to participate fully and constructively in this meeting and its preparation. Ministers noted the relevance of the issues they had discussed for that meeting.

## **Economic Relations with Non-member Countries**

### *Economic Relations with Developing Countries*

35. Ministers reviewed economic relations with developing countries which are characterised by increasing interdependence and diversity. They noted that the prevailing adverse world economic environment has created significant pressures on the developing countries, including increased debt problems. While the most important determinants of development are the developing countries own efforts and policies, they emphasized the continuing commitment of their governments to co-operate with the developing countries in support of accelerated economic and social development. Ministers noted the progress made over the last year on international development co-operation both bilaterally and in multilateral fora while acknowledging generally that much further work needed to be done. They stressed the importance of implementing aid, trade, investment and finance policies in a comprehensive and co-ordinated manner in order to support the developing countries in their own efforts to strengthen their economic and social resilience.

### *The Dialogue*

36. Noting the summary of the Co-Chairmen of the Cancun Summit held last October, Ministers confirmed the desirability of supporting at the United Nations, with a sense of urgency, a consensus to launch Global Negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress. They noted the recent proposals on launching the Global Negotiations which are currently under consideration in the United Nations and agreed upon the importance of vigorous efforts to reach a consensus, including the basis for a mutually satisfactory definition of the central role of the Conference and respect for the competence of the specialised fora. Without prejudice to these efforts, Ministers also declared their determination to carry forward policy-oriented consultations as well as negotiations and co-operation on particular issues with developing countries both in the appropriate international fora and bilaterally in order to achieve new progress and positive results. In this connection, they noted in particular the forthcoming meetings of the GATT at Ministerial level and UNCTAD VI, in which they intend to participate actively and constructively.

### *Trade and Investment Co-operation*

37. For both developing and developed countries, trade like non-inflationary growth plays a central role in the complex of interdependent relationships between export earnings, use of international capital, debt servicing and borrowing capacity. It is clear that economic growth should allow a harmonious development of international trade in particular for developing countries. Ministers noted the growing role of developing countries in international trade and investment. They agreed that it would be important to facilitate the fuller participation of these countries in the open and multilateral trading system, with its shared rights and responsibilities, in order to provide a sound basis for their progressive integration into the world market economy. They foresaw a need for the improvement of arrangements for the discussion and resolution of international economic problems of special relevance to developing countries. They are ready to discuss with developing countries how this process can be advanced in the appropriate international fora.

### *Aid*



38. Ministers expressed the determination of their governments to maintain and, to the best of their ability, to increase the volume of aid to developing countries with a view to realising their commitments to the international aid objectives. They stressed the importance also of efforts to improve the quality and effectiveness of aid and also to facilitate flows of other financial resources to developing countries. In this connection, they underlined the essential role of the multilateral development institutions; they agreed on their need for continued substantial financial resources and encouraged increased co-ordination of multilateral and bilateral aid programmes. Ministers welcomed the increased importance being attached to the development of human resources in developing countries.

39. Ministers stressed the urgent character of the problems of developing countries, in particular the most disadvantaged among them, aggravated by present world economic conditions. They agreed that increased and better-adapted aid is necessary to assist notably the poorer countries in their development efforts and policies. They welcomed the constructive outcome of the United Nations Conference on the Least Developed Countries held in Paris in September 1981 and expressed their willingness to co-operate towards the implementation of the substantial new programme of action of that conference.

#### *Food*

40. The high priority and urgency of agricultural development and food production in developing countries is now accepted on all sides. Ministers welcomed and encouraged the new efforts being made to intensify international concertation and co-operation in this area, in particular initiatives for increased and better co-ordinated financial and technical assistance from developed countries in support of the formulation and implementation of comprehensive food strategies by developing countries. They recognised that this will require the commitment of sustained effort and resources by developed and developing countries.

#### *Commodities*

41. Ministers expressed their determination to continue their efforts to promote international co-operation in the commodity field. They reaffirmed their support for the Common Fund and its objectives urging that greater efforts be made by both developed and developing countries to bring the Agreement into operation as soon as possible. They also reaffirmed their support for further efforts to conclude commodity agreements where appropriate, taking due account of the specific characteristics of particular commodities.

#### *Energy*

42. Ministers agreed upon the importance of maintaining the impetus of energy development by strengthening and better co-ordinating bilateral and multilateral technical and financial assistance. They further recognised the need for identifying appropriate ways, for example in the World Bank, to organise and encourage additional public and private financial resources for this sector.

43. Ministers agreed on the importance of sustained and effective implementation of the Programme of Action adopted by the United Nations Conference on New and Renewable Sources of Energy in Nairobi which had established a constructive basis for improved co-operation with developing countries.

#### *East-West Economic Relations*

44. Ministers recognised the value of the different aspects of the work of the Organisation on East-West economic relations, and agreed that their interrelations should be considered further within the Organisation.

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# Meeting of the Council at Ministerial Level in May 1983

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. At its meeting on 9th-10th May, the Council of the Organisation for Economic Co-operation and Development at Ministerial level agreed on a medium-term approach to sustaining and broadening the economic recovery now under-way. They agreed that increased sustainable non-inflationary growth in the OECD countries now must be aimed at in order to reduce the present very high levels of unemployment.

2. Ministers recognised that the powerful economic linkages among countries and regions imply a collective responsibility to shape policies so as to strengthen the international trading, monetary and financial systems.

3. Accordingly, their governments intend to:

- Take advantage of the room for growth, which is now emerging in an important part of the OECD area, promote job creation and higher employment.
- Continue to reduce inflation and overcome structural impediments to improved economic performance.
- Make use, individually and collectively, of the favourable conditions provided by economic recovery to reverse protectionist trends.
- Work to resolve international debt problems in a trade-expansionary way as recovery and adjustment by debtor countries proceed.
- Provide more effective help to the poorer developing countries.

4. The meeting was chaired by Madame Colette Flesch, Vice-President of the Government of Luxembourg, Minister of Foreign Affairs, External Trade and Co-operation, Minister of Economy and Middle Classes. The Vice-Chairmen were Mr. Shintaro Abe, Minister for Foreign Affairs of Japan and Mr. Kurt Furgler, Federal Counsellor and Head of the Swiss Federal Department of Economic Affairs. In addition to reviewing their economic policies, and trade relations among Member countries, Ministers considered the difficult situation of the developing countries and the policies needed if they are to benefit from economic recovery. They discussed the dialogue with the developing countries, in particular preparations for UNCTAD VI. Ministers also reviewed East-West economic relations.

5. Finally, Ministers heard a report by Mr. William F. Birch, Minister of Energy of New Zealand, on the results of the Ministerial Meeting of the Governing Board of the International Energy Agency, held on 8th May, 1983, in Paris. They took note of the study, **Energy Requirements and Security**, prepared by the Secretariat, and of the discussions on it, and endorsed the conclusions set forth in the Annex to this Communiqué.

### The transition to sustained growth

6. Ministers welcomed the further achievements in reducing inflation. They are very concerned, however, about the high and rising levels of unemployment. It is therefore encouraging that signs of an up-turn have now emerged in several OECD economies. While uncertainties and risks remain, Ministers agreed that prospects for continuing recovery are better than they have been for several years and that ensuring the transition to sustained non-inflationary growth and higher employment is the central task of policy.

### *Common policy principles*

7. Ministers agreed on the following policy principles for all Member countries:

- i) Policies need to be set firmly in a medium-term framework to make clear the steadiness of policy intent. This will, of necessity, call for flexibility in the implementation of policies when circumstances
- ii) Pervasive economic linkages mean that the ability of individual countries to achieve domestic policy objectives depends importantly on the policies and performance of others. It is important for the consistency of policies that each Member country take account of the international implications of Member countries policies taken together.
- iii) The achievement of greater exchange rate stability, which does not imply rigidity, is a major objective and commitment to be pursued. In context they noted and welcomed the principles set out in the agreement by finance ministers of seven Member countries, announced in Washington on April 29th, 1983.
- iv) Improved economic performance and higher employment require a balanced use of macro-economic and structural policies. Growing room emerges as inflation diminishes and supply-side responsiveness increases. To this end:
  - Macro-economic policies should be consistent with medium-term objectives of inflation control and steadier real growth; some countries have found a nominal income framework helpful in this respect.
  - Policies to increase the profitability of job-creating productive investment are required.
  - Collective bargaining should take account of the need to promote investment and to maximise the scope for higher employment without inflation.
  - Positive adjustment policies are necessary to enhance competition and the flexibility of markets, and to improve the allocation of resources.
  - Labour market policies are important to alleviate the burden of unemployment, particularly on young people; targeted programmes, including training, can help to deal with the problem of structural unemployment.
  - Facilitating stronger social consensus can in many countries play an important role in achieving the necessary balance of policies.

8. While these policy principles are common to all Member countries, Ministers recognised that countries are in diverse situations. Not all countries have been equally successful in establishing the preconditions for better economic performance. Appropriate policies therefore differ in emphasis from one country to another.

*National policies*

9. In a number of countries, accounting for about 70 per cent of OECD GNP, inflation is approaching the level of the 1960s. Confidence has strengthened; progress has been made in tackling structural imbalances; and activity, which has been weak, is now starting to recover. Further declines in real interest rates should be aimed at. For such countries, Ministers agreed on the importance of taking advantage of the room that has emerged for increased output and employment; in particular:

- As regards monetary policy, monetary aggregates should allow for output growth which is sustainable over the medium-term, with continued control of inflation, permitting a continued easing of interest rates. Current monetary policies are generally consistent with this approach. Targets for monetary aggregates should not be lowered in response to lower oil prices. Similarly, monetary policy should not accommodate any resurgence of inflationary wage and other income claims.
- Fiscal policy should be consistent with sustained non-inflationary growth, higher investment and higher employment. Structural budget deficits need to be reduced to make room for the investment needed to sustain growth and employment. Where future structural deficits loom large, it is important to act now to ensure that deficits on this scale will not materialise, thus permitting

interest rates to ease. Given the strong international transmission of interest rates, such action would promote recovery in the world economy. The reduction of structural deficits should take care not to jeopardise economic recovery, and take account of the cumulative effects of simultaneous action in a large number of countries. Where measures to support activity are considered they should be designed to promote investment.

10. In some other countries, accounting for about 20 per cent of OECD GNP, further progress against inflation is required and structural impediments to better performance are more pronounced. As a result, growing room in the near-term is less. For such countries, Ministers agreed that perseverance with non-accommodating monetary policy is required, and structural budget deficits must be reduced further as part of a consistent medium-term approach. It is also particularly important that further efforts be made to reduce structural impediments. 11. In the remaining Member countries, despite serious efforts, inflation remains very high, while the international recession and chronic structural problems mean high rates of unemployment and underemployment. In such countries, Ministers agreed that limited flexibility of markets, structural imbalances, and difficulties in monetary and fiscal management are central problems, which must be addressed at their core. Improved economic performance remains primarily a task for domestic policies, although sustained recovery and lower interest rates in the OECD area, and an improving trade environment will make this easier.

### **Trade, debt and adjustment**

12. Ministers discussed the powerful linkages between growth, trade and debt which are now at work between creditor and debtor countries. They agreed on the importance of taking these linkages into account as fully as possible in the formulation of their macro-economic, trade and financial policies, and welcomed the work being done in the Organisation to help clarify the issues involved. They also recognised that the world recession had exposed problems of a systemic nature which need to be addressed.

13. Ministers noted that, during a period of severe and persistent economic and social difficulties, the world trading system has essentially been preserved. They recognised, however, that there has been a continuation and even extension of protectionist trade and domestic support measures to shelter weak industries and companies from the full impact of the recession and structural change. Such measures have contributed to slowing down the movement of resources into activities with greater growth and job-creating potential. A return to sustained growth requires more positive adjustment policies, more reliance on market forces and more productive investment.

14. Ministers agreed that, within the framework of their overall economic co-operation, strengthening the open and multilateral trading system is essential to support the recovery and the transition to sustained growth. They therefore agreed that the economic recovery, as it proceeds, provides favourable conditions which Member countries should use, individually and collectively, to reverse protectionist trends and to relax and dismantle progressively trade restrictions and trade distorting domestic measures, particularly those introduced over the recent period of poor growth performance. They invited the Secretary-General to propose appropriate follow-up procedures. At the same time, they agreed that the work programmes now under way in the GATT and OECD to improve the trading system and its functioning should be actively pursued.

15. Ministers welcomed the co-operative efforts being made by the International Monetary Fund, the Bank for International Settlements, the governments of the debtor and creditor countries and the private banks to preserve the effective functioning of the international financial system. They also recognised the determined efforts now being made by many debtor countries to adjust to a less inflationary world.

16. The groundwork has thus been laid for evolving a medium-term approach to resolve debt problems in a trade-expansive way as the recovery proceeds. The aim should be to maintain the basis for a continued flow of savings through world capital markets to countries where they can be productively used. A first element in such an approach is to maintain normal disciplines between borrowers and lenders. A second is that international lending will best serve the interests of both borrowers and lenders if external finance is used to develop efficient economies capable of, and enabled to, compete in world

markets.

17. To this end Ministers agreed on the need for further efforts by both creditor and debtor countries to:

- Sustain a supply of finance to debtor countries, in support of determined domestic adjustment policies that is sufficient to maintain or restore adequate levels of essential imports.
- Work towards mutually reinforcing action, within the framework of existing international agreements to establish more predictable and transparent trade regimes, to reduce trade barriers and to pursue more market-conforming domestic structural policies.

### **Development co-operation, dialogue and UNCTAD VI**

18. Ministers welcomed and shared the importance attached to world economic interdependence, dialogue and consensus in declarations by developing countries, most recently at Buenos Aires. They reaffirmed their readiness to work, in a spirit of understanding and co-operation, with the developing countries and other participants at UNCTAD VI next month with the aim of reaching a common understanding of current world economic problems. In particular, they looked forward to discussing the contributions which developed and developing countries can make to further constructive dialogue and co-operation to:

- Ensure that all countries benefit from the economic recovery now getting under way, and that economic and social progress gain momentum in the developing world.
- Continue to work together on development co-operation policies to tackle the fundamental problems of underdevelopment and poverty.

19. Ministers recognised that the world recession has created acute difficulties, in particular for most of the poorer developing countries. Meeting this challenge will call for difficult and courageous policies on their part. As recovery proceeds, these countries should benefit from increased export demand and higher commodity prices. But Ministers recognised that external support remains of crucial importance to facilitate the resumption of their longer-term development. They therefore agreed to:

- Maintain and, as far as possible, to increase their aid with a view to realising their commitments to the international aid objectives particularly for the poorer developing countries.
- Work together with the competent international institutions to assist poorer developing countries in implementing the difficult policy reforms required for adjustment and resumed development progress.
- Ensure adequate funding from all contributors of the multilateral development institutions, in particular the International Development Association.

20. Ministers agreed on the desirability of diversifying the developing countries sources of external finance, and in particular fuller use of the potential for direct investment.

21. Ministers stressed the commitment of their governments to pursue development co-operation policies beyond the immediate requirements of economic recovery. They recognised, in particular, the importance of working with developing countries to strengthen and achieve greater stability in their export earnings. They also recognised the importance of technical co-operation, and reaffirmed their commitment to a strong centrally-funded system of United Nations technical co-operation.

### **East-West economic relations**

22. Following a decision taken by Ministers last year, the Organisation has carried out a thorough economic analysis of the evolution of trade and financial relations with the USSR and other Eastern European countries. Ministers noted that these relations have, with some exceptions, evolved in a less dynamic way than those with more market-oriented economies and not met earlier expectations.

23. This purely economic analysis demonstrates that East-West trade and credit flows should be guided by the indications of the market. In the light of these indications, Governments should exercise financial

prudence without granting preferential treatment. Ministers recognised, moreover, that practices connected with the state-trading system of centrally planned economies can create problems which need to be kept under close examination within the Organisation. More generally, they agreed that, in the light of changing circumstances, the Organisation should continue to review East-West economic relations.

Annex

## CONCLUSIONS

1. Ministers assessed world energy requirements and security for the next two decades, bearing in mind the importance of adequate and secure energy supplies to the prospects for sustained economic growth. They noted with satisfaction the progress that had been made since 1973 in reducing dependence on imported oil by increasing energy efficiency and the use of alternative fuels, notably coal, gas and nuclear energy. This progress has contributed to the lowering of oil prices which is now bringing an important and welcome relief to the world economy. Ministers agreed, however, that such relief was likely to be temporary and that there is a risk of a renewed energy constraint on growth later in this decade unless the industrialised countries strengthen their policies to restructure their energy economies. Ministers noted, in this context, that dependence on imported oil, though reduced, remains high in many of their countries and that this remains the major risk to their energy security; that the contributions of coal and nuclear energy are running significantly below earlier expectations; that the prospect of growing imports of gas to help reduce dependence on imported oil could lead to heavy dependence by some countries on single sources of gas supply; and that the outlook for investment in the efficient use of energy and for the development of indigenous energy sources is less than satisfactory. They agreed that some of these problems could be accentuated by the uncertain outlook for oil prices.

2. Since industrialised countries as a whole will, in any event, continue to rely heavily on imported energy smoothly functioning world energy markets over the long-term will be essential for their economic well-being. Industrialised countries must seek to reduce the risk of disruptions and be prepared to minimise the effects on their economies of any which occur. The balance between energy security and costs will have to be struck under the responsibility and in the circumstances of individual countries, having regard to their international commitments. Each country will, however, continue to develop strong and cost-effective energy policies based on that combination of market forces and government action which is best suited to its circumstances but including:

- implementing and as necessary strengthening present policies to promote the efficient use of energy and the continuing replacement of oil by other fuels;
- rapid and, where appropriate co-operative, development on an economic basis of indigenous energy resources- fossil fuels, nuclear energy, hydropower and other renewable energies- to the maximum possible extent consistent with environmental and social factors and the need to secure supplies beyond the turn of the century,
- seeking to remove impediments to its trade in energy;
- substantial programmes of research, development and demonstration;
- pricing and fiscal regimes which promote the rational use of energy and the development of indigenous energy resources;
- diversification of sources of energy imports;
- co-operation on a regional basis or as otherwise appropriate to improve the overall flexibility of energy systems and to overcome transit problems;
- effective co-operative measures for dealing with disruptions in energy supplies.

Ministers recognised that energy security and smoother functioning of world energy markets is not a matter for industrialised countries alone. More effective energy policies in the industrialised area should ease the world energy situation and thereby the energy situation of the non-oil developing countries. They emphasized the importance of mutual understanding with energy exporting and importing developing countries to the achievement of these aims. Development of the indigenous energy resources, including new and renewable energy, of the developing countries could in its turn make an important contribution to improving the world energy situation.

*Energy efficiency*

3. Ministers recognised the important potential contribution of improved energy efficiency to overall energy security and agreed to give particular attention as appropriate to:

- financial or other measures to stimulate the efficient use of energy and conversion from oil including help to industry and others to overcome the high initial investment costs of certain energy-saving and fuel-switching measures;
- the development of energy conservation services capable of offering a comprehensive package which would include information on rational energy use and oil substitution, provision and installation of equipment and financial advice tailored to the needs of customers;
- the publication of technical and financial information on the efficient use of energy and of any assessments which governments may make of long-term trends in energy demand, supply and prices;
- demonstration by governments within their own operations of the value of energy efficiency;
- inclusion of energy efficiency as an element in industrial policy;
- energy efficiency in transport and in the building sector through higher voluntary or mandatory standards;
- policies to overcome structural barriers which mute the impact of market signals.

#### *Pricing and fiscal regimes*

4. Ministers agreed to pay particular attention to:

- removal of those price regulations which discourage the development of indigenous energy or the displacement of oil by other fuels or the efficient use of energy;
- the pricing policies and where it exists regulation of the tariffs of electricity utilities so as not to impede the provision of funds for investment in new generating capacity;
- reviewing energy pricing policy, with the aims that energy prices should be more transparent and more closely reflect market prices or the long-term costs of maintaining supplies, as appropriate;
- the structuring of fiscal regimes for oil and gas production so as to encourage timely development.

#### *Coal and other solid fuels*

5. Ministers agreed that to promote on an economic basis further expansion of production, use and trade of coal and, where appropriate, of other solid fuels including lignite and peat:

- their countries should continue to reduce impediments to a major expansion of coal use in electrical power generation and in industry;
- their countries should take steps to provide the infrastructure needed for increased production, transport and marketing of coal;
- coal-exporting countries should facilitate reliable coal exports in times of supply difficulties;
- their countries should promote the development of a flexible and diversified coal trading system, paying particular attention to the need for long-term contracts.

6. Coal use must be environmentally acceptable. Ministers agreed to accelerate co-operative efforts to promote strategies for the clean use of coal, including research, development and demonstration regarding coal use technologies, and to establish effective regulatory frameworks which allow coal users to choose the most economic means to achieve environmental goals. They will assess available and new technologies and review regularly the pace and impact of their introduction.

#### *Nuclear power*

7. To fulfil its important potential for contributing to overall long-term energy security which is the concern of all industrialised countries, nuclear power will have to play a major and increasing role in many countries. Ministers:

- stressed the importance of encouraging stable trade in nuclear equipment, fuel cycle services and

nuclear fuel. Export and import regulations must be predictable, and based on the strict respect of current non-proliferation policies;

- agreed that Member countries would maintain reliable standards of nuclear reactor safety and continue to co-operate in various fora on these matters. Procedures for the approval of reactors and nuclear facilities should be as clear and expeditious as possible;
- stressed the importance of international co-operation on spent fuel storage and waste disposal. They appealed to the governments of those countries in a position to do so to stimulate further progress in developing and applying effective and timely methods for managing the back end of the fuel cycle in ways best suited to their national situations and compatible with international agreements. The competent bodies of OECD were requested to work together on periodic consultations on the progress of Member governments in the waste disposal programme;
- requested the competent bodies of OECD to identify for prompt examination new possibilities for research and development in advanced technologies that support these conclusions.

Action on these lines will provide the basis for both institutional impediments and public acceptance concerns on nuclear power to be vigorously addressed and allayed wherever possible.

### *Gas*

8. Ministers agreed that gas has an important role to play in reducing dependence on imported oil. They also agreed, however, on the importance of avoiding the development of situations in which imports of gas could weaken rather than strengthen the energy supply security and thus the overall economic stability of Member countries. They noted the potential risks associated with high levels of dependence on single supplier countries. Ministers stressed the importance of expeditious development of indigenous OECD energy resources. They noted that existing contracts are currently insufficient to cover expected gas demand by the mid-1990s, and agreed that in filling this gap steps should be taken to ensure that no one producer is in a position to exercise monopoly power over OECD countries. To obtain the advantages of increased use of gas on an acceptably secure basis, they agreed that:

- their countries would seek to avoid undue dependence on any one source of gas imports and to obtain future gas supplies from secure sources, with emphasis on indigenous OECD sources. Additional supplies from other sources would be obtained from as diverse sources as possible, taking into account supply structures, the share of gas in energy balances, and the geographical situation of individual countries. In assessing the full costs of gas supply sources, gas companies and, as appropriate, governments will consider security factors;
- their governments would either encourage gas companies and other undertakings concerned to take or take themselves the necessary and appropriate cost-effective measures suited to each country's situation to strengthen their ability to deal with supply disruptions; these measures could include increased gas storage facilities, contingency demand restraint programmes, improved fuel-switching capabilities accompanied by adequate stocks of oil or other alternative fuels, a more flexible grid structure, greater flexibility of contracts, more surge capacity, measures to accelerate intra-OECD trade on short notice through standby contracts for supplies in a disruption, and interruptible contracts with consumers;
- action should be taken to develop at economic cost indigenous gas resources, particularly in North America and the North Sea, which show promise of alleviating overall or particular pressures on energy imports;
- concerned Member governments noting the potential for further development of North American gas resources and noting that part of the Norwegian Troll field may be declared commercial by 1984, would encourage their companies to begin negotiations on deliveries from these sources as soon as possible, with a view to making supplies available at prices competitive with other fuels in the mid-1990s;
- trade barriers and other barriers which could delay development of indigenous gas resources should be avoided or reduced;
- their governments would encourage the companies concerned to undertake feasibility studies, if appropriate in co-operation with Member governments, to determine the economic, engineering, technical and financial factors, relevant to possible imports from a variety of non-OECD sources;
- governments within one region where there is scope for effective cooperation should invite gas



companies operating in their jurisdictions to address and negotiate on a commercial basis co-operative arrangements to meet a disruption of supplies to any one country or to the region as a whole.

- Special attention should be given in the annual country review process in various international organisations to the future pattern of gas supplies, to the progress on the development and implementation of security measures, and to whether gas imports into the OECD from any single source constitute such a proportion of total supplies as to give rise to concern about the timely development of indigenous resources and the vulnerability of supplies, either for an individual Member country or collectively.
- In considering the degree of vulnerability, relevant factors include the share of imports in total gas consumption and in total primary energy requirements, the reliability of particular sources, the flexibility of other supplies, sectoral distribution, stocks and fuel-switching possibilities.
- An in-depth exchange of views about this question would take place within the normal review process whenever considered necessary. To allow a full assessment of its energy situation, the country concerned shall inform the other Member states if it plans major changes in its energy policy or gas supply pattern which are significant in the context of development of indigenous OECD resources and vulnerability of gas supplies.

Ministers expressed the view that special attention should be given in relevant international organisations to the gas import situation of individual countries and regions.

### *Oil*

9. Ministers noted that since 1974, considerable progress has been made in improving energy security as far as oil is concerned. A continuation of these efforts will be necessary, however, as oil will remain by far the most important factor in OECD energy imports. Thus, in the year 2000 oil will still constitute more than 75 per cent of all OECD energy imports. Ministers therefore agreed on the importance of strong co-operative arrangements for handling a major oil supply disruption and, in the case of IEA Ministers, on the need for continued improvement of the existing emergency allocation system, and the need to continue to encourage oil companies to support the improvement and, if necessary, the operation of the system. To strengthen their overall emergency preparedness, Ministers also agreed to continue to pay particular attention to the continued adequacy of their countries oil stocks in terms of amount, structure and flexibility.

### *Other energy resources*

10. Ministers reaffirmed their readiness to pursue policies both at the national and international level, aiming at exploitation of other indigenous energy resources such as hitherto unharnessed hydropower.

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# Meeting of the Council at Ministerial Level in May 1984

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	CS CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the Organisation for Economic Co-operation and Development meeting on 17th- 18th May at Ministerial level, agreed upon policies required to strengthen the international trading and financial system, and to extend economic recovery into durable employment-creating growth.

2. The meeting was chaired by Mr. Paavo Väyrynen, Minister for Foreign Affairs and Mr. Jermu Laine, Minister for Foreign Trade, of Finland. The Vice-Chairmen were Dr. Otto Graf Lambsdorff, Federal Minister of Economics, and Dr. Hans Werner Lautenschlager, State Secretary, Federal Foreign Office, of Germany; and Mr. Kaya Erdem, State Minister and Deputy Premier, and Mr. Vahit Halefoglu, Minister of Foreign Affairs, of Turkey.

3. Ministers expressed their deep appreciation and gratitude to the Secretary-General, Mr. Emile van Lennep, for his strong leadership and outstanding dedication to the Organisation and to the cause of international economic co-operation over the past fifteen years. They wished him well for the future. The Council appointed as his successor, with effect from 30th September 1984, M. Jean-Claude Paye, at present Director for Economic and Financial Affairs at the French Ministry of External Relations.

4. Ministers agreed that a reduced level of inflation and the economic recovery provide conditions favourable to achieving the following objectives for OECD economic performance over the next several years;

- Sustained economic growth, with more convergence among OECD countries, making inroads into unemployment which remains high, especially in Europe;
- Lower inflation and reduced interest rates;
- Strong growth in investment taking advantage of new technologies and changing markets;
- Generalised expansion of world trade;
- Continued and where appropriate increased flows of resources to developing countries, strengthening their development potential through productive investment.

5. Accordingly, their governments intend to:

- Pursue economic policies designed to promote sustained non-inflationary growth and increased employment;
- Provide a stable economic and financial environment which permits markets to function efficiently;
- Promote flexibility and innovation: in private sectors, in public sectors and internationally, thereby fostering more resilient economic and social structures;
- Take due account in their policies of international economic interdependence;
- Take steps to relax and dismantle trade restrictions and trade-distorting domestic measures, as well as further to strengthen the multilateral trading system;
- Strengthen and improve trade, financial and investment relations with developing countries as a matter of mutual interest; and provide increased and more effective help to the poorer developing countries in their difficult adjustment and development efforts.

6. Ministers agreed to work towards an economic and social environment in which change, inherent in the process of growth, is embraced for the new opportunities it brings and not resisted as a threat. They recognised that the maintenance of policies which increase the resilience of economic structures requires that the benefits and the costs of change be shared fairly. In meeting the challenges each country will need to adapt its institutional arrangements taking account of its history and current realities.

## Achieving Durable Growth

### *Macroeconomic Balance*

7. Ministers reaffirmed that low inflation is an essential component of a stable economic environment leading to higher growth and employment.

8. Ministers agreed that monetary policy is critical. They acknowledged the fact that in the early stages of past recoveries monetary growth had often been unwisely stimulative and resolved to avoid this. While each country will follow methods of monetary control appropriate to its circumstances, policies should be consistent with the medium-term objectives of greater price stability and sustainable real growth. Particular focus on stable and moderate growth in monetary aggregates is appropriate, and some Member countries find a nominal income framework helpful in this respect. Some Member countries will properly place greater weight on other indicators, such as the exchange rate.

9. Ministers recognised that large budget deficits can leave a legacy of high public debt, high interest rates and reduced capital formation in the private sector. A rising burden of debt interest adds to the problem. In the few countries in which government borrowing has been brought sufficiently under control, and fiscal positions are sound, scope may be found to lower the general level of taxation. In many countries, including major economies, deficits are projected to remain high despite recovery; governments intend to reduce these by lowering the share of spending in national income and enhancing revenues to the extent that spending cannot be lowered. Adjustment of fiscal policies in this way would contribute to a more balanced and therefore enduring recovery. In general, governments claims on national savings should leave sufficient room for private investment and for the flow of savings from the developed to the developing world.

10. Government spending should be controlled within nationally chosen medium-term limits on the share of total resources it takes up. Within those limits spending should emphasize programmes and investments which promote flexibility. In many Member countries reform needs to bring slower growth of spending on social expenditure programmes without depriving those in greatest need. Simplicity, stability and the right incentives in tax structures are important for private decision-making.

11. Ministers agreed that wide swings in exchange rates in recent years point to the desirability of trying to make the present exchange-rate regime work better. The main contribution governments can make is to pursue monetary and fiscal policies that are sound and sustainable in themselves and which promote convergence in economic policies. Authorities should stand ready to intervene in disorderly exchange markets.

12. Ministers considered that energy policy remains an important element in economic performance. The principal need is to maintain the momentum already achieved in more rational use of energy and diversification of supply, as well as continued readiness to handle potential interruptions in oil supplies.

### *Adaptive Economic Structures*

13. Ministers agreed on the need to implement positive adjustment policies across the whole range of economic activities, and endorsed a Statement by the Economic Policy Committee, the policy recommendations of which are annexed to this Communique. Such policies would facilitate rather than impede the adjustment of production structures to new technologies, changing market conditions and shifts in international competitiveness. The task facing governments is to phase out those measures which impede economic performance or, where this is not possible to replace them with better, market-conforming alternatives. Strengthening competition, improving regulation and promoting more open trade policies are of key importance. The progress that has been made in freeing capital markets from constraints needs to be consolidated and generalised. Ministers called upon the Organisation to strengthen its processes of review and appraisal of adjustment policies in an overall economic perspective.

14. Ministers agreed that a lasting reduction in unemployment could be achieved by sustained non-inflationary growth if accompanied by improved labour market performance. Labour market and related policies should encourage structural change in ways which create job opportunities and help workers and affected communities to adjust. Improved labour market performance requires the modification of policies that impede structural change and job creation, as well as the strengthening of policies which promote labour mobility and the acquisition of new skills. It also requires more responsiveness in the level of real wages and non-wage labour costs, as well as appropriate wage differentials, consistent with the maintenance of social standards. Where appropriate, specific action to influence the development of incomes may also play a positive role in mastering inflation and fostering employment. Ministers recognized that there was a continuing role for carefully targeted measures to secure work experience and training for youth and the long-term unemployed. Bearing in mind the contribution that collective bargaining and consensus building can make. Ministers requested the Organisation, in consultation with BIAC and TUAC, to pursue the above orientations.

15. Bearing in mind the importance of the social, economic and technological changes underway, Ministers underlined the importance for the Organisation of dealing with all these issues in a medium and long-term perspective.

### **The Global Context: Co-operation with Developing Countries**

16. Ministers agreed that OECD countries should further strengthen cooperation with developing countries, contributing to their economic recovery and renewed development progress.

#### *The Debt Problem*

17. Ministers noted that progress was being made in managing and containing the problems of international indebtedness. Nevertheless, the debt problems of some developing countries remain serious and high interest rates add to the debt-servicing burden. Ministers saw commitment to continued co-operation by governments, international financial institutions, and the banking community as essential to achieve effective adjustment efforts by debtor countries and to the continued effective functioning of the international financial system.

#### *Policies for Improved Resource Flows*

18. Ministers agreed that it was important to focus on the fundamental task of ensuring that financial flows to developing countries respond to development needs and investment opportunities, contributing to efficient resource use and avoiding unsustainable patterns of debt accumulation.

19. Ministers stressed that achieving satisfactory resource flows to developing countries requires effective policies and international co-operation in three central areas:

- i) Adequate savings by the industrialised countries;
- ii) Efficient use of capital by developing countries;
- iii) Effective channels of intermediation- the private capital markets, the international financial institutions, and aid.

Ministers agreed on the need for improved policies as well as action in these areas as outlined below.

#### *Non-Concessional Resource Flows*

20. Recent experience has shown that more effective, market-oriented policies are important for mobilising sustainable private capital flows to developing countries. Ministers were of the view that the international financial institutions could further develop their roles in this respect. The role of the IMF in support of effective adjustment was considered critical, as well as the World Bank's emphasis on medium and long-term development. Against this background, Ministers urged strengthened

co-operation between the IMF and the World Bank in fulfilling their complementary responsibilities.

### *Official Development Assistance*

21. Ministers renewed their pledge to maintain and, as far as possible, to increase their countries aid with a view to realising their commitments to the international aid objectives, especially for the poorer developing countries. They expressed special concern over the trends and prospects in the low-income countries, particularly of Sub-Saharan Africa, and urged a concerted effort by DAC donors to adapt their aid efforts and policies to the particularly difficult conditions and requirements of these countries. Ministers welcomed the conclusions reached by the last DAC High-Level Meeting on increasing aid effectiveness through strengthened aid co-ordination. They agreed that the multilateral institutions have an important role in providing financial and technical assistance and in helping developing countries to pursue more effective policies. These institutions must have adequate support. The role of IDA is crucial and adequate replenishment of its resources is a high priority.

### *Aid and Trade Related Concessional Finance*

22. Ministers affirmed their commitment to avoid any de jure and de facto financing practices which give rise to trade distortions and to diversion of aid flows from development objectives and to apply fully the guiding principles they have agreed upon. They enjoined the competent bodies of the Organisation to take prompt action to improve existing arrangements so as to strengthen transparency and discipline in this area by all appropriate means. Differing views were expressed with respect to the desirability of including increases in established minimum grant elements in such action. They requested these bodies to report on progress made toward these ends by the next meeting of the Council at Ministerial level.

### *Direct Investment*

23. Ministers noted the important contribution foreign direct investment can make to efficient production, trade, including export potential, and technology transfers, and to achieving a better balance between debt and equity financing for capital importing countries. They asked the Organisation to improve the monitoring of direct investment flows and the identification of the main policies and conditions in host and investor countries most conducive to promoting direct investment, including strengthened investor/host country confidence and security, and to help Member governments prepare for constructive discussions with developing countries.

### *Trade Policy in an Economic and Development Context*

24. Ministers recognised the common interest of all trading partners in the effective functioning of the open international trading system. They underlined the special responsibility of developed countries in this regard, but also the importance of a gradual integration of the developing countries into the system. Ministers stressed that trade liberalisation should also be pursued more systematically as an aspect of each country's economic and development policies. The international financial institutions should be encouraged to intensify their analysis, advice and technical assistance on trade policy aspects of national economic development.

### *The Dialogue with Developing Countries*

25. Ministers gave their full support to current efforts to improve the dialogue with developing countries, in order to allow for substantive discussions aimed at pragmatic solutions. Moreover, they were committed to making a positive contribution to the review and appraisal of the International Development Strategy for the Third United Nations Development Decade and to the major forthcoming United Nations conferences, i.e. UNIDO IV and the International Conference on Population.

### **East-West Economic Relations**

26. Ministers expressed satisfaction with the work programme on East-West trade and financial relations

carried out by the Organisation. They noted that there had been an improvement in the short-term financial situation of most East European countries, but that the structural characteristics of the economies of these countries and the practices of their state trading systems remain important factors affecting the longer-term development of East-West economic relations.

27. Ministers reiterated that East-West trade and credit flows should be guided by the indications of the market. In the light of these indications, governments should continue to exercise financial prudence without granting preferential treatment. Ministers agreed that the Organisation should pursue its examination of problems and developments in East-West economic relations on the basis of last year's guidance.

## **International Trade**

### *Reduced Trade Barriers and Distortions*

28. Ministers recalled their agreement of last year to make use of the favourable conditions provided by economic recovery to reverse protectionist trends and to relax and dismantle progressively trade restrictions and trade-distorting domestic measures. As a first step governments have agreed, subject to completion of requisite domestic procedures, to advance by one year, to early 1985, all tariff cuts scheduled for 1986 pursuant to the Multilateral Trade Negotiations. Ministers expressed the hope that through such a process of acceleration all the remaining scheduled MTN tariff reductions would be achieved not later than early in 1986, one year ahead of time. Member countries which do not already provide duty and quota free access for all imports from the least developed countries will seek to move further in that direction, in particular through their schemes for generalised preferences.

29. Ministers also agreed on the following programme of work to develop specific proposals for individual and collective action:

- i) Identification by sector of the scope for action on trade-restricting and trade-distorting measures, taking account of the general economic context of each sector and of the adjustment that has occurred; a report on the possibilities for concerted action, including specific actions to expand imports from developing countries, should be prepared by the next meeting of the Council at Ministerial level;
- ii) Strengthening transparency and discipline in the field of trade and aid financing practices as set out in paragraph 22;
- iii) Encouraging each Member country to assess the full economic consequences of any new restrictive measures it envisages and to identify any offsetting liberalisation measures;
- iv) Renewed efforts to achieve an international agreement on safeguards.

In addition, Ministers requested the relevant Committees of the Organisation:

- i) To consider ways and means and, as appropriate, to take action to improve the OECD arrangements for dealing with domestic measures which have trade-distorting effects, including an improved information system on industry-related policies and an evaluation of countries adjustment policies in an overall economic perspective;
- ii) To examine the possibilities of country reviews of trade policies in a pragmatic and flexible manner.

### *Strengthening the Multilateral Trading System*

30. On the suggestions put forward for a new round of multilateral trade negotiations, Ministers recognised that such an initiative would be of the utmost importance to a strengthening of the liberal trade system and the growth of trade opportunities. To open the way for a firm commitment to new

negotiations, extensive consultations should take place with all GATT partners so as to ensure a broad consensus on objectives, participation and timing. Ministers stressed that early and thorough preparations would be essential for the success of such an initiative, and that the GATT work programme constitutes an important step in that preparation. They underlined their determination to carry out, as a high priority, the work programme set up at the 1982 GATT Ministerial meeting. The work of the OECD can make a useful contribution to this preparatory process. Ministers agreed, however, that preparation of such a round should not delay efforts to roll back restrictive actions as agreed above, and that priority should be given to resistance against protectionist pressures.

31. Recognising the importance of the issues raised by international trade in services, Ministers noted that as further analysis proceeds, the Organisation would increasingly focus its efforts on ways to remove unjustified impediments and improve international co-operation. They expressed support for the efforts, under the aegis of the Trade Committee, to relate broad concepts relevant to trade in services to the problems identified in specific sectors. They also encouraged continued work to strengthen existing OECD agreements applicable to services. Ministers requested the Secretary-General to submit a report including action proposals to Council within two years.

32. Having reviewed progress to date, Ministers asked the Organisation to continue its analysis of trade in high technology products, to examine specific problems which may arise in trade in these products and, where such problems are identified, to examine possible solutions. Means to strengthen the contribution of technological developments to economic growth, and to facilitate international flows of technology should also be examined. A report will be considered at the next meeting of the Council at Ministerial level.

33. Ministers expressed concern about the existence of serious international market disequilibria in a number of agricultural products due, to a large extent, to domestic support policies. They recognised the need to ease measure which hinder the requisite long-term adjustments, and to persevere with current efforts aimed at reducing protectionism and trade distortions, and at improving the functioning of international markets. They confirmed their support for the Organisation's work programme on these issues. Ministers, noting that work is underway in the fisheries area in accordance with the mandate given in 1982, requested that this work should be pursued actively.

34. Ministers acknowledged the importance of issues arising in relation to both competition and trade policies, such as cartels and voluntary export restraints, which have the effect of inhibiting competition and the proper functioning of markets. They called for continued work and improved international co-operation in this area. Ministers also underlined the need to give greater weight to the consumer interest in trade policy formation.

### **International Investment**

35. Ministers undertook a Review of the 1976 Declaration on International Investment and Multinational Enterprises and the related Decisions. They expressed satisfaction that the three related instruments approved in 1976 and revised in 1979, dealing respectively with Guidelines for Multinational Enterprises, National Treatment for enterprises under foreign control and incentives and disincentives for international investment, are making an important contribution to the international investment climate, and to strengthening mutual confidence between multinational enterprises and governments.

36. Noting the growing importance and scope of problems arising from the imposition by Member countries of conflicting requirements on multinational enterprises, Ministers agreed to strengthen bilateral and multilateral co-operation in this area in order to avoid or limit the scope of such conflicts. Accordingly they endorsed a set of general considerations and practical approaches to these problems as set out in paragraphs 23-33 of the Review Report. Ministers also noted the concern over the impact of unitary taxation on international investment and the importance of achieving an early resolution of the problem.

37. Underlining the important role of foreign direct investment between Member countries, Ministers agreed to reinforce the application of the Declaration on International Investment and Multinational

Enterprises, including notably the national treatment instrument. They endorsed the recent decision to amend the Code for Liberalisation of Capital Movements in order to cover certain right of establishment measures related to direct investment. They called upon the Organisation to continue to work towards further liberalisation of restrictions on direct investment.

### *Annex 1*

#### **"Government Aid: The Positive Adjustment Perspective"** *(Statement by the Economic Policy Committee)*

1. Delegates emphasized the continued need for positive adjustment policies both at the domestic international level, and reaffirmed the basic principles set out in the 1982 Ministerial Statement. They agreed that the rise and decline of specific activities is a normal feature of economic development and does not as such provide a rationale for government intervention. However, where government assistance to particular economic activities is deemed necessary, it should be transparent and should allow, to the greatest extent possible, the continued play of market forces. Wherever appropriate, and particularly in the case of structurally weak industries, state aid should be temporary, linked to plans for effective restructuring, and phased out according to a predetermined timetable. Delegates also reiterated that considerations of national security or self-sufficiency should not be misused to justify measures of excessive support and protection.

2. In the light of the experience of the last two years and the present economic situation, Delegates agreed that the application of the basic principles of positive adjustment policies merits sharper focus on the issues of enhancing efficiency in the medium term and creating viable new jobs, containing inflationary pressures, and maintaining the open multilateral trading system. The general aim is to identify more clearly those measures which may be particularly harmful from either a domestic or international perspective, and to indicate alternatives that accomplish the objectives at less overall cost. Though adjustment policies must of course be adapted to the specific circumstances of each country, three priorities can be identified:

- Adjustment policies should be reoriented towards achieving greater efficiency in the medium term through increased flexibility and innovative use of resources. To provide a basis for the creation of viable new jobs, manpower and social policies should place more stress on retraining and redeployment, while acknowledging the need to compensate those adversely affected by structural change. So as to capitalise on the growth opportunities arising from new technologies and from the recovery underway, policies impairing the efficiency of capital markets and the supply of risk finance for investment should be reviewed. Consistent and vigorous implementation of competition policy, in addition to improving the efficiency of markets for existing products, can lower the barriers to entry into new and promising lines of activity. High priority should also be given to reducing barriers to the exit of resources from activities no longer viable, for instance through appropriate bankruptcy and liquidation procedures. Adjustment policies should be applied on as horizontal and non-discriminatory a basis as possible; however, where policies targeted to particular activities are appropriate, they should avoid favouring less efficient producers at the expense of more promising firms and activities.
- Urgent action by governments is required to dismantle measures which aggravate inflationary pressures. Policies should be designed to minimise restrictions on the competitive supply of products from lowest cost sources to domestic markets. With firmer demand growth, policies also need to avoid exacerbating the potential for excessive wage increases. Quantitative import restrictions, voluntary export restraints, market sharing arrangements and other exemptions from normal competitive circumstances should be subject to close review.
- Governments should take into account the risk of negative international repercussions when designing their assistance policies. In order to avoid a vicious spiral in which each country seeks to match or neutralise the assistance provided by others, governments should ensure that assistance is not used by recipients to gain an economically unjustified advantage on world markets. Domestic policies should be guided therefore by the need to ensure that longer-term requirements of efficiency govern not only national, but also international resource allocation; that



shifting of adjustment burdens, in particular employment problems, from one country to another is minimised; and that, more generally, policy objectives and implementation are consistent with a competitive international economy and with the maintenance of an open system of trade, investment and payments.

3. Recognising that domestic problems and policies are at the root of many economic conflicts between countries, Delegates expressed the view that international understanding might be greatly advanced if governments, when intervening in national or international markets, observe the need for transparency in the design and implementation of policy. Transparency, which would also improve the efficiency of policy at the domestic level, could be substantially enhanced by governments through:

- Improving the information available within administrations about the level and distribution of assistance provided by central, state and local governments, and its evolution over time. There should be clear institutional responsibilities and procedures within the public administration for collecting and updating such information. The information collected should cover not only direct financial transfers but also indirect transfers through tax allowances and other fiscal measures, as well as off-budget forms of assistance.
- Making greater efforts to improve the evaluation of government assistance to industry and regions and assessing its impacts. More effective evaluation of the costs and benefits of support measures is indispensable for taking rational decisions on whether to provide assistance and, if so, in what form. Assistance should be subjected to regular and impartial critical review in terms of its objective, its design, its administration, its recipient and its ultimate use. The appraisal should take into account longer term, economy-wide impacts of the assistance measures and not be restricted to the short-term concerns of the specific activities in question. Improvement should be sought in the methodologies for measuring the costs of closures against the costs of continued government assistance.
- Striving for greater transparency in the implementation of assistance policies. This involves enhancing the coherence of institutional arrangements in this field, through the clear delineation of responsibilities and objectives, as well as steps to ensure that the goals and impacts of different assistance programmes are not mutually counterproductive. Policy consistency should also be sought with respect to the conditions to which specific aid is tied and the timetable to which it is to be phased out.
- Granting all interest groups and the public at large greater access to reviews and assessments of policy formulation, implementation and implications during both the decision making process and the monitoring process. In this way, narrower sectional pressures for assistance might be better countered by a wider representation of interests.

4. Transparency also has an international dimension. It is essential for achieving consensus among governments about appropriate adjustment policy responses. Delegates agree that the institutional mechanisms for reporting, consultation and cooperation in the cases where domestic assistance may lead to international frictions need to be further strengthened. They recognised that this is important in order to avoid shifting adjustment burdens and especially employment problems of specific industries from one country to another, to break the vicious circle of cumulative and competitive subsidisation, to re-establish confidence for investment and to ensure the continuing benefits of an open world trading system. Such mechanisms should retain a genuinely multilateral rather than bilateral character, and be supportive of the respective roles of OECD, GATT, IMF and other international organisations.

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# Meeting of the Council at Ministerial Level in April 1985

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the OECD met on 11th and 12th April at Ministerial level. The meeting was chaired The Rt. Hon. Joe Clark, Secretary of State for External Affairs of Canada and The Hon. Michael Wilson, Minister of Finance for Canada. The Vice-Chairmen were Mr Fernando Moran Lopez, Minister of Foreign Affairs of Spain and Mr. Miguel Boyer Salvador, Minister of the Economy and Finance of Spain and Mr. Sverre Stray, Minister for Foreign Affairs of Norway.

2. OECD this year celebrates its 25th anniversary. Since it was founded it has played an important role in fostering international co-operation between its members and more widely. The present meeting, the first Council at Ministerial level with Jean-Claude Paye as Secretary-General, represents a further step along this road. The following text records the agreements reached.

3. There has been a marked improvement in the general economic situation in the past two years. Recovery is proceeding broadly. Inflation has been substantially reduced. Business profits have increased strongly, as has investment in a number of countries. The significant increase in world trade has generally benefitted both developing and developed countries. This increase has been led thus far by strong growth in the United States. Prospects are good that this country will achieve more moderate but sustainable growth. In Japan the expansion of output will stay vigorous. The progress achieved in most European countries toward re-establishing a better equilibrium has improved prospects for continuing growth.

4. Nevertheless urgent problems remain, and the policy actions to address them were discussed. The following interrelated concerns were highlighted:

a) Persisting high levels of unemployment, particularly in a number of European countries, remain a cause for major concern. This concern is all the more acute since unemployment is increasingly concentrated on the young and on the long-term unemployed.

b) The international financial and monetary situation remains uncertain - exemplified by persistent high real interest rates, growing imbalances in current account positions within the OECD area, exchange rate instability and continuing strains arising from the debt situation of some developing countries.

c) World trade has increased but so have pressures for trade protection. Trade-related tensions persist. Progress towards strengthening the open multilateral trading system has been insufficient and uneven.

d) Some developing countries have made significant progress toward achieving better growth. Many, however, still struggle with major domestic and external problems. The gravity of the situation in Sub-Saharan Africa is a particular preoccupation.

5. Prospects for a durable recovery would be reinforced to the extent that these concerns can be alleviated strengthening the confidence upon which investment and economic dynamism depend. It is first of all necessary for governments to pursue domestic policies to improve the performance of their economies. There is also a collective responsibility to pursue policies that, taken together, will promote greater convergence of economic performance around a sustainable non-inflationary growth path, and to strengthen the open multilateral system. The following paragraphs represent a co-operative approach to this end.

6. *Overall Economic Policy Priorities.* The broad economic strategy that has been pursued in the OECD over the several years is paving the way for durable growth without inflation, and thus provides the basis for higher employment. It stresses medium-term objectives rather than short-term considerations. It recognises the importance of consistency and continuity in economic policies, and places particular emphasis on strengthening the capacity of economies adjust and innovate by making markets work better. This thrust will be maintained.

7. By building on the progress achieved, and by taking full account of the international repercussions of policies, a co-operative approach will both promote better international balance and improve domestic performance. Essential elements of such an approach include the need for all OECD members to: resist protectionist pressures; control government spending and where necessary reduce budget deficits; reduce structural rigidities as an important way of enlarging employment opportunities; and reduce major imbalances in international trade in goods and services. The following priorities for action by individual countries were seen as adding up to a better international climate while addressing domestic needs:

a) Continuing budget deficits projected for the United States, while smaller than the OECD country average in relation to GNP, are large in absolute size and are leading to a rapid build-up of government indebtedness and a correspondingly rising burden of debt-interest payments. Correcting this trend would contribute to ensuring the sustainability of the expansion in the United States and hence elsewhere. Accordingly, the United States considers it an essential priority that rapid and decisive agreement be reached on measures that will bring about expenditure trends leading to the elimination of large deficits.

b) The strong dollar, resulting from a variety of factors, has contributed to strong pressures for protection in the United States, by eroding the price competitiveness of US producers. For both domestic and international reasons, the United States government considers it an essential priority that these pressures be resisted.

c) The Japanese economy has consistently performed well. Mirroring to a considerable extent the United States position on international transactions, Japan is experiencing a large and growing surplus on trade in goods and services, accompanied by large capital outflows. Regarding this surplus and in order to reduce it and thereby contribute to a better international climate, Japan considers it an essential priority that the deregulation of its domestic financial markets be continued, that investment to and from Japan be promoted, that further access to its markets be facilitated, and that increased imports into Japan be encouraged.

d) The situations of other OECD countries differ to some extent from each other, as do their priorities and possibilities for action. But, in general, the expansion and full exploitation of the potential for durable non-inflationary growth are needed to reduce unemployment. They are also needed as a contribution to better balance and sustainability of the world recovery and to a more stable international monetary environment. Thus, these countries consider it an essential priority that the whole range of policies be used and that the following actions be implemented in ways consistent with country situations and institutions:

i) The adaptability of economies and the job-creating nature of growth must be strengthened; continued moderation in aggregate labour cost growth remains important in this respect. As further elaborated in paragraph 8 below, measures to improve incentives and increase opportunities by reducing rigidities in product, labour, and capital markets have a high priority for all countries. Reducing trade barriers in all sectors is an essential element of this approach.

ii) Reduction of budget deficits remains necessary for many countries, and urgent for some. This may involve a broadening of the tax base. More generally, budget policies should continue to aim at improving the quality of public expenditure and at restraining the overall level of expenditure, coupled with action to lower taxes.

iii) To the extent that dynamism on the supply side improves further, inflationary domestic imbalances are curbed, and exchange rate induced inflationary risks abate, real demand will

strengthen. When appropriate, governments individually and collectively should support this in a framework of prudent monetary and fiscal policies. This support would be particularly important in the context of a weakening of external demand.

8. *Priorities in Structural Adaptation.* The restoration of high levels of employment is a central policy objective which requires increased dynamism and adaptability of OECD economies, while strengthening the consensus for such a course by ensuring that structural change does not bear unduly on weak and low-income groups. It was agreed that coherent actions across the whole range of social and economic policies would contribute to this goal in the medium term, and could increase confidence even in the short term. The Organisation is deepening its review and appraisal of adjustment policies in accordance with last year's decision. The Secretary-General will undertake preparation of a study of Member country experiences drawing on available research in this area; he will in the near future inform the Council at permanent level of plans for initiating this analysis. He will deliver a progress report at the next meeting of the Council at Ministerial level. There are also implications for action by the community at large including employers and trade unions. Pursuit of consensus arrangements between the social partners may be helpful in some countries. The following are priority areas for action:

a) Further strengthening the environment for the creation of new firms, investment, innovation and entrepreneurship - in particular as regards small and medium-sized enterprises. Improved policies as regards regulation, education and training, competition, financial markets and taxation, have a major role. The reduction of subsidies which impede adjustment is likewise important.

b) Further improving the functioning of labour markets by efforts of governments, labour and management: by reducing governmental obstacles that inhibit employment growth; fostering new approaches to collective bargaining that increase job creation through enhanced flexibility and appropriate wage formation, as well as fair distribution of economic welfare; promoting occupational and geographic mobility and the conditions that make it possible.

c) Moderating disincentive effects of current tax/benefit systems while retaining appropriate levels of social transfers, and improving the effectiveness of social services and their responsiveness to changing needs.

d) In response to the crucial problems of unemployed youth and the long-term unemployed, strengthening specific programmes that aim to upgrade skills, and provide work experience. The objective is to integrate those affected into the labour market, while maintaining adequate income support and reducing, wherever possible, artificial barriers limiting access to jobs.

9. Ministers welcomed the report by the Organisation on the Costs and Benefits of Protection. It has provided further substantial evidence that protection has yielded few, if any, benefits but imposed very substantial costs, chiefly on the protecting country. Not only are restrictive trade measures an inefficient means of sustaining employment, they also delay much-needed adjustment.

10. *Foreign Exchange Markets.* The improved functioning of the exchange rate system depends primarily on the pursuit of appropriate economic policies in all OECD countries. The actions identified in paragraphs 7 and 8 above are also expected to strengthen the basis for greater exchange-market stability. Co-ordinated intervention in exchange markets can at times be useful to counter disorderly exchange markets and reduce the volatility of market perceptions. Ministers reaffirmed the importance they attach to the work undertaken by the Group of Ten, and expressed the hope that this would be completed rapidly.

11. *Trade Policies.* Ministers reaffirmed their commitment to the open multilateral trading system and their determination to strengthen it by further liberalisation. A new round of trade negotiations in GATT would contribute significantly to achieving this objective. There was therefore agreement that such a round of negotiations should begin as soon as possible (some felt this should be in early 1986). Ministers agreed to propose to the Contracting Parties that a preparatory meeting of senior officials should take place in GATT before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations. Active participation of a significant number of developed and

developing countries in such negotiations is considered essential. The various actions recorded in this Communiqué insofar as they lead to a better international economic, financial, monetary and investment environment, will contribute to the success of this process.

12. The avoidance of any resurgence of protectionist measures is of vital importance to sustained economic recovery and to the preservation of the multilateral trading system. This is equally important to ensure the necessary climate of confidence for any new and wide-ranging initiative in the trade field. Ministers therefore stress their resolve effectively to halt protectionism and resist continuing protectionist pressures.

13. Moreover, against the background of uneven results so far, they emphasize the importance of further tangible progress in the Organisation's work aiming at a concerted programme of action to relax and dismantle existing trade restrictions. An important element of this programme is that all Member countries will submit by mid-October proposals on all measures which could be phased out progressively over a fixed period; a report on results achieved will be presented to Ministers next year.

14. In addition a number of specific trade issues -many of which would be relevant for a new round of negotiations- were addressed:

a) The importance of increasing trade possibilities for the developing countries was stressed, particularly in view of the heavy debt burdens faced by many of these countries. More liberal and stable policies towards market access for products of particular significance to developing countries are needed. Developing countries should participate in the liberalisation process in a manner commensurate with their stage of economic development.

b) Measures aiming at strengthened transparency and discipline in the field of tied aid credits and associated financing of exports will continue to be pursued expeditiously. A study is to be completed by 30th September 1985 so that new measures aiming at a further increase in discipline and transparency could be taken promptly. As a first step, there was agreement on reinforced notification and consultation procedures as well as an increase to 25 per cent of the minimum permissible grant element for those transactions.

c) Serious tensions exist in the field of agricultural trade, particularly with respect to the generation and disposal of surpluses. Determined efforts will continue to be made to identify and implement urgently the indispensable adjustments in agricultural policies, and trade and financing practices, which are required to reduce these tensions.

d) Initial conclusions from ongoing work show that access to markets for high technology products and access to high technology itself are both important. Open markets and free access provide the same advantages in this domain as in all other areas of trade.

e) Given the growing significance of trade in services, continuing efforts toward their liberalisation are important.

f) The rapid growth of international computer communications has become an important feature of the international economy. The Governments of OECD Member countries therefore have adopted a Declaration on Transborder Data Flows \* .

g) Recognising the recent rapid development of information and communication technology and stressing the necessity of examining its impact on the interdependence of the world economy, Ministers welcomed the initiative of the Japanese Government to sponsor a series of international conferences on this theme.

15. *Relations with Developing Countries.* Economic and financial interdependence between developed and developing countries is an increasingly important factor in the functioning of the world economy. The diverse and often difficult situations of the developing countries create needs and opportunities for constructive, pragmatic cooperation. Improved trade access and concessional and non-concessional

flows will be important means to this end.

- a) Many developing countries are making considerable efforts to improve their own economic performance, through sometimes painful domestic adjustment. Such efforts are to be welcomed and encouraged. The responsibilities of the OECD countries for assuring an international economic environment that facilitates the success of these policies are fully recognised.
- b) It is important to maintain and as far as possible increase the flow of development assistance, improve its quality and effectiveness and strengthen co-ordination.
- c) Special efforts are required to support the policy reform endeavours being pursued by many of the poorer countries and to assist them to resume economic growth and development. The World Bank, the IMF, and the other multilateral institutions - notably those of the U.N. system - as well as bilateral donors, have an essential contribution to make in assisting the efforts of these countries, particularly by strengthening their co-operation and the effectiveness of their action.
- d) Direct investment can, under appropriate conditions, make an important contribution to development. It not only provides capital but also technological expertise. It should therefore be encouraged.
- e) Although the overall debt situation has been contained, there remain difficult problems with social and political dimensions. The problems of the low income countries require special consideration. Continued world recovery, open trade, sustained capital flows, moderate real interest rates, and resolute domestic adjustment efforts are all essential to continued progress in resolving debt and development problems. The Interim and Development Committee meetings of 17th-19th April will provide an opportunity to review these issues with developing countries.
- f) The development crisis in Sub-Saharan Africa is an international priority calling for increased assistance. Both governments and the general public are responding to the immediate needs of the famine-stricken countries. Effective policies for longer-term development are critical and require continuing support. A broad consensus has emerged that aid programmes should focus on agricultural and rural development, food security, institution-building and human resource development. Emphasis should be given to the maintenance and rehabilitation of existing productive facilities.

16. *Energy Policy* remains an important element of economic performance. The energy markets are currently easy but it remains essential to continue long-term policies to diversify supply and rationalise energy use as well as maintaining readiness to handle any interruptions in oil supplies.

17. *Environmental problems* are of national and international concern. Environment policies are important in their own right and in relation to economic efficiency and growth. Ministers looked to the meeting of the Environment Committee at Ministerial level on 18th-20th June to make further progress in this field.

Annex **DECLARATION ON TRANSBORDER DATA FLOWS** (Adopted by the Governments of OECD Member countries on 11th April 1985)

Rapid technological developments in the field of information, computers and communications are leading to significant structural changes in the economies of Member countries. Flows of computerised data and information are an important consequence of technological advances and are playing an increasing role in national economies. With the growing economic interdependence of Member countries, these flows acquire an international dimension, known as Transborder Data Flows. It is therefore appropriate for the OECD to pay attention to policy issues connected with these transborder data flows.

This declaration is intended to make clear the general spirit in which Member countries will address these issues.

In view of the above, the GOVERNMENTS OF OECD MEMBER COUNTRIES:

Acknowledging that computerised data and information now circulate, by and large, freely on an international scale;

Considering the OECD Guidelines on the Protection of Privacy and Transborder Personal Data and the significant progress that has been achieved in the area of privacy protection at national and international levels;

Recognising the diversity of participants in transborder data flows, such as commercial and non-commercial organisations, individuals and governments, and recognising the wide variety of computerised data and information, traded or exchanged across national borders, such as data and information related to trading activities, intra-corporate flows, computerised information services and scientific and technological exchanges;

Recognising the growing importance of transborder data flows and the benefits that can be derived from transborder data flows; and recognising that the ability of Member countries to reap such benefits may vary;

Recognising that investment and trade in this field cannot but benefit from transparency and stability of policies, regulations and practices;

Recognising that national policies which affect transborder data flows reflect a range of social and economic goals, and that governments may adopt different means to achieve their policy goals;

Aware of the social and economic benefits resulting from access to a variety of sources of information and of efficient and effective information services;

Recognising that Member countries have a common interest in facilitating transborder data flows, and in reconciling different policy objectives in this field;

Having due regard to their national laws, do hereby DECLARE THEIR INTENTION TO:

*a) Promote* access to data and information and related services, and avoid the creation of unjustified barriers to the international exchange of data and information; *b) Seek* transparency in regulations and policies relating to information, computer and communications services affecting transborder data flows; *c) Develop* common approaches for dealing with issues related to transborder data flows and, when appropriate develop harmonized solutions; *d) Consider* possible implications for other countries when dealing with issues related to transborder data flows.

Bearing in mind the intention expressed above, and taking into account the work being carried out in other international fora, the GOVERNMENTS OF OECD MEMBER COUNTRIES,

*Agree* that further work should be undertaken and that such work should concentrate at the outset on issues emerging from the following types of transborder data flows:

- i) Flows of data accompanying international trade;
- ii) Marketed computer services and computerised information services; and
- iii) Intra-corporate data flows.

The GOVERNMENTS OF OECD MEMBER COUNTRIES AGREED to *co-operate* and *consult* with each other in carrying out this important work, and in furthering the objectives of this Declaration.

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# Meeting of the Council at Ministerial Level in April 1986

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the OECD met on 17th and 18th April at Ministerial level. The meeting was chaired by Mr. Turgut Ozal, Prime Minister of Turkey. The Vice Chairmen were Mr. Franz Vranitzky, Minister of Finance of Austria, Mr. Ferdinand Lacina, Minister of Public Economy and Transport of Austria, Mr. Pedro Pires de Miranda, Minister of Foreign Affairs of Portugal and Mr. Miguel Cadilhe, Minister of Finance of Portugal.
2. Ministers heard a joint statement by the Chairmen of the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC) exposing their common concern over the level of unemployment, the need for growth and the need to restore the manufacturing base in the OECD area.
3. The following records the conclusions and agreements reached by Ministers.
4. The overall economic situation in OECD countries is improving; and despite continuing concerns and difficulties, there are good grounds for confidence about the future. Inflation has been reduced substantially and approximate price stability achieved in some countries. Economic growth in the OECD area seems set to pick up to a rate of 3 per cent or better this year and next, and to be evenly spread among most countries. Employment growth is likely to increase. Exchange rates have moved significantly over the past year away from levels that had produced unbalanced competitive positions among countries, and had contributed to international current-account imbalances. Interest rates have come down substantially in nominal terms, although less so in real terms since inflation has also declined. However unemployment and especially youth unemployment remains at very high levels in most OECD countries. Ministers were concerned that in many countries there has not been significant change in this situation up to now.
5. Lower oil prices are contributing to the favourable macro-economic situation, by significantly reducing inflation, raising real incomes in oil importing countries, and providing an additional stimulus generally to economic activity worldwide, although there will also be negative impacts for some energy exporting countries. More fundamentally, OECD countries are beginning to reap the benefits from concerted efforts to improve the functioning of their economies, to reduce domestic imbalances, and to strengthen international co-operation.
6. OECD Governments intend to take advantage of these favourable conditions to promote a stronger growth trend over the medium term without rekindling inflation. Success in this effort will help in the priority task of substantially reducing present very high levels of unemployment. It will contribute to stronger growth in developing countries and to reducing international debt burdens. It will facilitate efforts to bring about necessary structural adjustment, particularly in sectors plagued by global excess capacity. It will also provide a favourable environment for strengthening the open multilateral trade system - whose effective functioning is of fundamental importance to the world economy.
7. A stronger growth trend can be achieved through co-operative action among our countries. Four broad imperatives can be identified in this regard:
  - i) Macro-economic policies within and among OECD countries need to be supportive of growth and employment over the medium term by keeping inflation low and by eliminating domestic imbalances. They also need to be directed toward reducing international imbalances; and to be implemented in ways that promote greater stability of exchange rates at levels better reflecting economic fundamentals.



ii) Structural policies need to be directed towards enhancing dynamism by enlarging the opportunities for productive activity, increasing flexibility and improving incentives. Structural policies also need to be perceived in their relation to trade policies: where serious distortions exist in national markets, domestic resources are channelled into less productive uses, the flexibility of economies is reduced and, inevitably, the distortions spill over into international markets. Increased attention should be paid to trade distorting effects of government subsidies to specific sectors.

iii) The capacity of developing countries to adjust their economies and increase growth through efficiency-oriented policies needs to be supported by OECD policies and improved co-operation in financial, trade, investment, technology and other areas.

iv) There is a need to reinforce the open multilateral trading system, to strengthen the provisions and the disciplines, and to further trade liberalisation on the broadest possible basis. A comprehensive new round of negotiations needs to be launched in the GATT to preserve, strengthen and extend the multilateral trading system.

Specific lines of action are the following:

### **Macro-economic Policies**

8. It is essential to bring about a better balance in current account positions among countries in order to reduce the risk that such imbalances, which remain large, might eventually undermine continued economic expansion. The longer such imbalances persist, the more difficult their ultimate correction. Smooth adjustment requires that in countries with large current account deficits output grows more rapidly than domestic demand; and conversely for countries with large surpluses, where domestic demand should be sufficient to ensure that growth is at least in line with the increase of productive potential and thereby contributing more to world economic growth. The policy priorities agreed last year remain relevant. Policy priorities include, inter alia, reduction of the budget deficit in the United States, increased domestic demand and the encouragement of increased imports into Japan, and the strengthening of growth in European and other Member countries through both structural and macroeconomic policies. Action in line with these priorities is under way and will be strengthened. In this context, Ministers underlined the need for strengthened co-operation aimed at ensuring greater consistency and complementarity of economic policies in the medium term. Necessary procedures and techniques for achieving this objective should be actively studied.

9. Exchange rates have an important role to play in complementing fundamental policy actions for the reduction of current account imbalances. Concerted action has helped to bring about exchange rate changes in a direction more consistent with economic fundamentals. These changes should not be hampered from fully playing their role in the international adjustment process. Co-operation to this end will continue, recognising that appropriate exchange rates need to be sustained through internationally compatible policies. Efforts to improve the functioning of the international monetary system should be intensified.

10. The control of public expenditures and budget deficits is essential to establish a stable domestic financial environment and to promote a durable reduction in real interest rates which will help private investment to expand and thus promote sustained growth worldwide. In countries where deficits are large and public debt is rising strongly -- and this is still the case in most OECD countries -- further deficit reduction cannot be postponed. Deficit reductions should be pursued in ways consistent with the objective of improving growth. Such reductions are best achieved through stronger control over public expenditure, rather than by raising taxation which would damage incentives. Where the trend of rising public debt in relation to GNP is being reversed, and budget deficits have been reduced sufficiently to restore fiscal flexibility, further deficit reductions may be less urgent. In this case, continued progress in containing public expenditure creates room for tax cuts. Generally, medium-term budget objectives should be framed having regard to the need to avoid rising ratios of public debt to GNP and to bring these down where they are unusually high; to take fully into account the applications of demographic

trends for the viability of social security systems; and to contribute to a sustainable balance between domestic savings and investment. Moreover, tax reform can be undertaken to promote stronger growth and adjustment.

11. The macro-economic gains to be derived from lower oil prices can probably best be achieved by allowing them to be transmitted through lower prices to households and enterprises. In a number of countries governments have considered it appropriate to absorb a share of these gains through higher taxes in order, for instance, to reduce budget deficits or to increase efficient public investment, to lower other taxes that are judged excessive or to replace reduced oil or gas revenues.

12. In recent years, the primary task of monetary policy has been to bring down inflation and keep it under control. Many OECD countries have made substantial progress. The risk of a re-acceleration of inflation will always persist. Thus, monetary authorities will need to remain on guard. In this context current monetary objectives and intentions are supportive of sustainable growth, and provide room for further declines in interest rates-particularly in view of the disinflationary impact of lower oil prices. Co-operation among monetary authorities on the timing of interest rate reductions can help minimise unwanted exchange-market reactions.

### **Structural Policies**

13. Sustained good economic performance results from a continuing process of structural change towards national economies that are flexible and dynamic, and which are bound together through an open and multilateral trade system for goods and services, the rapid diffusion of technology and know-how, and efficient and internationally integrated financial markets. Continued environmental protection and improvement can and must be an integral part of this process. Achieving this desired evolution of the world economy will take time and will require determination to overcome the obstacles to effective structural adjustment, one being the fact that in some specific industrial sectors, public subsidies are presently hampering the possibilities of industries to pursue sound adjustment policies. Discussion of structural policies focussed on the following aspects:

#### **Employment**

14. Unemployment is a waste of our most precious resource, human potential, and solving this problem is an essential priority. Labour markets which respond promptly and efficiently to the new job opportunities created by growth, trade, technological and structural change are essential for the promotion of more dynamic economies and for a higher rate of job creation. The creative involvement of both labour and management is central to achieving this. Wage moderation has played an important part in bringing down inflation. Continuing moderation will help to sustain non-inflationary growth and an improvement in real standards of living. Wage settlements must take into account market conditions, productivity trends, and the decline in inflation that is taking place. Active policies to promote the better functioning of labour markets will include, inter alia, actions to improve access to employment, particularly for youth and the long-term unemployed; to facilitate labour mobility; to modify provisions that inhibit the hiring of new workers; to strengthen programmes for skill development, and in particular to improve the responsiveness of education and training to the needs of the economy.

#### **Financial Markets**

15. The rapid structural changes that are taking place in financial markets improve the overall capacity of these markets to provide funds more efficiently and to meet better specific needs and preferences, thus contributing to stronger growth. While this process is to be welcomed, it also has particular implications for policy. The more powerful transmission of financial impulses internationally requires closer co-operation in the conduct of financial policies. Likewise national systems of supervisory and prudential control need to adapt to the structural changes in domestic financial markets, and to their increasing internationalisation. This requires, inter alia, increased international compatibility of national policies.

#### **Allocation of Public Resources**

16. In addition to appropriate control of budget deficits and the overall scale of government spending, budget policy must also be directed to improving the efficacy and efficiency of government programmes. This implies flexible reallocation of resources to priority needs. It also implies improving the structure of taxation by reducing tax rates and broadening tax bases, and by narrowing differentials in effective tax rates across different economic activities.

### **Technology**

17. Over the last decade OECD economies have undergone profound changes in structure and operation with considerable shifting between activities. Technological developments, such as information processing, have permitted the growth of entirely new industries as well as altering products and processes in many established industries. For the diffusion of new technologies to provide the fullest possible contribution to growth and employment, effective transfer of technology needs to be facilitated and a suitable environment for risk taking is necessary, as are responsive systems of education and training. Appropriate protection of intellectual property contributes significantly to the successful creation and diffusion of technology and concerted efforts are needed to strengthen this protection worldwide.

### **Agriculture**

18. Policies of domestic support for and protection of agriculture have sometimes inhibited needed adjustment and led to increases in global supplies in excess of demand. This problem will become even more acute if technological innovation in agriculture is not matched by effective adjustment. Studies in the Organisation should contribute to a better understanding of the issues involved. Ministers asked the Organisation to intensify the work on these issues taking also into consideration the macro-economic and social implications of agricultural policies. Ministers agree that in many cases present policies entail not only heavily increasing costs but also the danger of aggravating conflicts in agricultural trade which, in turn, risk exacerbating trade tensions more generally. Particular concern was expressed over the recent escalation of tensions in trade in grains and in a number of other agricultural commodity markets. In the light of the serious situation, it is urgent that OECD countries, while taking into account the wellbeing of farmers, make strenuous efforts to reorient policies which have an effect on agriculture in order to encourage structural adjustment, to bring down budget expenditures, to correct market imbalances and to reduce tensions internationally.

### **Energy**

19. While a prolonged period of relatively low oil prices might intensify long-standing concerns about long-term energy supply security and the possibility of tighter energy markets in the future, there is no need at present for new international action by Member countries in the area of energy policy, although some Member countries may decide that internal adjustments are required for regional sectoral or other national reasons. The energy policy objectives set out in the Conclusions endorsed at the meeting of OECD Ministers on 9th and 10th May 1983 (and recently reconfirmed by the Governing Board of the International Energy Agency) were therefore reconfirmed and their implementation will continue with whatever adjustments may later be decided are necessary. For this purpose, an updated assessment of the medium- and long-term energy outlook will be developed to serve as a basis for seeing whether energy policy objectives are likely to be achieved under current and future market conditions.

### **Relations with Developing Countries**

20. Interdependence is a reality. Strong economic performance in the OECD countries is crucial for growth in the developing countries. Conversely, economic performance in developing countries will increasingly affect growth in the OECD area. More dynamic and broadly shared economic development entails action across a wide range of policies in both developing and developed countries.

21. Debt burdens remain onerous for a number of countries and severely hamper their process of development. Growth-oriented structural adjustment and expanding trade are essential for resolving this problem and overcoming other obstacles. OECD countries welcome and encourage the efforts already

made by many developing countries in difficult political and social circumstances. They also welcome the progress that is being made in implementing the debt initiative proposed by the United States in Seoul. They urge the continuation of co-operative efforts by debtor nations, the commercial banks, and the International Financial Institutions to realise the objectives of this growth-oriented debt strategy on a case-by-case basis. Debtor countries, working in co-operation with the IMF and the World Bank, need to develop and put into place comprehensive policies to permit sustained growth and sustainable external balance. This will contribute importantly to improved financing by mobilising domestic savings, by stemming capital flight and by attracting bank credits and foreign direct investment -- which should play a more prominent role in future capital flows.

22. For their part, OECD countries need to promote an international economic environment which will support developing countries policies. OECD countries must therefore strive to improve the dynamics of their own growth and adjustment; to ensure freer access to their markets; to co-operate regarding the resumption of export credit cover on a case by case basis to countries implementing effective adjustment policies; to support the creation of the Multilateral Investment Guarantee Agency (MIGA) to encourage new investment in developing countries; and to provide adequate concessional and non-concessional financial flows, in terms of quality and quantity.

23. Oil price developments are benefiting energy importing developing countries. However, the financial situation of a number of heavily indebted oil exporting developing countries has deteriorated and should be addressed through appropriate measures within the overall debt strategy. The downward trend of non-oil commodity prices has increased the need for more open and stable markets, for action to remove measures distorting trade in these commodities and for diversification of production and processing in commodity-dependent economies. For this, enhanced attention by the international community is required.

24. The plight of the poorest countries, and especially those in Sub-Saharan Africa, continues to give rise to serious concern. For these countries also it is essential to undertake growth-oriented policy reform and structural adjustment measures. Special efforts are, however, required to support such endeavours through improved and better co-ordinated aid programmes. OECD members agreed to exert their best efforts in providing additional official development assistance, through both bilateral and multilateral channels, to support growth and significant adjustment programmes in the poorest countries. Multilateral assistance has a key role in this respect. Hence the World Bank's Special Facility for Africa and the recent establishment of an IMF Structural Adjustment Facility are welcome. Hence, too, the importance of a substantial replenishment of IDA. Bilateral donors, for their part, must improve current aid policies and practices in order to provide flexible, timely and better co-ordinated financial support for development-oriented programmes.

25. Ministers look forward to the forthcoming Special Session of the United Nations General Assembly on the critical economic situation in Africa. This session provides an opportunity to improve co-operation between African Governments and the international community on the basis of a thorough review of past efforts in solving that continent's problems. It further provides an opportunity to set out orientations for future action aiming at the rehabilitation of the medium- and long-term development of Africa.

### **Trade Policy**

26. Ministers vigorously endorsed the need to launch a comprehensive new round of multilateral trade negotiations. Ministers noted with satisfaction the preparation in GATT for a Ministerial meeting in September for this purpose. Member countries' Governments are determined to do their utmost to support the new round and the process leading to its launching. All countries, developed and developing, have a stake in the early launching and successful completion of a new round. The general purpose of the negotiations should be to improve the provisions and disciplines of the GATT, expand its coverage, extend its application to new areas, promote a substantial further liberalisation of trade and consider trade aspects of other international economic policies. In this context it was recognised that parallel efforts in other areas of international economic co-operation would be conducive to achieving the objective of trade liberalisation. Ministers support a comprehensive agenda for the negotiations,

including issues to keep the GATT relevant to changing world trade conditions, which would provide the possibility of achieving balanced results. The new round should, inter alia, address the issues of trade in services and trade related aspects of intellectual property rights and foreign direct investment. The negotiations should lead to a fuller participation in the open multilateral trading system of developing countries which should contribute to the liberalisation process in a manner commensurate with their stage of economic development.

27. Effective commitments on standstill and rollback are necessary to create a positive negotiating climate and to further the achievement of the overall objectives of the trade negotiations. Ministers, therefore, expressed their preparedness to contribute to an effective and credible standstill undertaking by all GATT Contracting Parties and to discuss with their partners a meaningful monitoring process for the application of that undertaking. They also underlined the importance of the rollback of protective trade measures in order to contribute to the achievement of the liberalisation objective of the new round.

28. Progress on actions to relax and dismantle existing trade restrictions was reviewed. Against a difficult economic background, protectionist pressures have persisted and trade restrictions have continued to be introduced, although at a markedly slower rate than previously. At the same time, efforts to liberalise trade have resulted in the abolition of certain restrictions and in the relaxation of others. The results, though modest, represent a useful effort in themselves and contribute to confidence for new multilateral trade negotiations. In the face of the continuing threat of protectionist pressures Ministers reaffirm their commitment to avoid new restrictive measures and to pursue their efforts to reduce trade restrictive and trade distorting measures. More specifically, Ministers undertook to seek as much liberalisation as possible within the renegotiation of the Multi Fibre Arrangement, a number of them with the final objective of applying GATT rules to trade in textiles.

29. In order to assist developing countries, Ministers expressed hope that the Contracting Parties in the new round would explore means of giving appropriate recognition in the GATT context to trade liberalisation measures adopted by developing countries under structural adjustment and sectoral programmes.

### **Services**

30. Ministers also reviewed the Organisation's wide ranging activities on trade in services. Inclusion of services in a new round of multilateral trade negotiations would contribute importantly to trade liberalisation. Related work in OECD should be pursued actively. In this regard Ministers stressed the need to intensify and broaden ongoing conceptual, analytical and statistical work on the complex issues involved, particularly on the application of general concepts to individual service sectors. Similarly, they underlined the importance of extending and making more effective the Code of Liberalisation of Current Invisible Operations and other existing instruments which are applicable to trade in services among OECD Members, in order to promote liberalisation in as many sectors as possible. Ministers requested the Secretary-General to report on progress at next year's Council at Ministerial level.

### **Investment**

31. Ministers observed that Member countries encourage the further liberalisation of restrictions on direct investment in both developed and developing countries. The Ministers observed that further liberalisation of investment policies within the OECD would contribute to the success of broader multilateral efforts in this important area. In this regard, the Ministers welcomed improved efforts being made to strengthen the OECD Code of Liberalisation of Capital Movements and national treatment instrument.

### **Conclusion**

32. In order to remove international frictions and imbalances through the efficient distribution of resources, it is important to advance worldwide structural adjustment from a medium and long-term perspective, as well as to promote the further opening up of markets within the free trading system. International co-operation, including industrial co-operation through direct investment, technology

exchange, and joint research and development, is very important because it promotes structural adjustment on a global scale and facilitates the formation of a harmonious division of labour, thereby contributing to the deterrence of protectionism.

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# Meeting of the Council at Ministerial Level in May 1987

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G3CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the OECD met on 12th and 13th May at Ministerial level. The meeting was chaired by Dr. Martin Bangemann, Federal Minister of Economics of the Federal Republic of Germany. The Vice-Chairmen were Mr. Uffe Ellemann-Jensen, Minister for Foreign Affairs, and Mr. Palle Simonsen, Minister of Finance, of Denmark; and Mr. Roger Douglas, Minister of Finance of New Zealand. On the fortieth anniversary of his Harvard speech, the Council paid tribute to the vision of international cooperation framed by General George C. Marshall.

### I. Improving Growth Prospects

2. The economic strategy of the OECD countries has, over recent years, brought inflation down to its lowest level for a generation, at the same time maintaining positive growth rates. The long-term effort must be pursued, taking account of developments, in order to strengthen the prospects for stable and sustainable growth; to reduce substantially the levels of unemployment - unacceptably high almost everywhere; to correct the massive current account imbalances of the major countries; to consolidate the improvement in exchange rate configurations while achieving greater stability; and to improve the economic performance of developing countries. The first and foremost contribution that the OECD countries can make to world prosperity is to foster vigorous economies in an open multilateral trading system.

3. In order to achieve these objectives, Ministers agree upon the following wide-ranging and mutually reinforcing actions. They are based on a common will to use to the full the possibilities of international co-operation and to exploit for the best the interactions between macro-economic and structural adjustment policies. Improved policies in both fields are interrelated elements in the strategy for stronger growth of output and employment. Both are essential. Macro-economic policies stabilise expectations, build confidence for the medium-term and strengthen growth prospects. Micro-economic policies create a more dynamic and responsive environment, in which growth and adjustment forces are stronger and macro-economic policies are more effective.

### II. Macro-economic Policies

4. Macro-economic policies must respond simultaneously to three needs: maintaining medium-term orientations which contribute to the stability of expectations and building confidence; unwinding the present exceptionally large external imbalances of the major countries; exploiting to the full the potential for non-inflationary growth and thus for stronger job creation. International complementarity and compatibility of policies are essential in order that adjustment takes place in the perspective of growth and of exchange rate stability. Each country must make its contribution to the collective effort. In particular, the effective implementation of the commitments in the Louvre agreement, together with those in the recent communiqué of the Group of Seven countries, shall be achieved quickly. Member countries will reinforce their co-operation, continue to review the policy requirements of the situation and introduce further measures as necessary.

5. Monetary policies, supported by fiscal policies, should remain geared towards growth of monetary aggregates and maintenance of financial market conditions consistent with low inflation objectives and real growth potential; they should also contribute to the orderly behaviour of exchange rates. In view of the outlook for low inflation in many countries, a further decline of interest rates in these countries - in particular a market-led decline of long-term rates would be helpful.

6. Since the possibilities for monetary policy, by itself, to improve prospects are limited, these need to be

enhanced by further action on the fiscal front.

7. In the *United States*, the process of reducing the Federal budget deficit - which is coming down from 5.2% of GNP in 1986 to less than 4% in 1987- must and will continue in the years ahead. Holding firm to this course is essential for external and domestic reasons. The confidence of economic agents, in the United States and elsewhere, depends heavily upon it; so do, consequently, the prospects for moderate interest rates and stable exchange rates, sound economic activity with an adequate flow of funds into productive investment, and resistance to protectionist temptations. These highly beneficial effects of reducing the Federal budget deficits should over time outweigh any short-term damping effect in the United States. Exchange rate changes have improved the cost competitiveness of US products and are having a positive effect on net exports.

8. For *Japan* the objective is to achieve stronger growth with domestic demand increasing more rapidly than output, accompanied by a rapid growth in imports, consistent with the substantial terms of trade gains which have taken place. The reaffirmation by the Japanese Government of its intention to further improve access to its domestic markets for foreign goods and services is also welcome. The Japanese authorities will take further substantial fiscal and other measures to strengthen the growth of domestic demand. This will not prejudice medium-term budgetary objectives of the central government. In this regard, it is to be noted that the recently announced Japanese initiative to expand domestic demand is part of the far-reaching longer-term effort to reorient the Japanese economy.

9. In *Germany*, also, the growth of domestic demand, and particularly of private investment, must exceed substantially the growth of potential output. In order to support growth and external adjustment, the German government has already announced that some scheduled tax cuts will be accelerated to 1st January 1988 and a broader tax reform will be implemented in 1990. This will have a favourable influence on investment. In addition, further measures of structural adjustment, including reduction of subsidies, will be implemented. Taken together, these actions will contribute to an increase of the general budget deficit relative to GNP between now and 1990. Fiscal prudence over recent years permits this kind of action. Should there be a serious risk to the sustained expansion of domestic demand, especially private investment, the medium-term strategy for growth and higher employment would be adjusted as a consequence.

10. *Other countries* with substantial current account surpluses should also take appropriate action to encourage domestic demand growth relative to sustainable output.

11. *Some countries* face tight constraints insofar as fiscal policy is concerned. For countries which have large budget deficits, priority must continue to be given to correcting them. There are a few countries in Europe, however, where budget deficits are not large but where current account considerations constrain policy. Scope for fiscal action on the part of these countries would be increased and growth prospects improved if demand strengthened in their major trading partners. In this latter respect, and as an example, a co-operative economic strategy of the EEC countries could take advantage of their interdependence and be accompanied by other European countries.

### III. Structural Adjustment Policies

12. Ministers welcome the Report on Structural Adjustment and Economic Performance. Despite progress in recent years, OECD economies are still hampered by major distortions and rigidities. These compound current macro-economic problems and retard growth. Increasing competition in product markets, responsiveness in factor markets and effectiveness in the public sector will contribute significantly to growth potential in all countries. Priorities in reforming structural policies will vary in individual countries reflecting differing national situations but also international requirements. It is thus essential that concerted action be guided by common principles. To ensure the greatest gains from reform, action must be broad, bold, sustained and, to the extent possible, built on international economic cooperation. The effects of such action will emerge mainly in the medium term. Implementation now, by expanding opportunities and bolstering confidence about the future, will underpin present efforts to strengthen non-inflationary growth and to reduce unemployment. Successful structural adjustment can simultaneously increase fairness and offer improving opportunities for all. Increasing social dialogue is



an integral part of this process.

13. Industrial subsidies, to the extent they are a source of domestic and international distortions and an impediment to structural adjustment, should be reduced. The work on industrial subsidies initiated by the Organisation is, therefore, to be encouraged and pursued actively.

14. The conclusions drawn by the Economic Policy Committee [PRESS/A(87)25] on the Report on Structural Adjustment were endorsed and will guide action in the forthcoming years. The Secretary-General is requested to report, at appropriate intervals, on the work of the Organisation on micro-economic and structural issues at subsequent meetings of the Council at Ministerial Level.

### **Trade Policies**

15. International trade provides, through competition, the most powerful means of promoting economic efficiency and growth. Measures which impede or distort the functioning of international markets tend to impair structural adjustment, preserve outdated economic structures, damage consumer interests, weaken incentives for efficient investment and thus hinder economic growth. Therefore, it is of paramount importance to reverse recent trends towards restrictive trade measures, notably of a bilateral or a discriminatory nature, and to act with determination to strengthen and extend the open multilateral trading system. The OECD will intensify its monitoring of the various aspects of trade policies.

16. The Uruguay Round presents a unique opportunity to create an improved framework for trade in the 1990s and beyond. It is essential to ensure that renewed signs of protectionism and conflict management on a bilateral basis should not be allowed to undermine confidence in the Punta del Este Declaration or in the negotiating process it has initiated. Ministers affirmed the determination of their countries to resist these trends and to work for rapid, sustained and substantive progress in the negotiations towards a balanced global result which would be of benefit to all, developed and developing countries alike. OECD countries will prove this determination by tabling in the coming months comprehensive proposals covering the various fields of the negotiations, by carrying out the standstill and rollback commitments they have entered into and by opposing domestic protectionist pressures. In keeping with the Punta del Este Declaration, Ministers reaffirmed that the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

17. Ministers noted the welcome progress on trade in services in the Organisation. This is of particular importance in the light of the inclusion of services in the Uruguay Round. Further related work will be needed to refine the concepts for liberalisation of trade in services as well as continuing efforts to strengthen the OECD Codes of Liberalisation of Invisible Operations and of Capital Movements. This will be pursued actively.

18. Ministers welcome the agreement recently reached by the Participants in the Arrangement on Guidelines for Officially Supported Export Credits in response to directives from the 1984 and 1985 meetings of the Council of the OECD at Ministerial level. The agreement will strengthen substantially the Arrangement and reduce the risk of trade and aid distortions. Ministers also welcomed the recent agreement on the related DAC guiding principles. These are a tangible sign of co-operation in a difficult period.

### **Agriculture**

19. The joint report of the Trade and Agriculture Committees ("National Policies and Agricultural Trade") was approved. This important work clearly highlights the serious imbalances that prevail in the markets for the main agricultural products. Boosted by policies which have prevented an adequate transmission of market signals to farmers, supply substantially exceeds effective demand. The cost of agricultural policies is considerable, for government budgets, for consumers and for the economy as a whole. Moreover, excessive support policies entail an increasing distortion of competition on world

markets; run counter to the principle of comparative advantage which is at the root of international trade; and severely damage the situation of many developing countries. This steady deterioration, compounded by technological change and other factors such as slow economic growth or wide exchange rate changes, creates serious difficulties in international trade, which risk going beyond the bounds of agricultural trade alone.

20. All countries bear some responsibilities in the present situation. The deterioration must be halted and reversed. Some countries, or groups of countries, have begun to work in this direction. But, given the scope of the problems and their urgency, a concerted reform of agricultural policies will be implemented in a balanced manner.

21. Reform will be based on the following principles:

- a) The long-term objective is to allow market signals to influence by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, the orientation of agricultural production; this will bring about a better allocation of resources which will benefit consumers and the economy in general.
- b) In pursuing the long-term objective of agricultural reform, consideration may be given to social and other concerns, such as food security, environment protection or overall employment, which are not purely economic. The progressive correction of policies to achieve the long-term objective will require time; it is all the more necessary that this correction be started without delay.
- c) The most pressing need is to avoid further deterioration of present market imbalances. It is necessary:
  - on the demand side, to improve prospects as much as possible inside as well as outside the OECD area;
  - on the supply side, to implement measures which, by reducing guaranteed prices and other types of production incentives, by imposing quantitative production restrictions, or by other means, will prevent an increase in excess supply.
- d) When production restrictions are imposed or productive farming resources withdrawn by administrative decision, these steps should be taken in such a way as to minimise possible economic distortions and should be conceived and implemented in such a way as to permit better functioning of market mechanisms.
- e) Rather than being provided through price guarantees or other measures linked to production or to factors of production, farm income support should, as appropriate, be sought through direct income support. This approach would be particularly well suited to meeting the needs of, amongst others, low-income farmers, those in particularly disadvantaged regions, or those affected by structural adjustment in agriculture.
- f) The adjustment of the agricultural sector will be facilitated if it is supported by comprehensive policies for the development of various activities in rural areas. Farmers and their families will thus be helped to find supplementary or alternative income.
- g) In implementing the above principles Governments retain flexibility in the choice of the means necessary for the fulfilment of their commitments.

22. The Uruguay Round is of decisive importance. The Ministerial Declaration of Punta del Este and its objectives provide for the improvement of market access and the reduction of trade barriers in agriculture and will furnish a framework for most of the measures necessary to give effect to the principles for agricultural reform agreed upon by OECD Ministers, including a progressive reduction of assistance to and protection of agriculture on a multi-country and multi-commodity basis. As agreed in paragraph 16, the Uruguay Round negotiations will be vigorously pursued and comprehensive

negotiating proposals tabled over the coming months, in this as in other fields. In the Uruguay Round appropriate account should be taken of actions made unilaterally.

23. In order to permit a de-escalation of present tensions and thereby enhance prospects for the earliest possible progress in the Uruguay Round as a whole, OECD governments will carry out expeditiously their standstill and rollback commitments and, more generally, refrain from actions which would worsen the negotiating climate: they will, *inter alia*, avoid initiating actions which would result in stimulating production in surplus agricultural commodities and in isolating the domestic market further from international markets; additionally, they will act responsibly in disposing of surplus stocks and refrain from confrontational and destabilising trade practices.

24. Agricultural reform is not solely in the interests of Member countries. Developing countries which are agricultural exporters will benefit from a recovery on world markets. Developing countries which are importers of agricultural produce will be encouraged to base their economic development on more solid ground, by strengthening their own farm sector.

25. Agricultural reform poses vast and difficult problems for Member countries. Strengthened international co-operation is needed to overcome these problems. The OECD will continue to contribute to their solution by deepening further its work; by updating and improving the analytical tools it has begun to develop and which will prove particularly valuable in many respects; by monitoring the implementation of the various actions and principles listed above. The Secretary-General is asked to submit a progress report to the Council at Ministerial level in 1988.

### **Financial Markets**

26. The process of liberalisation in financial markets and financial institutions must continue. In order to secure the clear benefits deriving from this process and to ensure the viability and stability of these markets, efforts will be intensified in the appropriate fora with a view to increasing compatibility and convergence of policies regarding prudential supervision of these markets.

### **Tax Reform**

27. Most OECD countries have undertaken or are considering major tax reforms. Well-constructed tax reform can considerably enhance performance at both macro and micro-economic levels. Tax reform should focus on simplicity, equity and reducing distortions affecting incentives to work, save and invest. The competent bodies of the Organisation will actively contribute to reflection on tax reforms in Member countries and consider the best means of achieving them with due respect given to international aspects.

### **Technological Change**

28. The development and diffusion of technology is central to the growth of output, employment and living standards. The process of technological change provides opportunities that must be grasped. Much work has already been done within the Organisation on analysing and interpreting various elements of this process. It now seems necessary to define an integrated and comprehensive approach to the different technology-related questions, to deepen the analysis in order to understand better, and make better use of, technological advances. The Secretary-General's intention to develop and carry out such an approach was welcomed. A progress report will be made to Ministers at their meeting in 1988.

### **Employment and Socio-Economic Reform**

29. In view of the seriousness of unemployment problems in most countries, three areas of socio-economic reform are particularly important - all involve, in varying degrees, the private sector and the social partners as well as governments. First, there is a pressing need in many countries to improve the quality of education and training systems, and to adapt them more to the needs of societies and economies undergoing rapid structural change. Second, more flexible labour markets are needed to facilitate access to the new jobs emerging as structural and technical change accelerates. Third,

employment and social protection policies need to evolve so that displaced and unemployed people are given not only income support but also - especially through training - opportunities and incentives to get back into work or other useful activities such as local employment initiatives. OECD work in these areas will be intensified, a key aim being to prepare a new framework for labour market policies as agreed at the meeting of the Manpower and Social Affairs Committee at Ministerial level in November 1986.

### **Environment**

30. There is general agreement that environmental concerns have to be given a high priority in government policies, in order to safeguard and improve the quality of life as well as to preserve the resource base needed for sustained global economic development. Member countries will develop, within OECD, approaches and methods for more systematically and effectively incorporating environmental considerations into the policy-making process. Work will be intensified on policies needed to prevent more effectively the release of hazardous substances to the environment, including from large-scale accidents. In this connection international co-operation should be reinforced. The recently presented report of the World Commission on Environment and Development, "Our Common Future", will be studied closely in Member governments and in the Organisation.

### **Energy**

31. The past year has seen considerable falls in the prices of oil, gas and coal. While lower energy prices have broad economic benefits, they tend to increase consumption and reduce indigenous production of energy. The Chernobyl reactor accident has underlined the safety aspects of nuclear power. These developments could intensify the tightening of energy markets expected for the 1990s. The Governing Board of the International Energy Agency, meeting at Ministerial level on 11th May 1987, agreed to strengthen existing policies in a number of areas in order to advance the objectives of energy policy while continuing to secure the general benefits of lower energy and oil prices. These areas include indigenous energy production, the efficient use of energy, diversification of sources of primary energy particularly those used in the generation of electricity, the promotion of free and open trade in energy, measures to respond to an interruption in oil supplies, and due recognition of environmental concerns.

## **IV. Relations with Developing Countries**

32. In a world characterised by an increasing level of interdependence, the economic problems and performance of developing countries have become increasingly diverse. While a number of developing countries, particularly in Asia, have made significant progress, many others have suffered economic setbacks in recent years. Economic cooperation with developing countries must respond to varying capacities and needs in the critical areas of development, trade, debt and finance. Developed countries must strive to ensure a better environment for developing countries growth and exports in the interest of these countries as well as of the international economy more generally. In this regard, the implementation of the policy directions and objectives set out in this Communique will represent a significant contribution by OECD countries to better global prospects.

33. Economic policies in developing countries themselves will remain a major factor in their own performance. Upon them depend heavily confidence, savings and investment, both domestic and foreign. The wide range of developing countries presently implementing economic policy reforms to establish a sound development process must be supported and encouraged by all possible means including improved market access and official development assistance. In this regard, it is important to maintain and as far as possible increase the flow of development assistance, as well as to improve its quality and effectiveness. Those developing countries whose economic strength is already significant should progressively play their full part in the rights and obligations of the multilateral trading system. It is important that the potential offered by the private sector be fully exploited.

34. Large debt burdens remain a major impediment to growth in certain heavily indebted middle-income countries. There is no feasible alternative today to the co-operative strategy adopted for the solution of these problems. Only enhanced co-operative action, on a case by case basis, by all parties involved - debtor and creditor governments, the international financial institutions and private banks-- will permit

reducing the strains in a growth-promoting environment. For some countries notable progress has been made in this process. However, in some cases difficulties in the adjustment and financing processes point to the need for improvements. The trend towards innovative and more flexible approaches on the financing side, both private and official, should play a key role in making debt burdens more manageable and restoring capital flows.

35. Even more constraining are debt problems among low-income countries. Proposals have recently been made by OECD countries for additional action to reduce the debt servicing burden of the poorest countries, especially in Sub-Saharan Africa, undertaking strong growth-oriented adjustment programmes. Early results from the current discussions among creditor governments will be urgently sought.

36. For poorer developing countries, provision of adequate concessional finance is essential. OECD countries record in this respect is already substantial but should be further enhanced. The volume and forms of aid must be commensurate with the growing requirements of policy reform programmes and broader development efforts. The new DAC guiding principles for using aid to support improved development policies and programmes and strengthening aid co-ordination with developing countries are welcomed.

37. Commodity-dependent developing countries face difficult problems in view of the outlook for many commodities. An acceleration in world growth would improve the prospects for these countries. New efforts should be made to diversify their economies and to address the structural and development dimensions of commodity dependence. Action to remove measures distorting trade in commodities will make an important contribution to export prospects for commodity-dependent developing countries.

38. UNCTAD VII provides an opportunity to discuss with developing countries the major problems and policy issues in the global economy with a view to promoting common perceptions and effective policies for trade and development.

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# Meeting of the Council at Ministerial Level in May 1988

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G8 CENTRE
MINISTERIAL AND OTHER MEETINGS					

1. The Council of the OECD met on 18th and 19th May at Ministerial level. The meeting was chaired by Mr. Kjell-Olof Feldt, Minister of Finance and Mrs. Anita Gradin, Minister for Foreign Trade, of Sweden. The Vice-Chairmen were Mr. James A. Baker III, Secretary of the Treasury of the United States, and Mr. Panayotis Roumeliotis, Minister of National Economy of Greece. The following records the agreements reached by Ministers.

### I. ACHIEVING BETTER ECONOMIC PERFORMANCE AND JOB CREATION

2. There are encouraging features in the current economic situation:

- Growth in OECD countries quickened in the second half of 1987, and expansion is entering its sixth year; world trade is growing robustly.
- Average OECD inflation has decelerated over the past years and now stands at a low rate. OECD economies proved more resilient in the face of the October stock market crisis than expected.
- Major external imbalances are narrowing gradually.
- International cooperation has been reinforced notably through efforts to achieve greater coordination of economic policies and to foster greater stability of exchange rates following accords among the major industrialised countries and through the new round of multilateral trade negotiations.
- Tax reform, deregulation, reduction of subsidies and other structural reforms undertaken in Member countries are improving the functioning of economies.
- While most developing countries are still facing difficult problems, the situation of some of them is being eased by stronger growth of world trade and firmer commodity prices, adjustment policies pursued by many of the developing countries themselves, and a widening menu of techniques dealing with debt problems.

3. OECD Governments will build on these developments in order to enhance job-creating, non-inflationary growth and to sustain it over the forthcoming years. There are no grounds for complacency. Important challenges remain:

- to ensure the continued reduction of large external imbalances which remain a major source of uncertainty and potential instability;
- to reduce unemployment, which continues to be unacceptably high in many countries, notably in Europe;
- to remain vigilant against any signs of a renewal of inflationary pressures;
- to make steady progress in reducing structural rigidities and distortions within economies and internationally
- to strengthen the open, multilateral trading system;
- to combat and curb protectionism in all its manifestations;
- to cooperate with developing countries in addressing their problems and in working towards the full realisation of their economic potential;
- to ensure that economic growth is compatible with environmental concerns.

### II. POLICY DIRECTIONS

4. Macroeconomic policies and structural adjustment policies support each other and must be exploited to the full. Improving the quality of structures and the flexibility of markets strengthens the responsiveness of economies, enhances the effectiveness of macroeconomic management and improves

the prospects for strong and sustainable growth. In turn, such prospects make structural adjustment more attractive and rewarding. International cooperation is an important ingredient of both macro and microeconomic policies.

5. All OECD Governments will contribute to the cooperative effort through the pursuit of monetary and fiscal policies aimed at supporting job-creating, non-inflationary growth, correcting external imbalances, containing budget deficits, striking appropriate balances between domestic saving and investment, maintaining orderly financial markets and achieving greater exchange-rate stability. They will intensify their action, nationally and internationally, to reform structural policies especially in such areas as trade, agriculture, industrial subsidies, tax systems, financial markets and international investment. In this context, they consider it important to promote widespread understanding and acceptance of structural reforms among business, labour and the public at large. Dialogue involving social partners has made a contribution to this end in a number of countries.

6. Ministers welcome the report on the reform of structural policies by the Economic Policy Committee ("Progress and Priorities in the Reform of Microeconomic Policies") and endorse the priorities identified in Section II of this report. They invite the Secretary-General to develop further and strengthen the OECD's surveillance of structural reform and call for a report at next year's Ministerial meeting.

7. For the **United States**, the essential requirement is to reduce further the Federal budget deficit. The U.S. Administration and Congress are agreed on this objective, and action will be taken to ensure that the budget deficit is brought down substantially in 1989 and subsequent years. Structural reforms will be pursued with a view to improving the overall investment/saving balance, to strengthening the international competitiveness of the industrial sector and to reducing government spending, as well as removing distortions created by policies for example, agricultural support. Monetary policy will be guided by the objective of ensuring that the economy remains on a path towards price stability, while nurturing orderly conditions in financial and foreign exchange markets. Continued budget deficit reduction and stronger private saving will ease pressures on monetary policy and will forestall domestic inflation pressures. Moreover, these actions will make room for continued strong expansion of U. S. exports and will contribute to a reduction of the U. S. current account deficit and hence to greater financial stability. Resisting protectionism remains a priority objective, as is the early implementation of the Free Trade Agreement with Canada in conformity with international obligations and the objective of maintaining and strengthening the open, multilateral trading system.

8. In **Japan**, the current process of growth led by strong domestic demand and accompanied by rapidly rising imports, which has been contributing to international adjustment, needs to be sustained. The short-term outlook in this respect is favourable. The Japanese Government will seek to ensure that this process continues. Fiscal policy will remain flexible within the medium-term framework of fiscal consolidation. Monetary policy will be conducted with care to contain the provision of liquidity within ranges consistent with non-inflationary growth of demand, while continuing to contribute to external adjustment. Sustained structural reforms will contribute to reduced inflation risks and to adjustment, thereby expanding consumption opportunities and increasing imports. Policies are being designed and implemented, inter alia, to improve market access and to further promote deregulation as well as structural adjustment in wide-ranging fields including agriculture, land use policy, the tax system and the distribution system.

9. In **Europe**, structural reforms will be continued and intensified. These reforms, combined with flexible implementation of macroeconomic policies, are essential to maintain growth in demand and production and to enhance the economic potential of Europe. This will build confidence, improve the responsiveness of economies, create a better climate for investment and thereby strengthen the prospects for non-inflationary growth and better employment. While taking account of the differences between countries, European governments will continue to cooperate in the conduct of their structural and macroeconomic policies so as to maximise the benefits from reform and to increase the scope for policy action by individual countries.

10. The programme of the European Community to complete the internal EC market by 1992, together with joint efforts by the Community and EFTA countries to deepen and extend their cooperation beyond

the current free trade agreements to create a European Economic Space, are imparting a strong momentum to structural policy reform and to growth. These moves will be taken in line with the objective of maintaining and strengthening the open, multilateral trading system and in conformity with international obligations.

11. Particular attention will be given by European Governments to the following reforms:

- Increasing the flexibility of markets, including continuing liberalisation and integration of financial markets, by reducing regulation and, more generally, removing barriers to internal and external competition;
- Reforms of agricultural policies, including the continuing implementation of those recently agreed in the EC aimed at achieving a better balance between supply and demand in agricultural markets;
- Reorienting government finances away from support of agriculture and industry towards reduced taxation and stronger, growth-supporting infrastructure investment;
- Reducing distortions created by tax systems, including the reduction in marginal rates of taxation where these remain excessive;
- Improving the flexibility of labour markets through education, training and other measures, including new legislation where required.

12. These reforms will create expanding opportunities for innovation and employment. They will also contribute to dissipating inflationary risks and to an environment conducive to lower interest rates. Stepping up the pace of structural reform in Germany will, *inter alia*, strengthen domestic demand and contribute to a reduction of its persistently large current account surplus and hence to a better distribution of external balances within Europe and globally. Mutually supportive fiscal and monetary policies in Europe will take full advantage of the scope for growth created by structural reforms and contribute to a climate of confidence, productive investment, price stability and lower unemployment.

13. Canada, New Zealand and Australia will pursue thorough structural reform. In the period ahead, Canada will undertake a second stage of tax reform and implement the recently concluded Free Trade Agreement with the United States in conformity with international obligations and in line with the objective of maintaining and strengthening the open, multilateral trading system. In addition, Canada will continue to give priority to reducing its budget deficit. It will also pursue further reforms in a broad range of sectors, including in agriculture, to reduce economic distortions. New Zealand, which has undertaken the most far-reaching market reforms of any OECD country to open its economy to international competition and dismantle extensive government intervention in domestic markets, will continue to implement this programme. Australia will continue its broad programme of structural reform, including deregulation of domestic markets and extending significantly exposure to international competition.

### **Developing Countries**

14. The situation and performance of developing countries vary widely. However, central to the prospects of all is a global economic environment conducive to strong and sustainable growth. The OECD countries have made a commitment to this objective. They will do all possible to ensure more open markets for the exports of developing countries, and they consider it important to maintain and as far as possible increase both official development assistance, particularly in grant form, and other financial flows. They will also encourage industrial and technological cooperation, and direct investment.

15. The developing countries, in turn, have important responsibilities in improving their own performance and policies, strengthening their credit-worthiness, creating a more attractive climate for investment and ensuring more open markets. The necessary, far-reaching domestic policy efforts are often difficult. Nonetheless they are essential. Many countries have already embarked on major growth-oriented reforms, whose success, in part, depends upon continued OECD support.

16. A number of middle-income countries with large debt burdens continue to have difficulty in achieving the financial stability and resumed investment necessary for sustainable growth. Generalised



approaches or across-the-board measures cannot provide the appropriate answer to their differing problems. All parties involved must therefore continue efforts, on a case by case basis, to deal efficiently with debt problems and new financing needs, including a broad "menu" of market-oriented options for commercial bank debt. Such approaches should take due account of the adjustment efforts of the developing countries concerned. To support these directions for the debt strategy, it is important that the IMF, the World Bank and other international financial institutions be equipped with adequate facilities and resources. In this regard, Ministers welcome the recent agreement on a General Capital Increase for the World Bank and the ongoing adaptation of the IMF's policies and instruments aimed at strengthening its central role in the debt strategy. They also welcome the efforts made in the Paris Club.

17. The important contribution that international direct investment, too, can make to adjustment and growth is now gaining wider recognition in developing countries. However, significant obstacles to the flow of direct investment remain and should be addressed by both host and home countries, and through cooperative action. The welcome new activities of the Multilateral Investment Guarantee Agency and the International Finance Corporation will help stimulate international investment in developing countries.

18. For the poorer developing countries the IDA replenishment, World Bank co-financing arrangements with bilateral donors and the Enhanced Structural Adjustment Facility of the IMF will help alleviate their situation. Improved terms for consolidating the debt of the poorest developing countries notably in Sub-Saharan Africa are also making a contribution. Nevertheless, debt burdens continue to mount. Proposals to ease these burdens for the poorest countries undertaking structural adjustment efforts therefore merit careful consideration, including, where possible, interest rate reduction in official rescheduling or alternative measures having a similar impact. Improved official development assistance, in quality and in quantity, is essential.

### **Relations with Newly Industrialising Economies**

19. Important actors in the world economy are emerging from among the newly industrialising economies. This is a welcome development. It provides these economies with the opportunity to play an increased role in the cooperative effort to manage the open world economy and confers upon them a greater responsibility in the international adjustment process commensurate with their capacity. Discussions involving these actors recognising mutual interests and taking into account the diversity of the economies concerned could contribute to better understanding and the convergence of views on policy cooperation for the continued growth and development of the world economy.

### **Trade**

20. The world trade picture shows a number of contrasts. Trade is growing robustly. However, protectionist pressures and trade tensions remain strong. While OECD Governments have generally resisted these pressures, a fairly significant number of import restrictions have been either extended or introduced; there are still many serious bilateral disputes though it is encouraging to note a more marked tendency to look for settlements within the GATT framework; the propensity for unilateral measures or bilateral agreements which are sometimes discriminatory remains a particularly serious threat to multilateralism. In order to create an environment conducive to the success of the Uruguay negotiations, resolute efforts will be made by the OECD countries to fight protectionism and to resolve trade frictions on an amicable and non-discriminatory basis. In this context, Ministers recognise the need to strengthen the multilateral trading framework and the importance of better functioning of the GATT. Within the Organisation broad ranging work, including strengthened monitoring of trade policies, will support these efforts.

21. The Uruguay Round has been proceeding satisfactorily in line with the timetable set in January 1987. A number of important proposals on the issues to be negotiated have been lodged, including on subjects such as agriculture, tropical products, services, intellectual property, safeguards and institutional issues such as dispute settlement and GATT functioning. As they enter their more difficult phase, it is vital to ensure the momentum of these ambitious negotiations, which aim to strengthen the multilateral system and adapt it to the needs of the modern world. The greatest possible advance must be made in the

months to come, in all areas of the negotiations, so as to reach before the end of the year the stage where tangible progress can be registered. To this end, Member countries should seek to agree on a framework approach on all issues. Thus it will be possible to hold a mid-term review, at the meeting scheduled for December in Montreal, that establishes a solid base for the full and complete success of the negotiations in accordance with the Punta del Este Declaration .

22. The Uruguay Round should lead to positive results which ensure mutual advantage and increased benefits for all participants. The negotiations must take duly into account the growing and differentiated role of developing countries in the world economy, hence their interests and the responsibilities which they must bear, according to their level of development. In accepting higher levels of obligation within the GATT framework the more advanced developing countries would contribute to, and benefit from, the strengthening of the multilateral system. For developing countries, as for OECD members, trade liberalisation can play a positive role in rationalising and invigorating their economies.

23. The behaviour of Member countries in trade matters will inevitably influence the climate of the Uruguay negotiations. It is essential, therefore, that, in line with commitments made, particularly at Punta del Este, standstill undertakings be strictly adhered to and that efforts be intensified to rollback protectionist measures that have been in force for a number of years. The abuse of anti-dumping and countervailing procedures will have to be avoided.

24. The adjustment and growth policies which Member countries intend to pursue and intensify should also contribute to the success of the Uruguay negotiations by improving the expansion of activity and exchange market stability.

25. Liberalisation of trade in services remains an important objective for OECD members, because of the growing contribution of marketable services in their economies and those of their trading partners. The Organisation will persevere with its work in this field, particularly on approaches to a multilateral services agreement and on the strengthening of the OECD Codes.

### **Agriculture**

26. Ministers took note of the joint report of the Agriculture and Trade Committees ("Monitoring and Outlook of Agricultural Policies, Markets and Trade") and endorsed its conclusions. There has been some recent improvement in the market balance for certain commodities, resulting partly from supply control policies or from producer responses to market signals and stock disposal measures, and partly from weather conditions. Despite this improvement, supply in the OECD area, stimulated by policies which prevent an adequate transmission of market signals to farmers, continues to exceed effective demand. The resulting economic and trade problems remain acute. Since the beginning of the decade, according to OECD Secretariat estimates, the cost of agricultural support for the OECD as a whole imposed on tax payers and consumers has nearly doubled, reaching about 200 billion ECUs per year in 1984-1986. It is difficult to make an assessment of the trend of policies and their consequences over a relatively short period. Some encouraging efforts have been undertaken, but it is clear that there has been only limited progress overall since the Ministerial Council in May 1987. It is therefore imperative that policy reform efforts be strengthened by all Member countries as a matter of urgency. In this context it is essential that measures already introduced are underpinned by further positive actions. This will contribute to much-needed structural adjustment as well as to the success of the Uruguay Round.

27. Further measures will be taken, based upon the principles agreed upon at the last Ministerial Council, to allow market signals increasingly to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support as well as by all other appropriate means, while consideration may be given to social and other concerns. Concerted international action on a multi-country, multi-commodity approach will strengthen the process of reform. Ministers reaffirm that the Uruguay Round is of decisive importance in this context.

28. The Uruguay Round negotiations are providing a setting within which Member countries will continue to seek agreements reinforcing the attainment of viable long term reform in agriculture as defined by Ministers in 1987. It is important that the mid-term review add impetus to the negotiating

process in this as in other fields. To this end Member countries should seek to agree on a framework approach, in conformity with paragraph 21, including short term as well as long term elements which will promote the reform process as launched last year and relieve current strains in agricultural markets.

29. Since trade tensions on agricultural markets remain very serious, notably due to the persistence, and in some cases intensification of all forms of support, including export subsidies and import restrictions, Member countries are urged to take measures in conformity with the Ministerial Communique of 1987, including its long term objective, in order to avoid confrontational and destabilising trade policies.

30. The Organisation will pursue its work on the monitoring of agricultural reform and the process of structural adjustment in agriculture. In this context, it will carry out thorough analysis of the effects of measures which are envisaged or have been taken. The improvement and updating of the analytical tools, such as the PSE/CSE and the OECD agricultural model, will be pursued. The Organisation will also study the possible contribution to agricultural reform that might be made by measures such as the quantitative limitation of production or resources used in agriculture; direct income support; other measures aimed at facilitating structural adjustment; and policies for rural development including environmental aspects. The work on the economy-wide effects of agricultural policies in the OECD countries will also be actively pursued and broadened.

### **Financial Markets**

31. Liberalisation and regulatory reform in financial markets have improved the efficiency of financial intermediation and strengthened competition, thus enlarging the role for market judgements in guiding investment decisions. However, the stock market crisis of October 1987 and, in particular, the speed and pervasiveness with which shocks were transmitted between markets and across countries, have raised concerns about potential vulnerabilities and the limits of policies based on purely national approaches. International cooperation to ensure the smooth working of financial markets will be extended both within the OECD and more widely. The Organisation will intensify its efforts to analyse the nature and functioning of the emerging global financial system and to identify gaps and inadequacies in the coverage and coordination of prudential arrangements, especially in the case of securities markets.

### **International Investment**

32. International investment has a significant role in the promotion of structural adjustment and technical advance, easing payments imbalances and contributing to economic efficiency and growth. Signs of emerging protectionist pressures in the investment area are therefore worrying. Ministers express their determination to resist such protectionism; to maintain an open investment climate; to fulfil their international commitments in this respect, notably those in the OECD Codes; and to strengthen the OECD National Treatment instrument. The review of the 1976 Declaration on International Investment and Multinational Enterprises provides an important opportunity to reinforce the International framework for furthering liberalisation and maintaining an open investment climate in the OECD economies. A progressive step-by-step approach will be developed towards extending the application of National Treatment. Backsliding must be avoided. Ways to set in place an effective process for further liberalisation will be explored. The balance that has characterised the Organisation's approach to international investment questions, including between the different elements of the Declaration, should continue to prevail.

### **Technology**

33. Technological progress is one of the major driving forces in the development of the world economy. Among the aspects which figure prominently on the policy agenda of Member Governments are: the process of generation and diffusion of new technologies; their potential contribution to more dynamic economic performance and greater social welfare; the interaction between technology and society; and the implications for environment. Recognising the growing importance of these questions and their international dimension, Ministers welcome the broad orientation for the future work of the Organisation contained in the Progress Report of the Secretary-General and invite the Secretary-General to report in due course to the Council at Ministerial level. They also welcome the recent Recommendation by the

OECD Council on Principles for International Cooperation in Science and Technology [PRESS/A(88)21] which, reflecting the importance of science and technology to economic growth and social development, will promote openness in this area.

### **Environment**

34. While taking account of their differing situations, environmental protection and enhancement are important objectives in all Member countries. To this end, environmental considerations should be taken fully into account in a balanced and efficient manner in all appropriate areas of governmental decision making, thereby contributing to sustainable growth, as underlined in the report of the World Commission on Environment and Development. The Organisation's work on the integration of environmental and economic considerations in policy making will be extended and strengthened accordingly. Priority is also placed on continued efforts to address environmental problems of a transboundary nature. Furthermore, the Organisation will intensify its efforts on global issues, including climate-warming, and on environmental degradation in developing countries. In this context, the Organisation should continue its work on developing common approaches to the environmental review of bilateral and multilateral assistance projects as a further contribution to sustainable development.

### **Education and Training for Better Employment**

35. Occupational adaptability has become increasingly important in the modern work-place. Education systems must be geared to provide all young people with the fundamental competence to acquire skills and to adapt through their working life. Every effort should be made to have public and private opportunities for training and retraining available to meet the needs of all members of the workforce and all those wishing to join it. It is important that work-place opportunities for individual adaptation and redeployment be as widespread as possible. Attention should be given to the problem of the long-term unemployed.

### **Social Protection**

36. Social protection systems, which are of considerable importance not only for the security and well-being of individuals but also for the efficiency and adjustment capacity of economies, are generally under budgetary constraint. This is particularly the case for publicly funded health care and pensions. These issues will be at the centre of the discussion at the meeting of Ministers of Social Policy on 6th-7th July.

### **Energy**

37. The energy situation has changed considerably over the last several years. In the present circumstances, security of supply in the short term at reasonable conditions is available. Nonetheless, energy security remains a central objective in both the short and the long term, through emergency preparedness and through structural changes leading to a more sustainable energy mix. Structural adjustments are taking place in all energy markets and industries in response to changing supply and demand patterns and prices, and new technologies, and as a result of government policies. Meanwhile, important issues relating to energy trade, to research and development, to environment and safety, to emergency preparedness, and to non-Member countries are receiving greater policy attention.

38. In this situation, agreed energy policies regarding diversification of energy sources, development of indigenous energy resources, greater energy efficiency, enhancement of emergency response mechanisms and further liberalisation of energy trade should be continued. Careful monitoring and analysis of energy developments in Member countries and, increasingly, elsewhere in the world will continue, in order to ensure that structural and policy adaptations necessary to maintain energy security take place.

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# Meeting of the Council at Ministerial level on May 31-June 1, 1989

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G5 CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the OECD met on 31st May and 1st June at Ministerial level. The meeting was chaired by Mr. Jon Sigurdsson, Minister of Commerce and Industry of Iceland. The Vice Chairmen were Mr. Robert Urbain, Minister of International Trade of Belgium, and the Rt. Hon. Joe Clark, Secretary of State for External Affairs, the Hon. John Crosbie, Minister for International Trade, and the Hon. Michael Wilson, Minister of Finance of Canada. Ministers reviewed the general economic situation. They discussed the policy orientations necessary for economic and social progress in the OECD area and the developing countries.

2. The Council renewed the mandate of the Secretary-General of the OECD, Mr. Jean-Claude Paye, for a second period of five years with effect from 30th September 1989. On this occasion Ministers expressed their warmest thanks to Mr. Paye for the competence with which he has directed the Organisation during his first mandate.

### **MOVING AHEAD FROM THE ACHIEVEMENTS OF THE 1980s**

3. The current economic situation in the OECD area is generally good: activity is robust; inflation has been contained at relatively moderate levels; substantial progress has been made in job creation; and investment is buoyant, reflecting business confidence bolstered by actions taken over the full range of economic policies and the steady strengthening of international economic cooperation.

4. Despite the achievements of recent years, much remains to be done. To ensure sustained, job creating, non-inflationary growth OECD governments will:

- i) Resist inflationary pressures, which have recently re-emerged as a problem in many countries;
- ii) Strengthen the process of reducing large current-account deficits and surpluses, a process which recently has weakened markedly;
- iii) Reduce unemployment, which remains high in many countries, paying particular attention to the problems of youth and the long-term unemployed;
- iv) Accelerate the reduction of structural rigidities and distortions within economies and internationally;
- v) Establish sound public budgetary positions and promote efficient public management;
- vi) Improve the structure and level of national saving in many countries and thereby contribute to a sustained buoyancy of productive investment;
- vii) Reinforce the open multilateral trading system by vigorously pursuing the successful conclusion of the Uruguay Round negotiations in 1990, expanding market access, resisting protectionist pressures in all their manifestations, and refraining from any measure which could damage the multilateral trading system;
- viii) Improve the protection and management of the environment, particularly through the better integration of economic and environmental decision-making, to ensure sustainable development for current and future generations;

- ix) Pursue the establishment of strengthened and more operationally effective GATT rules and disciplines as well as substantial progressive reductions in agricultural support and protection resulting in correcting and preventing restrictions and distortions in world agricultural markets, as affirmed in the Uruguay Round framework approach, over an agreed period of time;
- x) Strengthen policies supportive of the efforts of developing countries to find viable solutions to the debt and development problems that confront them.

## POLICY DIRECTIONS

5. To meet these challenges and ensure improved economic performance over the next decade, governments will make full use of the policy instruments at their disposal and the synergy among them. The experience of the 1980s shows that implementing measures across the whole range of economic policies and across countries enhances the effectiveness of each specific measure.

6. Therefore:

- i) Monetary policy will be directed to its primary objective, price stability in a growing economy. This will help create the conditions for stable and sustained growth. In some countries exchange rate stability is regarded as important in order to maintain domestic price and cost stability;
- ii) Fiscal policy will aim, where appropriate, to reduce public-sector demands on private saving by continuing the process of consolidation. Governments will also aim to improve the quality and efficiency of both sides of the public-sector accounts by reducing distortions associated with the structure of taxation and by subjecting the level and composition of expenditure to closer scrutiny and better overall control;
- iii) Governments will step up their actions in critical areas of structural reform to improve steadily the potential of economies, to create additional jobs without an acceleration of inflation and to enhance the effectiveness of macroeconomic policies;
- iv) International economic cooperation will be intensified in respect of both macroeconomic and structural policies in support, inter alia, of the external adjustment process;
- v) When Member countries enter into or strengthen regional arrangements, they will act in conformity with international obligations and with the objective of strengthening the open multilateral trading system and seek to ensure that the benefits from regional liberalization and dynamism will accrue not only to the participating countries but also to the world economy at large.

7. Ministers welcome the report on surveillance of structural policies by the Economic Policy Committee. [This report identifies nine areas for action: trade policies and the international trading system; agriculture; industrial support policies; international direct investment; financial markets; taxation; competition policy; labour markets; and the public sector.] They endorse its main conclusion that the case is even more compelling than ever before for pressing forward with reform on a broad front. Economic conditions for reform are favourable. In all Member countries and in Yugoslavia reform will foster more flexible and efficient markets for labour, capital and products, improve the efficiency of the public sector and enhance the effectiveness of macroeconomic policies. Ministers take note of the report by the Secretary-General on the implementation of multilateral surveillance. This contributes to sustaining the momentum of reform. Ministers invite the Secretary-General to continue to develop and strengthen the OECD's surveillance of structural reforms and policies.

8. Specific economic policy orientations required in individual countries were reviewed and agreed.

9. To ensure sustained, balanced growth, priorities in the **United States** remain to contain inflationary pressures and to reduce further the current-account deficit. Continued moderation of domestic demand

and further decrease of public deficits are of critical importance to achieving these ends. U.S. authorities will continue to monitor wage, price and demand developments closely with a view to taking appropriate action should inflationary pressures not abate in response to policy measures already taken. The U.S. Administration will ensure that the recent measures to reduce the Federal budget deficit to \$100 billion in FY1990 agreed between the President and Congressional leaders are fully enacted. Further measures will be taken as necessary to achieve the objective of eliminating it entirely by 1993 as a contribution to the reduction of the savings-investment gap. Moreover, priority attention will be given to dealing with the situation of troubled financial institutions and improving the system of prudential supervision. Furthermore, the U.S. will implement its trade policies in line with the objective of strengthening the open, multilateral trading system.

10. In both **Japan and Germany**, the authorities will continue to pursue prudent but flexible medium-term macroeconomic policies and accelerate structural reforms, in order to sustain strong, non-inflationary growth of domestic demand at a level that would promote significantly external adjustment, which recently has weakened.

a) **In Japan**, while major reform has recently been achieved to improve the tax systems, further progress will be made in adjusting public revenue and expenditure structures taking into account, inter alia, the prospective ageing of population. Structural reforms contributing to both price stability and external adjustment will be expedited. These include the removal of legal and other impediments to, as well as the review of taxation of land for, the more efficient use of land. Price competition will be strengthened and market access further facilitated for domestic and foreign participants through reforms in regulatory structures in the distribution and other service sectors. While substantial progress has already been made in the financial sector, financial liberalization and internationalisation will be continued further. In pursuing these and other measures, Japan will undertake to further improve market access both in goods and services, thereby contributing to a strong expansion of imports.

b) **Germany** will continue with the medium-term programme of fiscal consolidation and has embarked upon a policy of major structural reforms, including, inter alia, an overhaul of social security systems, a multi-year tax-reform, and the reform of the telecommunications sector. Efforts will be encouraged to introduce more flexible arrangements for working time, wage structures and job assignment. Particular attention will be given to improving the conditions for reemployment of those who are suffering from long-term unemployment. There is a need for structural reforms especially in the services sector where regulations and barriers to entry remain significant, such as the transport sector. The flexibility of the economy will be improved by reducing remaining structural impediments in domestic financial markets and through more liberal closing hours in the retail trade. Structural reforms will increase the dynamism of the economy, strengthen economic growth and, by supporting a shift of resources into more domestically oriented sectors, will contribute to the external adjustment process.

11. Other OECD countries will follow as appropriate similar broad policy orientations, with specific actions reflecting individual country situations. Among the other large OECD economies, immediate priorities are:

a) In **France**, the reforms already undertaken to make the economy more competitive will be reinforced by the priority given to an anti-inflation strategy involving, particularly, continued reduction of the budget deficit, competition policy and action to improve the underlying competitiveness of firms. The remaining foreign-exchange controls will be removed and the process of opening up to foreign investment continued. Control of public expenditure will be intensified, in the light of the consequences for the tax system of the liberalization of capital movements and the process of fiscal harmonisation in the EC, and the need to ensure that funds are available for current spending priorities, notably research and training.

b) In **Italy**, efforts will be stepped up to reduce budget deficits which exert upward pressure on interest rates, contributing to the increase of public debt and adding to inflationary pressures. Italy will also continue efforts to improve the efficiency of its public sector. Coordination between the

public and private sectors will be improved to contribute to a more efficient allocation of resources. Tax reform will be intensified and thereby will increase resources available to support a sustained growth of investment. Through a variety of measures relating particularly to training and labour markets, Italy will continue to reduce structural disparities between the Centre-North, where overheating exists, and the South, where unemployment remains high.

c) In the **United Kingdom**, monetary policy will continue to be directed at reducing inflation. Fiscal policy provides for further repayment of public sector debt, while moving to a balanced budget over the medium term. Competition will be further encouraged in the provision of various professional services, and through the reform of restrictive trade practices law. Tax reform will continue to promote the improved performance of the economy, notably through further reductions, when practicable, in marginal tax rates. Employment training and educational standards will be further improved. There will be continued review and reform of regulations which are a burden on businesses.

d) In **Canada**, priority will be given to following through on the commitments set out in the recent budget: reducing inflation; reducing the budget deficit and controlling the growth of public debt; implementing a broadly-based sales tax - the Goods and Services Tax; and reforming the unemployment insurance system to place greater emphasis on human resources development as distinct from income maintenance. The Government will intensify efforts towards the removal of restrictions on inter-provincial trade.

e) The **European Communities** programme to complete the internal market in 1992 and improve its economic and social cohesion, is progressing steadily and has already given a strong momentum to structural policy reform, investment and growth. These moves are complemented by joint efforts by the European Communities and EFTA countries to deepen and extend their cooperation beyond the current free trade arrangements to create a European Economic Space, and will be in line with the objective of strengthening the open, multilateral trading system.

### **Financial Markets and Foreign Direct Investment**

12. The continuing liberalization of financial markets and foreign direct investment is contributing to a more dynamic world economy. Ministers welcome the new impetus given to the liberalization process by the recent strengthening of the OECD Codes of Liberalization in the area of capital movements and financial services. The principles that underlie the OECD Codes and other OECD instruments will guide governments as they seek to prevent or reduce international difficulties arising from the existence of different financial systems and different degrees of openness to international competition.

13. Increasingly integrated securities markets have altered the challenges faced by prudential supervisors. The OECD has been examining the linkages across markets, system risks and the scope for improving the capacity of the system to manage those risks. The goal for the coming years will be to extend significantly international cooperation among supervisory and regulatory bodies in order to ensure the smooth, efficient and flexible working of the financial system.

14. While progress has been made in reducing the restrictions on inward foreign direct investment and flows have risen sharply, protectionist sentiment, sometimes as a spill-over from tensions in trade, threatens investment flows. In connection with the 1990 Review of the OECD Declaration and Decisions on International Investment and Multinational Enterprises, Ministers reaffirm their determination to resist such protectionism, to maintain an open investment climate and, inter alia, to strengthen the OECD National Treatment instrument. The balance that has characterized the Organisation's approach to international investment questions, including that between the different elements of the 1976 Declaration on International Investment and Multinational Enterprises, should continue to prevail.

### **Labour Markets, Education and Social Policies**

15. The climate for entrepreneurship and job creation has improved, especially in small and new



businesses, and moderate wage outcomes have made an important contribution to employment growth in many countries during the past years. Nevertheless, unemployment levels in certain OECD countries remain unacceptably high. Labour-market policies will be strengthened, in particular to fight youth and long-term unemployment, to seek further reduction of labour-market rigidities and to ensure that employment opportunities are fully exploited. Ministers welcome the efforts undertaken in the Organisation to develop a new framework for long-term policies aimed at more job-creating growth, increased functional and geographical mobility and smoother adjustment of the labour force.

16. A solid basic education, combined with post-compulsory education and training opportunities throughout working life, is essential for each individual to exploit fully employment opportunities. In close cooperation, governments and the private sector must step up efforts to meet these fundamental requirements.

17. Social protection systems are an essential expression of solidarity and contribute importantly to personal security and dignity, facilitating the acceptance of structural change. To remain viable, these systems must adjust to evolving circumstances and needs. In particular, full use must be made of the contribution they can provide for effectively underpinning labour-market and human resource enhancement policies.

18. More generally, social and labour-market policies should aim at the active participation of all groups, particularly the disadvantaged, in the economy and society at large. This will become all the more important as dependency rates rise with ageing populations and will require better integration of policies, programmes, entitlements and administrative structures, taking advantage of the signals and incentives provided by the market.

### **Agriculture**

19. Ministers take note of the joint report by the Agriculture and Trade Committees [Agricultural Policies, Markets and Trade: Monitoring and Outlook, 1989] and endorse its conclusions. Reduced production resulting mainly from the North American drought but also, to some extent, from policy measures, has contributed to the reduction in assistance in 1988 (as provisionally measured by PSE/CSE). In some instances, supply control systems have been effective in reducing production, but they may entail serious economic distortions. The cost of agricultural support for the OECD as a whole imposed on taxpayers and consumers amounted in 1988, according to Secretariat estimates, to approximately \$270 billion. This figure is lower than those of 1986 and 1987 but is still above the level of 1985 and previous years. The role of market signals in orienting agricultural production remains insufficient almost everywhere. Trade tensions continue to be acute: market access has improved only in a few cases, and the use of measures affecting export competition, directly and indirectly, remains widespread.

20. It is therefore more than ever necessary that the process of agricultural reform be pursued vigorously, in conformity with the principles defined by Ministers in 1987 and 1988, and taking advantage of the present strength of markets. The successful completion of the Uruguay Round negotiations will be of decisive importance in this respect. Therefore, in accordance with the framework approach endorsed at the Mid-Term Review, Member countries will, in the months ahead, actively engage in substantive negotiations in Geneva (including the tabling of negotiating proposals) and meet their undertakings and stated intentions on short-term measures. Reform should be achieved through mutually reinforcing actions at domestic and international levels leading to a fair and market-oriented trading system through substantial, progressive reductions in agricultural support and protection and strengthened and more operationally effective GATT rules and disciplines.

21. The Organisation will continue its work on the monitoring of agricultural reform. This will include improving quantitative indicators (e.g. PSE/CSE) and analysis; analysing medium-term market trends and the medium-term impact of specific policies; assessing the scope and limitations of all relevant policy measures, such as supply control and direct income support; and examining the interrelationship between agriculture and the environment. Work undertaken on rural development policies will be actively pursued with a view to contributing to the identification and assessment of the range of actions

available to stimulate, in rural areas, economically viable activities which would enhance development and growth in an environmentally sound way.

### **Industrial Subsidies**

22. Industrial subsidies often present impediments to structural adjustments, distort resource allocation and engender international frictions. Reducing such subsidies is crucial for improving the flexibility of economies and for increasing international trade on a competitive basis. Ministers note the progress on the work in this area, following the mandates given in 1986 and 1987 and agreed to strengthen that work. Priority will now be given to completing the information gathering and reaching early agreement on concepts and methodology for the second phase of the work which will be directed at transparency and assessment of the economic impact of industrial subsidies.

### **Export Credit Subsidies**

23. Ministers note with satisfaction the progress that has been made in strengthening the multilateral disciplines on trade- and aid-distorting export credit subsidies. This effort must be pursued actively. Ministers invite the competent bodies in the OECD to monitor closely the implementation of the recently updated Export Credit Arrangements and to assess whether their objectives are being met.

### **Energy**

24. The growth of energy consumption, especially that of oil, risks exerting pressure on oil and energy supplies, with possible consequences for prices, inflation and the potential for economic growth. Therefore strong and continued action, as underlined by Energy Ministers of IEA countries, is necessary to achieve greater energy conservation and efficiency, diversification of supply, improved energy technology and emergency preparedness.

## **GLOBAL ISSUES**

25. Global interdependence is an increasingly well recognised reality and is leading to intensified efforts to find solutions to problems related to the trade system, the protection of the environment and developing countries.

### **The Open Multilateral Trading System**

26. The robust economic activity accompanied by strong growth in the volume of world trade over the past year has had only limited effect on the existing large number of trade-restrictive measures and practices. Persisting large external imbalances, as well as delays in structural adjustment, are a source of protectionist pressures and international frictions. Recourse to government intervention and grey area measures continues to erode the multilateral system. New interpretations of certain trade concepts such as "reciprocity" and "unfair trade practices" as well as new approaches implying a degree of balanced bilateral trade are being increasingly advocated in some quarters. Ministers firmly reject the tendency towards unilateralism, bilateralism, sectoralism and managed trade which threatens the multilateral system and undermines the Uruguay Round negotiations.

27. Therefore Ministers express their determination to halt and reverse all such protectionist tendencies and to strengthen the open multilateral trading system. They will fulfill their Punta del Este standstill and rollback commitments, which, inter alia, require the avoidance of any trade-restrictive or distorting measure inconsistent with the provisions of the General Agreement and its instruments. They agree to make effective use of the improved GATT dispute settlement mechanism and to make progress in negotiations for further improvements, and they will avoid any discriminatory or autonomous actions which undermine the principles of the GATT and the integrity of the multilateral trading system, in conformity with the standstill commitment mentioned above. They invite the OECD to pursue its monitoring of trade policy developments in Member countries including in the fields of dumping and other related measures. In this respect full compliance with the commitment for early notification of all new measures is essential.

28. These developments underline the need for a successful outcome to the Uruguay Round in order to strengthen multilateralism in international trade in goods and services, and to open markets. The positive results of the Mid-Term Review provide a sound basis for the next phase of the negotiations, for which the work of the OECD will continue to provide analytical and conceptual support. Ministers agree on the necessity to table more specific proposals as soon as possible and to proceed without delay to substantive negotiations on all issues, including the new areas, so as to meet the deadline set for the end of the Round. Ministers reaffirm their determination to press forward and complete the Uruguay Round negotiations in 1990. They call upon all participants, both developed and developing, to make the most constructive contribution possible to a successful outcome.

## **Environment**

29. Continuing environmental deterioration will threaten the achievement of sustainable economic development and an improved quality of life for all. It is therefore essential that all countries actively participate in confronting the range of environmental problems, including those of a global nature. The OECD countries bear a special responsibility in this respect. The recent series of high-level conferences and meetings make an important contribution to the process of international cooperation.

30. Given the magnitude, urgency and potential economic, social and ecological implications of environmental problems, all relevant national, regional and international organisations will have to be mobilised in the most effective and efficient way. The OECD will cooperate fully in this process and, building upon the work on environmental problems it has carried out over twenty years, will focus on those aspects where, by nature of its membership and structure, it can make a particular contribution.

31. Ministers reaffirmed the critical importance of integrating more systematically and effectively environment and economic decision-making, as a means of contributing to sustainable economic development. Taking advantage of its capacity in the field of economic analysis, the OECD will work to place environmental decision-making on firm analytical ground with respect to costs, benefits and resource implications of environmental proposals and initiatives, selection among policy options and where appropriate, to develop methods to ensure that environmental considerations become an integral part of economic policy-making. Particular attention will be paid to breaking new ground in such areas as: integrating environmental considerations into economic growth models; analysing environment-trade relationships; determining how price and other mechanisms can be used to achieve environmental objectives; assessing the economic costs and benefits of possible responses, including technologies, to cope with atmospheric, climatic, marine and other global environmental problems (in coordination with the work carried out in other competent bodies); and elaborating in economic terms the "sustainable development" concept.

32. In this respect intensified efforts for technological breakthrough are important to reconcile economic growth and environmental protection. The OECD will examine incentives and barriers to the innovation and diffusion of environmental technologies. It will also promote expanded information exchange on technological options.

33. Industry also has a central role in confronting the environmental challenges of the 1990s, especially in incorporating environmental concerns into their economic decisions. The OECD will continue to stimulate and support closer cooperation between governments and industry to meet these challenges. Progress is beginning to be made in fields such as waste minimisation, industrial processes that conserve energy and raw materials, the design and marketing of cost-effective "clean technologies", and the development of an economically viable pollution control and environmental management industry. There will be an expanded effort to analyse the economic dimensions of these activities and trends and promote information exchange on technological innovation and options. The OECD-BIAC Conference on "Environmental Problems and Industrial Policies in the 1990s" planned for October is an example of this. The agricultural sector also has a central role to play in correcting environmental problems, such as soil erosion and water pollution.

34. Close co-operation, involving the IEA and the NEA, on the crucial relationship between

environment and energy will continue. Integrated policies which further energy security, environmental protection and economic growth are required. In view of increasing evidence of the risk of global warming and climate change and the necessity to respond to this issue, Ministers call for vigilant, serious and realistic assessment on a global basis of what energy policies can contribute to meeting these challenges, and of their economic and social impacts. Member governments should contribute in their energy policies to the solution of international and domestic environmental problems. As identified by IEA Ministers, they pledge to pursue in their respective energy policies greatly improved energy efficiency and conservation, new technologies and, where national decisions so contemplate, the use of nuclear power with maintained and improved safety in construction, operation and waste disposal. The transport sector also has a particular significance for the environment. The OECD is actively participating in the preparations for an ECMT Ministerial meeting on transport and the environment, which will be held in November 1989.

35. Ministers agree that cooperation with developing countries is essential for the solution of global environmental problems. The OECD will evaluate relevant policy experience in Member countries. On the basis of this information the Organisation will seek to coordinate policies among Member countries with a view to promoting mechanisms for technology transfer to developing countries; the balancing of long-term environmental costs and benefits against near-term economic growth objectives; the design of innovative approaches by development assistance institutions to environmental protection and natural resources management; and the integration of environmental considerations into development programmes, taking into account the legitimate interests and needs of developing countries in sustaining the growth of their economies and the financial and technological requirements to meet environmental challenges. Ministers encourage the development of appropriate environmental appraisal procedures for specific developmental projects and programmes financed directly or indirectly by Member governments. They recognise that public awareness of the environmental impact of potential projects is essential.

### **Developing Countries**

36. The diversity of developing country experience in the 1980s has underlined the importance of individual developing country policies for progress. Sustainable broad-based growth and effective development rely upon policy reforms, carefully related to country situations, aimed at stabilising and liberalizing developing economies; strengthening the effectiveness of public administration, the private sector and the role of markets; tackling poverty; and enhancing human resources. The members of the DAC and the multilateral development and financing agencies have been adjusting and differentiating their assistance efforts and modalities to support developing country efforts in these areas. Ministers welcome the review launched by the DAC on major development and aid issues in the 1990s. The results of this work will be submitted to the Ministerial meeting in 1990.

37. Adequate, appropriate and timely financial support is crucial to the success of major economic and social reforms in developing countries. Despite efforts by some DAC countries, the rate of growth in overall concessional aid has slowed down. Ministers express their determination to reverse this trend and to continue to work for improved aid quality. Ministers welcome steps to write off or otherwise remove the burden of ODA loans to the poorest developing countries and urge all donor countries who are able to do so to consider further action along these lines. In addition to their development assistance efforts, the OECD countries have a clear responsibility for promoting an open vigorous international economic environment as an essential contribution to the development process. In this respect, an increase in total net resource flows, including foreign private investment, is also important for developing countries.

38. Persisting debt problems affect a wide range of developing countries. The key principles of the collaborative debt strategy as it has evolved over the past few years remain valid, with emphasis on the case-by-case approach and support to countries implementing effective growth-oriented reforms. In this context Ministers welcome the recent decisions of the IMF and World Bank Boards, which followed up the agreement in the Interim Committee, to strengthen the debt strategy. Ministers urge all parties to move quickly to build upon these steps. The Paris Club is following up the orientations agreed upon at the Toronto Summit in favour of the poorest and most indebted countries. Cooperative efforts in favour of these debt-ridden countries should be strongly pursued and supported.

39. Financial modalities are important but they must be buttressed by a wide-ranging set of economic policies in both the OECD and the debtor countries. Sound monetary, fiscal, and structural policies in the OECD countries will help the financial situation of the debtors by sustaining growth and creating conditions favourable to lower interest rates and stronger savings. OECD countries must also use every opportunity to strengthen the open multilateral trade and financial system, press for expanded and free trade with full participation of developing countries, resist protectionism and ensure that their markets are open to the exports of the developing countries.

### Co-operation with Non-Members

40. Ministers welcome the successful launch in the past year of the dialogue with a number of dynamic Asian economies, whose role in the world economy is of growing significance. The initial exchange of views on changing patterns in the global economy and on key areas of common interest in policy-making was constructive. The experience thus far suggests considerable scope for further valuable contacts to identify and discuss issues of emerging importance. Ministers warmly welcome these developments, and endorse efforts to carry the dialogue forward through informal discussions on more specific issues. They call for a report at their meeting in 1990.

41. Given growing economic and environmental interdependence, Ministers consider it important that the OECD remain attentive to developments in countries in other regions of the world. Possibilities for mutually informative contacts will be carefully examined.

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# Meeting of the Council at Ministerial Level in May 1990

## Communique

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
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MINISTERIAL AND OTHER MEETINGS

1. The Council of the OECD met on 30th and 31st May 1990 at Ministerial level. The meeting was chaired by Mr. Jean-Pascal Delamuraz, Federal Counsellor, Head of the Federal Department of Public Economy of Switzerland. The Vice-Chairmen were Mr. Paolo Cirino Pomicino, Minister of Budget, Mr. Renato Ruggiero, Minister for Foreign Trade and Ms. Susanna Agnelli, Under-Secretary of State, Deputy Minister of Foreign Affairs of Italy, and Dr. Taro Nakayama, Minister for Foreign Affairs, Mr. Kabun Muto, Minister of International Trade and Industry and Mr. Hideyuki Aizawa, Minister of State for Economic Planning of Japan.

Ministers noted the statement by Mr. Budimir Loncar, Federal Secretary for Foreign Affairs of Yugoslavia, concerning the request for admission of his country to the Organisation.

### GENERAL POLICY STATEMENT

*A. OECD Ministers welcome the historic changes taking place in Europe, particularly in Germany. These developments, together with the recent evolution of a number of the developing countries, represent a movement towards the basic values which are common to the OECD countries: pluralistic democracy, respect for human rights, and a competitive market economy. They improve the prospect of a truly integrated global economic system.*

*B. The OECD countries intend to conduct and co-ordinate their policies in ways which will support these changes, to the benefit of all. They recognise that globalisation and interdependence present great opportunities, and will co-operate actively both with one another and with the rest of the world to exploit these opportunities*

*C. The 1990 meeting of the OECD Council at Ministerial level has reached the following broad, fundamental, and closely inter-related conclusions:*

*First, Ministers agree to build upon the good economic results of recent years with policies aimed at non-inflationary growth, so that high employment and fair social conditions can be sustained. To achieve this requires the maintenance of firm and balanced macro policies, a further reduction of external imbalances, continued progress with structural policies, and the fostering of open competitive markets*

*Second, they pledge their resolve to fight protectionism in all its forms, and to give their unreserved support to the strengthening of the open, multilateral trading system. They are committed to bringing the Uruguay Round to a successful conclusion by the end of this year. This will require improved market access and transparent, strengthened multilateral rules in all areas. Such action should both complement domestic efforts to improve competitive conditions, and provide the necessary assurances to all countries to enable them to accept fully the obligations of a strengthened GATT system. Third, they state their commitment to assisting the developing countries, in particular the least developed amongst them, in their efforts towards economic growth and social progress, by enhancing market access to OECD economies, by improving the transfer of developmental resources, and through stable non-inflationary OECD growth. This commitment will not be altered by the support being lent to reforming countries in central and eastern Europe.*

*Fourth, Ministers direct the Organisation to pursue and deepen its dialogue with the Dynamic Asian Economies, whose role and responsibilities are steadily increasing in the world economy. Fifth, OECD governments are determined to continue to offer all feasible support to the countries of central and*

*eastern Europe striving to achieve market-oriented economic systems and pluralistic democracies. Ministers consider that OECD should play a distinct and important role by engaging in a policy dialogue to promote the process of economic reform, with the objective of integrating the reforming countries into the international economic system. Sixth, Ministers stress that many environmental problems now have a world-wide dimension, requiring increased attention and action. The solution of these problems requires concerted, broadly compatible policies in all countries if sustainable development at the world level is to be ensured. The Organisation should therefore further intensify the role it plays in this co-operative effort, particularly as regards the integration of economic and environmental policy making, and the optimum use of market mechanisms.*

*D. The rapid and far-reaching changes which are today affecting the world and enhance the process of global integration call for ever-closer international co-operation. In responding to these changes, OECD has an increasingly important role to play, by reason of its ability to analyse problems of economic and social policy and to work out appropriate solutions.*

## **MACROECONOMIC POLICIES IN THE CURRENT ECONOMIC SITUATION**

2. Ministers are broadly satisfied with economic developments over the past year, but note that certain risks remain. Brisk growth in OECD countries has been converging to an overall pace which ought to be sustainable over the medium term. There has been significant, if uneven, progress in the reduction of external imbalances. Balanced action across the full range of monetary, fiscal and structural policies, supported by a further strengthening of international economic co-operation, is needed to:

- lower inflation;
- enhance job creation and help to bring the unemployed, and particularly the long-term unemployed, back into employment;
- reduce external imbalances;
- promote exchange market stability;
- sustain a sound growth of productive investment; and
- encourage higher saving, where appropriate. Strong OECD growth and enlarged market access will benefit all countries through increased world trade, and provide support for the structural changes necessary for a better economic performance.

Progress towards economic union by the European Community, current efforts to create a European Economic Space, the prospective unification of Germany, and the economic reforms in central and eastern Europe will be of great importance in this respect.

3. The recent tightening of monetary policy in many countries has contributed to bearing down on inflation pressure. Inflation has nevertheless risen in a number of countries. To affirm their commitment to price stability, monetary authorities will continue to exercise due vigilance and restraint, especially where inflation is still too high, or where financial markets signal rising inflation expectations. Lower inflation will by itself reduce inflation expectations, contribute to lower interest rates, and provide the basis for sustainable growth.

4. Fiscal policy will continue to underpin a stable economic environment by further moves towards well-established objectives: achieving and maintaining a sound public sector position, and improving public management and the allocative efficiency of the public sector. Fiscal policy will reinforce monetary policy efforts to achieve price stability.

5. Most OECD countries will be facing increasing pressures on expenditure over the coming decade from: rising health care and pension requirements of ageing populations; the growing cost of education and the need for greater skills as well as, in some countries, catering for exceptional employment needs; environmental considerations; and, in many cases, investing in or repairing the infrastructure. To meet these pressures, governments will determine ways to improve public management and the content of public expenditure, and identify those expenditure items which can most effectively be subjected to competition. Ministers look to further studies by the OECD to help Member countries carry out these tasks.

6. The need for a high level of investment, both within and outside the OECD area, calls for an increase of the saving rate in many OECD countries, leading to a higher saving rate for the OECD area as a whole. It is important that increased saving rates are accompanied by a further reduction in external imbalances. In countries where public-sector borrowing is still too high, further efforts will be made to reduce it as quickly as possible. Where there is a need for additional private-sector saving, this will be actively sought, though the policies necessary to promote it may differ from country to country. Ministers therefore look forward to further studies by the OECD in this respect.

7. It is essential that employment increase without raising inflationary pressure, in part through appropriate labour market, manpower, education and training policies. This is now of particular importance, given that labour mismatch and a general shortage of high skills are evident in a number of countries.

8. Ministers emphasize the importance of maintaining strong international economic co-operation founded on appropriate domestic policies. Such co-operation eases the task of the authorities in any one country across a wide range of macroeconomic and structural policy issues. It can thereby help to avoid unnecessary and undesired exchange-rate and financial-market disturbances, in turn contributing to the implementation of desirable but politically-difficult structural reforms. International economic co-operation has over recent years contributed to a more stable, and more predictable, world economy. It has thereby helped to boost confidence and anchor expectations, and should continue to do so.

### **STRUCTURAL REFORM IN OECD COUNTRIES**

9. Structural reform has increased economic efficiency on a broad front and will continue to be given high priority. Ministers noted the reports by the Secretary-General and the Economic Policy Committee on Progress in Structural Reform. They noted that in some areas-foreign direct investment, taxation, and especially financial markets-strong policy interdependence among countries has been a stimulus to continuing and substantial progress in structural reform. In other areas, however, notably trade, and agricultural and industrial-support policies, considerably more has to be done. Ministers are particularly concerned to improve performance in these domains while sustaining progress across the full range of structural reforms. Successful completion of the Uruguay Round by the end of this year will do much to advance structural reforms in these areas in the 1990s.

10. Ministers invite the Secretary-General and the relevant committees to continue to develop, deepen and strengthen the Organisation's structural surveillance programme. To this end they commit member governments to provide the OECD with the requisite data. They emphasize the importance of such multilateral peer review as a means to foster the process of structural reform, including through identifying the costs of inaction and the most promising ways to overcome obstacles to change, and bringing this information to public attention.

### **AGRICULTURAL REFORM**

11. Ministers took note of the joint report by the Agriculture and Trade Committees "Agricultural Policies, Markets and Trade Monitoring and Outlook 1990" and endorsed its conclusions. OECD countries have made only limited and uneven progress in implementing the agreed long-term objectives of the policy reform. Agricultural markets continue to be characterised by wide use of internal support and other measures adversely affecting trade, and persistent international tensions and disputes. While surpluses have been reduced in the short-term, problems caused by insufficient structural adjustment in the agricultural sector remain to be solved. Policies, including some of those which have been a factor in curbing production, remain costly to OECD countries, as well as to many other countries. Assistance to agriculture as measured by Producer Subsidy Equivalents dropped in 1989 for the second consecutive year, but this was largely due to non-policy factors, and was still higher than the average of 1979 to 1985. Secretariat estimates suggest that total transfers from consumers and taxpayers, due to agricultural policies, amounted to about US\$ 245 billion for the OECD area as a whole in 1989, compared with about US\$ 280 billion in 1988, but still higher than in any year before 1986.



12. Against this background, Ministers agree to take urgent steps to reform agricultural policy, as regards support and protection, so as to permit greater liberalisation of trade. They reaffirm their commitment to the long-term objective of the reform, i.e. to allow market signals to influence the orientation of agricultural production and to establish a fair and market-oriented agricultural trading system. Ministers are prepared to negotiate in line with the agreed objectives of the Punta del Este and mid-term Review Declarations, although they differ on how an approach to these objectives should be expressed at this stage. Some feel that negotiations should proceed to seek specific policy commitments in each area of the negotiations: internal support, barriers to market access and export subsidies; and to develop new rules for sanitary and phytosanitary measures. Others prefer to seek reductions in support and protection with commitments encompassing all measures affecting directly or indirectly import access and export competition, as well as rules for sanitary and phytosanitary measures. In pursuing the long-term objective, account will be taken of proposals aimed at addressing participants' non-trade concerns. Ministers express their determination and commitment to make every effort to overcome the differences and to develop by the July TNC meeting an appropriate framework to achieve the objective defined above; and subsequently to reach agreement on how far and on what timetable it is to be done, and to develop strengthened and more operationally effective GATT rules and disciplines. Ministers agree that the results of the negotiations must be translated into binding country programmes that achieve greater liberalisation of trade.

13. Ministers invite the Organisation to continue to support the process of agricultural reform by: further study of particular aspects of this process, in particular of direct income support not linked to production; continued quantitative monitoring of agricultural support and protection in OECD and major non-OECD countries, and of their effect on international trade; analysis of the impact of reductions in agricultural support and protection, including the impact on developing countries; analysis of the short and long-term impact of the reforms under way in central and eastern Europe; and improved assessment of medium-term market trends.

## **RURAL DEVELOPMENT**

14. Ministers invite the Organisation to implement the recommendations of the Council Working Party set up to design a programme for work on rural development issues. Particular attention should be devoted to the interlinkage of social, economic, agricultural, and environmental policies at both the micro and the macro level, and to the contribution that an integrated approach to rural development can make to the process of agricultural reform and, inter alia, to the resolution of the problems of remote areas and communities.

## **INDUSTRIAL SUBSIDIES**

15. Industrial subsidies have generally impeded rather than promoted structural adjustment by retaining resources in sectors in decline, and by diverting them from use in more efficient industries. Subsidies can also distort trade flows, create grounds for trade frictions, and bear heavily on public budgets. Ministers therefore are firmly of the view that rigorous attention must be paid to the transparency and management of such assistance, and that every effort should be made to eliminate or bring under enhanced discipline subsidies which have trade distorting effects. They note in this context the opportunity provided by the Uruguay Round, and express their determination to develop more operationally effective GATT rules and disciplines.

16. In view of these considerations, Ministers welcome the report of the first phase of the Industry Committee's project on "Subsidies and Structural Adjustment" as an important contribution to increased transparency of subsidy programmes, which should foster greater subsidy discipline. Ministers encourage the Industry Committee to achieve the early completion of the second phase of the project, which will further increase transparency. The regular provision of data by Member countries will give rise to a base of internationally comparable data. Ministers invite the Secretary-General, drawing on the continued co-operation of the Economic Policy, Trade, and Industry Committees, to consider how this important data base might most effectively be used to strengthen the common international understanding of the economic effects of all types of industrial subsidies. This work could lead to the eventual definition of commonly-accepted OECD guidelines.

17. Ministers noted the efforts and welcomed the progress made to date in the Liaison Group between the OECD Council Working Party on Shipbuilding and the Republic of Korea on the elaboration of the framework and principles of an agreement to: eliminate all measures of assistance and practices that are obstacles to normal competitive conditions; and improve transparency in the commercial shipbuilding and repair industry. They confirm their commitment to co-operate in concluding an effective agreement as soon as possible. They encourage other countries which have important shipbuilding industries to participate in its implementation. Furthermore, in this context Ministers recall the importance of dealing generally with trade-distorting practices in the Uruguay Round.

## **FINANCIAL MARKETS AND FOREIGN DIRECT INVESTMENT**

18. The process of financial market integration continues unabated, domestically and internationally. The OECD Codes of liberalisation have played a significant role in this process, and Ministers ask the Organisation continually to strengthen and extend these Codes, to ensure that there is no backsliding on existing obligations, and to help prevent protectionist investment policies. The trend towards the formation of large financial institutions operating in global markets provides new challenges for financial regulation and supervision. Ministers call upon the Organisation to monitor this trend, and to analyse its implications for market efficiency and financial stability, in order to assist the responsible national and international regulatory organisations to develop and strengthen arrangements for containing systemic risk and to avert fragmented and divergent regulatory approaches. Monitoring the globalisation of financial markets requires increasing attention to developments in financial systems outside the OECD area, notably in economies in the Pacific Basin and in central and eastern Europe. The implications of financial market integration for the impact of tax policies on saving and the international allocation of investment merit further study. Finally, the continuing financial market integration must also be taken into account in the development of measures to prevent money laundering.

19. The process of liberalisation of foreign direct investment and international co-operation in that field are very important for the development of international economic relations. Ministers reaffirmed their commitment to the 1976 Declaration on International Investment and Multinational Enterprises and the need for a strengthened National Treatment Instrument. Ministers noted the reports by the competent Committee of the Organisation and welcomed the significant progress it has made in the review of the 1976 Declaration including in the drafting of a binding instrument, based on the principles of standstill, non-discrimination, transparency and rollback of existing measures constituting exceptions to National Treatment. Ministers urged the Organisation to make every effort to resolve the remaining issues with a view to adopting the new instrument as soon as possible. They called for a report on the proposal for a new National Treatment Instrument at their next meeting in 1991 and agreed to consider at that time the Report on the review of the 1976 Declaration and Decisions on International Investment and Multinational Enterprises and the proposals put forward in this report (including the addition to the Declaration of a section on co-operation to avoid conflicting requirements being imposed on multinational enterprises and of a new chapter on environmental protection in the OECD Guidelines for Multinational Enterprises).

## **LABOUR MARKET POLICIES AND HUMAN RESOURCE DEVELOPMENT**

20. Ministers recognise the importance of active labour market policies in order to support the continuation of non-inflationary growth of output and reduction of unemployment and to cope with the challenges that will be faced by OECD countries in the 1990s (effects of technological change on work, demographic trends including the implications for international migration persistent long-term unemployment, and skill shortages). Ministers welcome the statement by the Manpower and Social Affairs Committee on the New Framework for Labour Market Policies developed by the OECD. The aim of this New Framework is to develop a comprehensive, active labour-supply policy, emphasising the quality of the labour force, the reduction of inequalities in access to jobs and training, and encouraging participation in society. A report on the development of these policies is expected in time for the Ministerial Council in 1992. Ministers support the Committee's programme for systematic analysis and monitoring of labour market policies as a contribution to the structural adjustment objectives of the Organisation. They also welcome the establishment by the Secretary-General of a High Level Group of

Experts on "Women and Structural Change in the 1990s", and look forward to receiving the Group's recommendations for policy action.

21. Ministers agree that an integrated approach must be developed which involves fully the private sector, and which ensures the appropriate interaction between social, labour market, education and training policies in order to support those who want to participate more actively in the labour force and in employment, but meet obstacles or disincentives.

22. Efforts are being made by Member countries to expand and to improve the quality of education and training throughout the population, on a lifelong basis. Meeting the needs of disadvantaged groups will be of special importance. These will be among the main themes of the meeting of the Education Committee at Ministerial level in November 1990, and Ministers look forward to the results of that meeting.

## **ENERGY**

23. Energy markets continue to adjust and evolve in response to the challenges posed by the environment, the renewed growth in oil imports, and the rapid developments in the economies both within and outside the OECD. The balance between oil demand and supply may become tighter in coming years. There is a need therefore to maintain energy security levels among OECD countries, by reinforcing existing efforts to prepare for possible energy emergencies, developing new energy resources, diversifying supply, improving energy efficiency, further liberalising energy trade, and developing and applying new, renewable and non-carbon-emitting energy technologies to ensure system flexibility.

24. In pursuing these objectives, it will be increasingly important to integrate environmental and economic considerations and to develop flexible mechanisms which permit markets to seek these multiple objectives most efficiently. The effects of energy production, transportation and use on the environment pose clear challenges for all fuels. Of particular concern are the transportation and electricity sectors, which together constitute the fastest growing end-use sectors, and the major source of conventional emissions, and especially of those related to climate change. These challenges call for continued close monitoring and analysis of energy developments and of improvements in energy efficiency in Member countries and elsewhere, as well as the co-operation with other international organisations in the analysis of strategies to address environmental concerns while continuing to support energy security and economic development goals.

25. Attention must also be placed on energy developments outside the OECD. Non-OECD energy consumption accounts for half of world total energy consumption, and this share is expected to rise for the foreseeable future. While important distinctions exist between the different non-OECD countries, Member countries' experience in energy policy can be shared with those countries of central and eastern Europe who wish to do so, as well as with developing countries as appropriate. These exchanges have advantages both for OECD and non-member countries.

## **OPEN MULTILATERAL TRADING SYSTEM**

26. The open multilateral trading system confronts a combination of great opportunities and challenges. Trade is buoyant and contributes significantly to the favourable economic climate now prevailing. Increasing global interdependence offers promise of strong trade expansion in the future. Nevertheless, the world trading system remains fragile and under tension. A significant and growing proportion of international trade is not, or not adequately, covered by GATT disciplines. Questionable interpretation or application of GATT rules still erodes the rule-based multilateral framework. Many domestic policy decisions affect trade adversely. Protectionist pressures remain strong. Ministers therefore reaffirm their determination firmly to reject tendencies towards managed trade approaches, bilateralism, sectoralism, grey area measures and unilateral action. They will promote better integration of developing countries and former centrally-planned economies into the open and multilateral trading system under a strengthened and modernised GATT.

27. The successful outcome of the Uruguay Round has the highest priority on the international economic agenda. A failure would have a range of negative consequences for the trading system, the global economy, and international economic co-operation. It is imperative now to achieve a bold, balanced outcome on key issues to form an overall package encompassing interests and concerns of the widest range of participating countries. The shape of the final package and outline solutions in all areas of the negotiations, including negotiating texts, must be established by July and definitive agreement reached by the end of the year. However, there are major stumbling blocks in a number of key areas. Ministers therefore express their determination to make the necessary difficult political decisions and instruct their negotiators to make rapid progress, especially where substantial divergences still exist.

28. The Uruguay Round must achieve significant liberalisation for all participants by producing a coherent set of clear and enforceable rules and disciplines adapted to the new realities of world trade and to be implemented within a strengthened GATT framework. Ministers recognize that OECD countries must take a lead by signalling concrete steps they are ready to take as their contribution to achieving, in particular:

- A substantial and balanced package of measures to improve market access including: ambitious new commitments and liberalisation measures in the tariff and non-tariff fields; the rollback of all trade restrictive or distorting measures inconsistent with GATT; and the liberalisation of the textile and clothing sector through progressive dismantling of trade barriers and its integration, under a precise timetable, into GATT on the basis of strengthened GATT rules and disciplines;
- Significant progress in agriculture - as outlined in paragraph 12;
- Strengthened multilateral rules and disciplines, particularly in areas of: safeguards, rules of origin, subsidies and countervailing measures, and updated and strong disciplines for dumping and anti-dumping measures. A comprehensive safeguard agreement is needed based on the MFN principle. Concerning subsidies and countervailing measures, rules are needed which effectively discipline domestic subsidies so as to avoid trade distortions and the risk of competitive subsidisation. Improved disciplines must also cover countervailing measures so that they do not become barriers to legitimate trade;
- Further improvements in dispute settlement procedures, in conjunction with strengthened rules and disciplines in specific areas including the new ones, leading to a commitment to operate only under the multilateral rules;
- A comprehensive and balanced multilateral framework of contractually enforceable rules to liberalise services trade - with no sector excluded a priori, and with the broadest possible country participation, and taking into account the experience and achievements under the relevant OECD Codes;
- An agreement, with the fullest possible participation, to reduce and eliminate trade restrictive and distorting effects of trade-related investment measures by expanding on GATT disciplines, including provisions for transparency and respect for the principles of national and Most Favoured Nation (MFN) treatment;
- An agreement, with the fullest possible participation, to provide for adequate, substantive standards and effective and appropriate enforcement for protection of intellectual property rights, including provisions for transparency and respect for the principles of national and Most Favoured Nation (MFN) treatment.

29. OECD Ministers recognise the importance of positive responses they must give in fields of interest to developing countries, in order to foster better integration of a growing number of those countries into the international trading system. Such responses must come in such fields as tropical products and all other market access issues covered in paragraph 28, including agriculture and textiles, together with strengthened multilateral rules and disciplines. At the same time, developing countries, in their diversity, should now signal how they intend to contribute to the political momentum in the Uruguay Round. To obtain full benefits from a strengthened system, these countries will have to make appropriate contributions to the process. Scope for action exists in areas such as rationalisation and simplification of trade regimes; more effective rules on the measures taken for balance of payments reasons; tariff binding and liberalisation of tariff and non-tariff barriers; and participation in the agreements covering new areas. Differences in levels of economic development could be accommodated through various transitional arrangements.

30. Ministers confirm their determination to achieve a far-reaching, substantive result in all areas of the Uruguay Round by the end of the year. Such an outcome should provide the basis for a commitment to strengthen further the institutional framework of the multilateral trading system, building on its contractual nature. This important question should be considered in due course, when the successful completion of the current negotiation has been secured.

## **EXPORT CREDITS**

31. Ministers welcome that the competent bodies in the OECD continue closely to monitor implementation of the 1987 package of reform measures on the OECD Arrangement on Guidelines for Officially-Supported Export Credits. They also welcome that these bodies have started negotiations on a balanced package of measures to reduce substantially, through improved discipline and transparency, those distortions resulting from the use of officially supported commercial and tied aid credits. They urge that negotiations should be expedited and that a final report should be submitted to Ministers in 1991.

## **RELATIONS WITH NON-OECD COUNTRIES**

32. Ministers welcome the continued strengthening of the economic ties between OECD and non-OECD countries, in particular those which base their development on the mutually supporting principles of pluralistic democracy, respect for human rights, and market economy. They invite the Organisation to continue to give high priority to co-operation with the developing countries, in particular the least developed; to deepen its contacts and dialogue with the Dynamic Asian Economies and the countries of central and eastern Europe; and actively to develop the analytical work necessary to those ends.

## **DEVELOPING COUNTRIES**

33. Development co-operation is a critical global issue, given the wide and diversified range of political, social, economic, environmental, population and debt problems to be considered. It should be open to new approaches. Ministers endorse the policy statement on "Development Co-operation in the 1990s" made by DAC Aid Ministers and Heads of Aid Agencies last December. In this context, Ministers stress the following important themes:

- developing countries themselves are ultimately responsible for their development. Their own policies and institutions are central to achieving broad-based and sustainable growth, as are the active participation of their populations and their ability to mobilise domestic resources;
- the developed countries cannot be prosperous for long if developing countries face growing mass poverty, economic and financial instability and environmental degradation;
- development co-operation remains essential, in particular for the least developed countries, in support of improved policies, institutions and infrastructures. Particular emphasis should be put on the development of human resources, to help developing countries to stimulate the productive energies of their people men and women alike and to achieve competitive markets and dynamic private enterprise;
- in many countries a slowing of population growth is a condition for sustainable development. Supporting the efforts of developing countries to implement effective population programmes, especially through voluntary family planning, is a matter of priority;
- contributing to environmentally sustainable development is a central task for the international community as a whole. The integration of environmental concerns into development projects and programmes, while increasing benefits, will often result in increased costs, requiring the mobilisation of additional financial resources and technological transfers, including from donors.

34. Developments and policies in the OECD area, notably in regard to growth and interest rates, will have a considerable influence on the economic performance of the developing countries. This being so, Ministers acknowledge the importance of the contribution that can be made to the development of these countries in the context of the Uruguay Round, notably by further opening their countries' markets to developing country exports and by removing the distortions which are hampering them at present.

Ministers also recall the importance of substantial additional aid efforts, in both quantity and quality. In this respect they note the quantitative targets established by international organisations for official development assistance. Serious debt problems still remain an impediment to growth and development in many developing countries. Ministers therefore stress the need for continued resolute action to resolve debt problems, and reaffirm support for the strengthened debt strategy. They recognise the specific difficulties which the least developed countries encounter, and express the hope that the next Paris Conference will be the opportunity for jointly defining priority objectives and reciprocal arrangements which will better meet the needs of these countries. They encourage bilateral and multilateral assistance agencies, including the multilateral development banks, to continue their efforts to integrate environmental considerations into all aspects of their activities.

## **DYNAMIC ASIAN ECONOMIES**

35. The emergence of dynamic, market-oriented economies in East and South-East Asia has significantly expanded the foundations for sustained global economic growth. Ministers consider that further progress in the dialogue with these Dynamic Asian Economies is a matter of high priority. They welcome the recent successful completion of four informal workshops covering: 1. technology and the globalisation of the economy, 2. financial market reform, 3. trade policies, and 4. macroeconomic linkages. They wish the momentum of this dialogue to be maintained and intend, in close consultation with these new important partners, to chart its further development without delay. They call for a report at their meeting in 1991.

## **CENTRAL AND EASTERN EUROPE**

36. A process of political and economic reform of major importance for the world is under way in central and eastern European countries. OECD governments are willing to support this process, the success of which will depend ultimately on the efforts made by these countries themselves. The OECD has an important role to play in this respect, and is prepared to develop further its co-operation with these countries as they frame their policies during the period of transition to a market economy, and seek to integrate themselves into the international economic system. Ministers agree that improved access to OECD markets is essential as these countries implement both internal market reforms and trade policies in line with the multilateral rules of the game.

37. Ministers expect the evolving OECD programme of activities relating to central and eastern European countries to draw on the Organisation's principal strengths in economic analysis-in particular in the field of structural policies-and in policy dialogue. These activities, which will be given impetus by the recently established Center for Co-operation with European Economies in Transition, will include the monitoring and assessment of the economic and social effects of the transition process in those countries. They will be implemented in close co-operation with other international organisations active in the field, including the IMF, the World Bank, and the ECE, and with the Commission of the European Communities. Ministers expect this programme to benefit, as it already has, from input from the partner countries themselves, and thereby to be responsive to perceived needs, not least in the environmental field, and to be flexible so that it can be adapted to circumstances and requirements. Ministers welcome the series of actions undertaken by the G24 and co-ordinated by the Commission of the European Communities, to support the reform process in Poland and Hungary, and note their willingness to consider extending such assistance to countries in central and eastern Europe that are seriously engaged in political and economic reforms. Ministers note with satisfaction the signing of the treaty instituting the European Bank for Reconstruction and Development (EBRD).

38. Ministers warmly endorse the welcome already given by the Organisation to the recommendation in the concluding document from the CSCE Bonn Conference inviting the OECD to consider hosting meetings of experts from the CSCE participating States and OECD Member States to promote the process of economic reform. The Ministers confirm the Organisation's decision to take full account of the Bonn Conference's invitation in the implementation of the Work Programme of the OECD's Centre for Co-operation with European Economies in Transition, and note with approval that several conferences, seminars and meetings of experts are planned for the months ahead. They ask for a report to the 1991 Ministerial Meeting on the Organisation's activities relating to central and eastern Europe.

## ENVIRONMENT

39. Improving environmental conditions and promoting sustainable development have become increasingly fundamental objectives. Environmental and economic considerations need to be integrated in the decisions of all segments of society-governments, industry and individuals. Many of the problems are of a transborder, or even a global, nature, requiring that all countries co-operate in solving these issues. Member countries fully recognise their special responsibility in the international effort to seek solutions to global environment problems. Other countries, including those of central and eastern Europe, as well as of the developing world, seem increasingly ready to play an active role. The recent Bergen Conference on regional follow-up to the Report of the World Commission on Environment and Development has provided new momentum and direction for international environmental co-operation.

40. Ministers welcome the progress made by the Organisation in the analysis of environmental issues, and call for a further broadening and deepening of its work in this area. This includes in particular: developing environmental indicators; designing guidelines for the use of economic instruments and of market mechanisms to achieve environmental goals; evaluating the economic dimensions of the major environmental problems and their possible solution; analysing the interlinkages between environmental and trade policies; assessing the contribution which could be made by technological breakthroughs, energy conservation and efficiency, and social and economic activities which put less strain on the environment; and assessing the world-wide economic cost of alternative strategies for greenhouse gas abatement.

41. Ministers expect this work to identify new significant policy initiatives. They welcome the convening of an OECD Environment Ministers meeting next January, and its theme of "Integration of Environmental and Economic Decision-making". This should provide a comprehensive, high level assessment of OECD's role, activities and next steps in the environmental field and give policy guidance to governments. Ministers intend to build on the results of both the Environment Ministers' meeting and the work of the Organisation to draw conclusions at their meeting in 1991 about economic and environmental policy integration.

42. Ministers, particularly concerned about possible global climate change, strongly support the work of the Intergovernmental Panel on Climate Change, and underline the importance of the Second World Climate Conference in Geneva in November. They stress the importance of continued work of the OECD in collaboration with the International Energy Agency on the economic aspects of policy options in respect of climate change. In this connection, Ministers invite the Secretary-General to present to next year's meetings of the Council and the Environment Committee at Ministerial level a report on the status of OECD and other international organisations' work in this field, including proposals for future OECD activities, and a preliminary assessment of different types of economic instruments and of guidelines for their use.

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## Meeting of the Council at Ministerial Level in June 1991 Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G3 CENTRE
<u>MINISTERIAL AND OTHER MEETINGS</u>					

1. The Council of the OECD met on 4 and 5 June 1991 at Ministerial Level. The meeting was chaired by Mr. W. Kok, Deputy Prime Minister and Minister of Finance, and Mr. K. Andriessen, Minister of Economic Affairs, the Netherlands. The Vice-Chairmen were the Rt Hon Douglas Hurd MP, Secretary of State for Foreign and Commonwealth Affairs, the Rt Hon Norman Lamont MP, Chancellor of the Exchequer, and the Rt Hon Peter Lilley MP, Secretary of State for Trade and Industry, United Kingdom.

2. At a time of major international political change, Ministers reaffirm OECD Member countries' long-standing directions and basic objectives of economic and social policy. They have accordingly identified a number of policy challenges, on which resolute action will be taken:

a) The basic values shared by the OECD countries pluralistic democracy, respect for human rights, and market oriented economies are finding increasing recognition throughout the world. The peoples of many countries outside the OECD can progressively benefit from this change in their political, social and economic life. Ministers express their countries' determination to increase economic relations with non-Member countries pursuing these basic values. In this regard, Ministers welcome the launching of the Partners in Transition Programme, with the CSFR, Hungary and Poland.

b) In an increasingly interdependent world, a particular responsibility rests with OECD countries to create and sustain a favourable global economic environment. This is all the more necessary as there are widespread concerns about high levels of unemployment in many OECD countries. Ministers stress that, after the recent slowdown, they aim to return to sustained expansion with price stability. Firmly rooted in an ever closer co-ordination, economic policies will continue complementary macroeconomic and structural measures. Macro-economic policies should support economic recovery and sustain growth while promoting price stability. Active structural policies are crucial because they expand supply potential and increase flexibility, thereby permitting stronger sustainable growth and higher employment levels. Such growth with price stability in OECD countries is important to the world at large, not only because it stimulates economic activity everywhere, but also because it allows for increased savings to be mobilised for investment, which in turn assures future economic growth.

c) A free and open system of trade, investment and capital flows is vital. Early agreement on a substantial and comprehensive outcome to the Uruguay Round trade negotiation is the highest priority for both structural reform and international economic co-operation. In the face of increasing globalisation of economic activity, it will be a major step towards defining and putting into place new rules and disciplines required for the world economy to function well, to the benefit of all. In this respect, Ministers reaffirm their resolve to fight protectionism in all its forms.

d) Technological progress, which is both a cause and an effect of strengthened competition and globalisation, contributes importantly to economic growth. The adaptation to changing technology entails a continuing process of adjustment throughout the economy as well as in society at large. While the central role in this process falls to firms and to individuals, governments bear an important responsibility, including in achieving policy coherence and convergence so as to facilitate adaptation to new technologies within countries and to prevent potential international frictions.

e) It is essential that all -- be they countries or individuals -- should benefit from economic growth. Ministers stress the need for OECD and non-Member countries alike to formulate coherent



policies in the fields of economics, environment, social affairs and technology that are mutually reinforcing in support of broadly based sustainable development. Ministers reaffirm their strong commitment to enhanced co-operation with developing countries. Ministers consider that, because of the range and interlocking nature of its activities, the OECD has the capacity to make a particularly useful contribution in response to those challenges.

## THE ECONOMIC SITUATION

3. OECD economic growth has slowed significantly over the past year, with output actually falling in some countries, and unemployment is again increasing. Some slowing of demand was necessary in countries exposed to overheating and to reduce current-account deficits where they posed problems. The slowing of demand and tight monetary policy contributed to a reduction of underlying inflationary pressures. The weakening of demand was temporarily intensified by the sharp increase in oil prices and the marked fall in confidence occasioned by the Gulf crisis and war. In some countries and economic sectors, the negative effects may prove to be more protracted.

4. While the risks of continuing weak activity, due in part to the persistence of high real interest rates and to the slowdown in investment in many countries, cannot be ignored, OECD activity is projected to recover in coming months, underpinned by a number of factors:

- the reduction of uncertainty following the end of the Gulf war which has led to a rebuilding of confidence in some countries;
- the reversion of oil prices to levels which obtained prior to the Gulf crisis;
- notable falls in interest rates in some countries;
- the substantial reduction of major external imbalances, removing a threat to the outlook; and
- continued growth in Japan and Germany (where the demand effects from unification remain strong).

## MACROECONOMIC POLICY DIRECTIONS

5. The basic medium-term requirements for macroeconomic policy remain unchanged. It is important that sound monetary and fiscal policies should lay the groundwork for a reduction in real interest rates and a sustained global economic recovery with price stability. This will help reduce overall unemployment in OECD countries. Monetary policy will therefore continue to be conducted with vigilance and prudence, particularly in countries where inflation remains a concern. In many countries, progress in reducing inflation has provided scope for lowering interest rates.

6. The persistence of high real interest rates and the aggregate deficit of the OECD current account suggest that the level of savings is insufficient to meet demands for investment. In the light also of the investment needs of developing countries and countries in central and eastern Europe, it is all the more essential that OECD countries reduce their overall absorption of saving, while at the same time reducing excessive current-account imbalances between themselves.

7. Fiscal policy is also important in this context and will continue to be set within a medium term framework for budget objectives. Measures to reduce persistent budget deficits and/or correct distortions in tax and regulatory systems (including in relation to private savings) can increase the overall level of saving and investment and produce a better allocation of resources. Pressures likely to arise in some areas of public spending will be attenuated by improving management and allocative efficiency of the public sector, in part by raising productivity in certain public services and by identifying those expenditure items which can most effectively and equitably be subjected to competition.

8. Ministers welcome measures announced by the United States and other budget deficit countries to reduce their budget imbalances in accordance with medium-term plans and recognise that efforts may be needed also in other countries to strengthen public sector savings. They note the special nature of the present budget deficit in Germany in the context of German unification and the decisions already taken by the German government to reduce it over the medium-term. Ministers stress the importance of implementing fully these budget deficit reduction plans.

9. The recovery of growth will create employment, but sustainable reductions in unemployment over the medium term will also require appropriate structural policies, including in respect of removing rigidities in the labour market, and improving education and training.

10. It is essential that economic policy be credible, that policies and objectives be stated clearly, and that their international compatibility be ensured. Further strengthening of international economic co-operation remains a top priority. Close policy co-operation will help to provide a sound global economic environment. Through its widespread activities and broad geographic coverage the OECD can play a useful role in this regard. Continued co-operation in respect of exchange rates will contribute to greater exchange market stability and thereby to a better functioning of the international monetary system.

## STRUCTURAL PRIORITIES IN A GLOBAL CONTEXT

11. In the present environment of increasing globalisation and fast-paced technological advance, the critical importance of a flexible and resilient economy is highlighted as never before. The full benefits of expanding international trade can be achieved only by economies that are fully adaptable. Ministers underline therefore the major role that structural policies have to play in improving productive potential so that economies can grow faster and more sustainably, with high employment and price stability, leading to increased well-being of the people. These policies cover, in a closely interrelated manner, the full span of economic and social domains. In each of these, they encompass domestically defined and implemented measures as well as international cooperation in its varied modalities, including legally binding agreed instruments.

12. Ministers consider that, in addition to its role in macroeconomic co-operation, the OECD is particularly well placed to help clarify structural problems and relevant solutions, in particular because of the variety of its competences and because its Secretariat and committee system can manage issues which cross traditionally compartmentalised policy domains. Ministers also stress the important role already played by the OECD's structural surveillance programme. It provides the forum for multilateral peer review, which fosters the process of structural reform and encourages operational approaches to it. In this connection, Ministers welcome the proposals of the Economic Policy Committee for making structural surveillance more effective. Ministers call upon the Organisation further to develop and deepen its work on structural issues and, where appropriate, to:

- explore their policy interconnections;
- assess the most effective ways of taking them into account in the process of policy formulation; and,
- in those areas which lie beyond the ambit of current international negotiations, consider the feasibility of elaborating operational arrangements.

13. Ministers highlight, in paragraphs 14 through 42, the following broadly interrelated areas they assign to the Organisation for structural work: economic (trade, agriculture, rural development, technology, competition, financial matters); social (labour-market policies and human resource development, social policy, migration, urban affairs); environment; public sector management; and energy.

## THE ECONOMIC FIELD

### *A. Trade*

14. **The Uruguay Round** has the highest priority on the international economic agenda. Success here, which will further strengthen the open multilateral trading system, remains crucial to continued growth of world trade and the world economy and would greatly enhance the process of structural reform. Ministers therefore agreed that the Round must be brought to a substantial and comprehensive conclusion as early as possible, preferably before the end of the year. They recognise that to achieve this goal, political decisions to overcome major existing differences are needed by all participants without delay, the pace of negotiations must be intensified in all areas, and substantial progress must be achieved

by the end of the summer. Ministers took note of the report of the Trade Committee, and endorsed its conclusions. They are determined to build on earlier progress to achieve a wide-ranging, substantial, balanced and global agreement and a complementary institutional strengthening of the GATT system. They are committed to their standstill obligations, and not to undermine the prospects of success by trade action contrary to GATT rules, to the Round's objectives or the headway made so far.

15. In this respect, Ministers strongly reaffirm their rejection of tendencies toward managed trade, unilateralism, bilateralism and sectoralism. Bilateral trade disputes should be resolved in ways consistent with GATT rules and procedures. They underline that the Negotiations should not be a pretext for delaying autonomous efforts towards structural adjustment in the trade area. The improved market access and strengthened trading system resulting from the successful conclusion of the Uruguay Round will foster further integration of an ever-growing number of countries into the trade and world economic system.

16. Regional integration is another significant area of development in trade relations. It can stimulate the multilateral liberalisation process and should be in conformity with international obligations and with the objective of maintaining and strengthening the multilateral trading system. Ministers invite the Organisation to continue to monitor developments in the field of regional integration.

17. Looking beyond the Uruguay Round to the **trade issues** of the 1990s, Ministers emphasize the need to address the new dimensions of trade policy. This includes a whole range of issues which arise because of the increasing globalisation of the world economy and the closer relationship between trade policy and competition, investment, technology and innovation, and environment policies. The increasingly international scope of economic activity has seen the emergence of areas in which the needs of private agents and governments run ahead of the existing rules of the game. There is a perceived need for better understanding of these issues and, where appropriate, convergence of policy approaches and consideration of fresh rules. Many issues, traditionally viewed largely from a domestic policy perspective, have taken on an international dimension, affecting the setting of trade and investment policies themselves. Hence, widening the consideration of trade policies in the 1990s to take account of new developments will go hand-in hand with efforts to avoid conflict with other policy spheres.

### *B. Agriculture*

18. **Agricultural reform.** Ministers acknowledge that there has been very limited progress in agricultural reform along the lines they set out when they met in 1987 and in 1988, particularly in relation to the progressive market orientation of agricultural production and trade. They take note of the 1991 Monitoring and Outlook Report by the Agriculture and Trade Committees and endorse its conclusions. Support to agriculture, as measured by producer subsidy equivalents (PSEs), increased in 1990 after declining in 1988 and 1989. The OECD Secretariat has estimated transfers from taxpayers and consumers at nearly \$300 billion for 1990, slightly above the previous peak of 1987 when expressed in dollar terms. Structural surpluses have re-emerged in the OECD area for most commodities, confirming that the temporarily more balanced market situation of 1988 and 1989 was due mainly to drought or to the impact of supply-control efforts. World prices dropped in 1990 compared with the previous year; there has been an upsurge in export assistance; and trade tensions have remained unabated. Unless policies are improved, the budgetary and economic costs, as well as trade tensions, are likely to rise and the economic prospects of countries dependent on agricultural exports are likely to be seriously affected, including developing countries.

19. Following on all the reform principles defined in 1987 and 1988, Ministers confirm their commitment to achieving substantial progressive reductions of agricultural support and protection, in particular in the context of the Uruguay Round, through the framework approach set forth in the Mid-Term Review. To this end, the participants have agreed to conduct negotiations to achieve specific binding commitments on each of the following areas: domestic support, market access, and export competition; and to reach agreement on sanitary and phytosanitary issues. Account will be taken of participants' non-trade concerns. In order to facilitate adjustment, specific measures, such as certain forms of direct income support payments or autonomous quantitative restrictions of supply, can be envisaged. Such measures, however, must not introduce new economic distortions to international

markets. Agricultural reform, to the extent possible, should simultaneously advance trade liberalisation and environmental objectives. In doing so, steps should be taken to integrate agricultural and environmental policies more closely, so that agriculture is conducted on an environmentally more sustainable basis.

20. Ministers invite the Organisation to continue to support the process of agricultural reform by: monitoring its implementation, including through quantitative instruments and qualitative considerations; improving its capacity to assess the medium-term market outlook; assessing the impact of various policy scenarios for reduction of support and protection on production and trade; analysing particular aspects of the reform process, such as direct income support and structural adjustment, and their effect on incomes and social and environmental conditions, and on economic efficiency, while recognising that in some countries agriculture is multifunctional in character; defining policies which can achieve both agricultural reform and protection of the environment, and which can contribute to an efficient set of policies in the context of rural development; and assessing and promoting ways of maximising the positive impacts of reform on non-Member countries and of assisting those countries moving towards a more market-oriented agricultural system, while taking into account the interests of food-importing developing countries.

### *C. Rural Development*

21. Ministers are concerned by lagging economic development in many rural areas. They recognise significant public interest in the environmental, social, recreational and cultural values of these areas. They consider that dynamic rural development policies can help to smooth structural adjustment there. The design and execution of such policies, which address both economic and public-value goals, is a complex task which provides scope for the participation of several ministries at the national level, and roles for authorities at the regional and local levels as well as for the private sector. Reformed agricultural policy has a significant part to play, as do policies in other domains, the aim being to identify different possible ways for the development of rural areas. Ministers expect that the recently-established Rural Development Programme will take a multisectoral, inter-disciplinary approach to rural development policy; they look forward to the Programme's report and recommendations in 1992.

### *D. Technology*

22. Ministers note the reports on the Technology/Economy Programme (TEP). They believe that the findings of the TEP exercise demonstrate vividly the close inter-relationships between a range of issues in areas such as science and technology, human resource development, corporate governance, trade, investment and competition, all of which will increasingly underpin national competitiveness and economic performance in the 1990s, and the need for governments better to co-ordinate and ensure coherence amongst domestic policies in these fields. Ministers underline the role of technology in helping to sustain growth and welfare, both in OECD countries and also in non-Member countries. They stress the central role of the firm in the technological process, and underline the important role of governments in providing an economic and social environment conducive to the fostering of this process, both domestically and internationally. They encourage the Organisation to continue actively its monitoring activity on structural and trade aspects of technology-related issues, in particular in respect of communication technologies. Ministers welcome the report of the ad hoc group of the Council on the Technology/Economy Programme and accordingly have agreed to the policy statement annexed to this Communique.

### *E. Competition*

23. **Competition policy.** The increasing international scope of economic activity has resulted in a situation in which the existing "rules of the game", as defined by national or regional competition policies might be usefully complemented. Ministers ask the Organisation to continue its work on the international dimension of competition policies and on their interaction with policies in other areas such as trade and industry. They note that recent work in the Organisation on competition law and policy provides the foundation for greater policy convergence and progress towards updating and strengthening

the existing rules and arrangements (including both policy principles and procedures) for international co-operation in this area. They invite the relevant committees actively to pursue these matters, including the effectiveness of trade rules in facilitating international competition.

**24. Industrial subsidies.** Ministers re-affirm their view that industrial subsidies have generally impeded rather than promoted structural adjustment, have created or sustained inflexibility and distortions, notably in the trade area, and have added to pressure on public expenditure. Ministers remain firmly of the view that every effort should be made to eliminate or bring under enhanced discipline subsidies that have trade distorting effects. Ministers welcome progress by the Organisation in improving transparency in this area, which will strengthen the basis for a common international understanding of the economic effects of industrial subsidies. They invite the Organisation to engage in a systematic monitoring of industrial subsidies, and they commit their governments to providing the information necessary to update and improve the internationally comparable data base which has been constructed under the auspices of the Industry Committee. OECD governments will step up their collective efforts to increase transparency, in particular through a peer review procedure and, taking into account developments in the Uruguay Round negotiations, to improve industrial subsidy discipline. This work could lead to the eventual definition of commonly accepted OECD guidelines.

**25. Shipbuilding.** Ministers welcome the progress made in the OECD Council Working Party on Shipbuilding towards a draft agreement respecting normal competitive conditions in the commercial shipbuilding and repair industry. They welcome that all parties are firmly committed to conclude a balanced agreement, the main elements of which are now taking shape, and emphasise the need to maintain momentum in the negotiation to present a draft agreement by July 1991, so that outstanding political differences can be resolved as quickly as possible. Ministers also note with satisfaction that the Republic of Korea fully participates in the negotiation.

**26. Export credits and tied aid credits.** Ministers remain convinced of the need for a balanced agreement to reduce substantially, through improved discipline and transparency, the trade and aid distortions that result from the use of subsidised export credits and of tied aid credits. Therefore, they welcome the reports from the Chairmen of the competent OECD bodies and the progress made on the main elements of a future agreement. Against this background, Ministers expressed their commitment to overcome remaining obstacles in order to come to an agreement in the near future; in any case, not later than the end of this year. Ministers welcome the agreement reached in the Export Credit Group of the Trade Committee to study export credit premium systems and structures, and they look forward to a report on its completion.

#### *F. Financial Matters*

**27. Financial markets and foreign direct investment.** Structural reform has made the greatest progress in areas affecting capital flows and foreign direct investment (FDI), and these have importantly affected the external positions of Member countries. Nonetheless, it is still necessary to ensure that liberalisation gains are consolidated and extended, in particular with respect to FDI, in light of a number of signs in recent years in policies and practices that run counter to the liberalisation trend. To this end, Ministers adopted the Report on the Review of the 1976 Declaration and Decisions on International Investment and Multinational Enterprises. They welcome the reinforcement of the Declaration, through the addition of a section on co-operation to avoid conflicting requirements on multinational enterprises and the introduction in the Guidelines for Multinational Enterprises of a new chapter on protection of the environment. They note the progress towards a strengthening of the National Treatment Instrument inspired by the principles of standstill, non-discrimination, transparency and rollback, and agree to reinforce the procedures for implementing the existing substantive commitments through notification, examination and a multilateral framework for dealing with conflicts that may arise; They also express their determination to further reinforce and broaden the scope of international discipline in the area of FDI. 28. The OECD Codes of Liberalisation have played and continue to play an important role in promoting free movements of capital between countries, and have contributed to the maintenance of free current invisible transactions. Ministers welcome the prospect of the extensive further liberalisation of the banking and financial services, agreed in May 1989, entering into effect in the very near future. OECD governments remain firmly committed to the pursuit of continued liberalisation in the field of

investment and services. Progress has already been achieved in the areas of tourism, audio-visual works and insurance, as well as in banking and financial services. Efforts to promote liberalisation must be continued through further strengthening of the Codes and investment instruments.

29. Certain sectors of financial markets have experienced problems in recent years. Ministers note the recent announcement of financial-sector reform to modernise the regulatory and prudential framework of financial markets in the United States, with the overall objective of enhancing competition and improving efficiency. They welcome the intention of the U.S. authorities to proceed with these reforms in a manner consistent with the principles of the OECD Codes of Liberalisation. They invite the relevant OECD committees to intensify surveillance of international financial developments, with a view to keeping Members informed and promoting both further liberalisation and co-operation among national regulators.

30. Ministers welcome the significant strengthening of international co-operation, in particular among OECD countries and other participants in the Financial Action Task Force, to stem the use of the financial system in laundering the proceeds of criminal activities, in particular drug and drug-related offences. They agree to develop this co-operation further and invite the Organisation to provide secretariat services to the Task Force.

## THE SOCIAL FIELD

31. Despite considerable economic progress in OECD countries, concerns remain about a number of societal issues, including long-term unemployment, inequality of opportunities, marginalisation, persistent dependency on income transfers, and demographic developments. Economic progress and success on the social front are mutually supportive. This will require a concerted approach over the longer term in a complex range of policy areas. This includes, in particular, the development of the skills needed fully to exploit the new technologies and the opportunities they present; the need to re-integrate those excluded from activity; and policies to cope with intensifying urban problems and to revitalise declining rural areas. Successful adjustment of our economies and societies will also require renewed efforts to improve opportunities for women in the labour market and to advance their careers throughout working life. To achieve all these goals it will be necessary to reinforce the emphasis on integrated "active" policies rather than passive income support programmes which often discourage participation. Ministers urge the OECD to step up work in the domains covered in the following paragraphs.

### *A. Labour-Market Policies and Human Resource Development*

32. Ministers endorse the main conclusions of the meeting of the Education Committee at Ministerial level in November 1990, which emphasised that (i) high quality education and training provide the foundation for developing a broad range of skills for all; (ii) access, governance, financing and partnership are important for the successful performance of educational systems; and (iii) to promote lifelong learning, education has to be complemented by training and retraining, especially for adults. Ministers, concerned about the high levels of unemployment in many countries, encourage active labour-market policies which will facilitate structural change, for example through the provision of training for the unemployed and for workers threatened by displacement. Labour-market and social policies will also aim at supporting those who have never entered the labour market or those who have become detached from it, and in particular, those who have become dependent on income transfers. Such labour-market, social, education and training policies are part of a comprehensive approach to human resource development, and will help to meet one of the key challenges of the next ten years: ensuring that labour markets and labour forces can respond flexibly and effectively to growing social and economic change. The approach here will also include local initiatives and enterprise creation, as well as attention to coherence in policy design and implementation between various levels of government and between different programmes and institutions. Policies and programmes will be co-ordinated and developed in partnership with business, trade unions and community-based organisations.

### *B. Social Policy*

33. Social policy will have to respond to concerns about a series of issues which affect the cohesion of

the fabric of OECD societies. There are moves towards new orientations for a range of social policies based on partnerships involving individual initiative, public intervention, actions by voluntary and community associations and private-sector enterprises. The aim is to improve the responsiveness of social programmes to individual needs; to encourage individuals to become active members of society; and to enhance efficiency in the provision of social services, which should contribute to countering persistent dependency on income transfers and to tackling the rising costs of health and pensions systems. Public policy will contribute to developments in these areas by improving integration and co-ordination amongst policy instruments. Ministers invite the Organisation to undertake work which throws more light on these issues and on the most appropriate responses of social policy.

### *C. Migration*

34. While recognising that immigration has made and can, under appropriate circumstances, continue to make a valuable contribution to the economic and social development of OECD countries, Ministers note the widespread concern that pressures for migration are building up world wide due to a variety of political, social and economic factors which demand further study. Ministers request the Organisation, in the light of the outcomes of the International Conference on Migration (Rome, 13-15 March) and in co-operation, as appropriate, with interested governments and other international bodies, to intensify its work on assessing and comparing migratory flows and their trends; on assessing the economic and social causes and consequences of migration both for the receiving and for the sending countries, where the lack of development opportunities contributes to migratory pressures; on evaluating possible policy responses to emigration countries; and on the exchange of information on national policies and practices. OECD work on this subject will take into account the importance of humanitarian factors and applicable international agreements.

### *D. Urban Affairs*

35. Problems in urban areas, such as imbalance between demand and supply of urban infrastructure, traffic congestion, scarcity of adequate housing, deterioration of the urban living environment, and poverty are becoming more serious. Ministers invite the OECD to identify solutions in the light of the importance of these urban problems, while taking into account such factors as each country's economic and budgetary situation.

## **THE ENVIRONMENTAL FIELD**

36. Ministers welcome the results of the Meeting of the OECD Environment Ministers in January 1991, which constitute an important contribution to the evolution of environmental policymaking. Faced with the magnitude of national and regional environment issues and the unprecedented challenge of global environment issues, Ministers agree that OECD countries should pursue an environment strategy for the 1990s based on integrating economic and environmental decision-making, improving their environmental performance, and strengthening international co-operation. Ministers agree the need for the Organisation to review more systematically the performance of individual OECD countries in meeting domestic environment objectives and international commitments and they welcome the Environment Ministers initiative to launch reviews of Member countries environmental policies. As well, Ministers recognise that OECD countries, given their level of development, have a special responsibility to work cooperatively with other countries in other regions to achieve sustainable development.

37. Ministers welcome the direction and impetus given by the Environment Ministers to strengthening the integration of economic and environment policies as a key to sustainable development. They agree with the principles proposed for working towards this objective:

economic and environmental policies cannot be made and implemented in isolation; environmental considerations must be brought to bear systematically on economic policymaking; sound economic analysis of costs and benefits, coupled with scientific assessment of relative risks including that of inaction, is the optimal basis for setting priorities among environmental goals, and compatibility between environmental and sectoral economic policies should be a central objective of policy-makers.



Ministers call for improved integration of environment considerations into all economic sectors and for the OECD to continue its work on analysing the policy interconnections. They agree that effective policy integration will require a greater degree of dialogue with and participation from all sectors of society and the economy if environmental goals are to be met effectively and efficiently and to prevent policy conflicts from arising in such areas as agriculture, coastal zone management, energy, and transport and more generally on trade and investment. Ministers also support additional work on "OECD guidelines" to assist Member countries to make more effective and widespread use of economic instruments.

38. International co-operation is critical to coping successfully with global environmental issues and risks in the 1990s. Many environmental issues, for example climate change, conservation of living marine and land resources, ozone depletion, deforestation, desertification and loss of biodiversity, highlight the extent of global interdependence not only in terms of the causes of environmental degradation but also in terms of the consequential effects of implementing certain economic or environmental policies. This interdependence, however, also offers the opportunity for new forms of international co-operation amongst OECD countries on the one hand and with non-Member countries on the other. One of the most important elements in this international cooperation is to promote development and transfer of environment-related technologies. In this context, Ministers welcome the establishment of the Global Environment Facility (GEF) and are looking to this programme, as well as to relevant activities of other existing institutions, to contribute to the improvement of the global environment. Ministers also believe the OECD can play an important role in fostering international co-operation and contributing to the solutions. They welcome the OECD/IEA work on emission inventories, policy instruments and economic analysis of policy options as positive contributions to the global climate change negotiations.

39. The 1992 United Nations Conference on Environment and Development provides a timely opportunity to strengthen international co-operation. This event should be used to renew international commitment to sound environmental management, and to seek a consensus on goals and priorities for the 1990s and beyond, as a basis for agreed commitments for concrete action. Ministers give full support to the contribution envisaged by the OECD, including the convening of a meeting of OECD Ministers of Development and Environment in 1991 to consider measures to ensure that development and environmental policies are compatible and reinforcing. Ministers agree that OECD governments must confront, with new commitments and adequate resources, the pressing issues of resource availability and technology transfer for environmental improvement in developing countries. Ministers underline the role that the GEF could play as the mechanism to provide additional assistance to developing countries in the framework of the ongoing negotiations on the global environment.

40. Trade and the environment. Ministers welcome the joint report on trade and environment issues prepared by the Trade and Environment Committees. The report identifies the key interconnections between these important policy areas and makes suggestions on areas in which the analysis should be deepened. Ministers endorse the preliminary views developed by the two Committees on a work programme that will underpin further analyses and could lead, in a subsequent stage, to the drawing up of guidelines on ways to protect the environment and preserve the open multilateral system. They invite the Organisation to pursue this work and call for a report on the progress achieved, on all those elements that have been highlighted, to be made to the 1992 meeting of the Council at Ministerial level, giving also regard to possible contributions to the United Nations Conference on Environment and Development (UNCED) in June 1992.

## **PUBLIC SECTOR MANAGEMENT**

41. In the face of rising pressures on public expenditure and concern about the effectiveness with which the public sector operates to meet its objectives, OECD governments are reviewing its organisation and management, with the particular objectives of increasing the efficiency of the economy, improving the management of human resources, increasing the accountability of public officials and improving the quality of services to the public. They are considering more cost-effective ways of financing and delivering public goods and services. This may provide a different division of responsibilities between the public and private sectors, a wider appeal to market mechanisms, or, for instance in education or social policy, a combination of public and private sector responsibility, and individual initiative. In other



cases, it would appear necessary to reappraise the methods of operation of the public authorities, while preserving the specificity of their mission. Ministers also recognise that the increasingly interdisciplinary nature of the issues dealt with by the OECD points to the need for new approaches to public-sector management and to co-ordination among public-sector authorities in Member countries.

## ENERGY

42. The Gulf crisis and the likelihood of increased dependence of the OECD region on oil imports from the Middle East over the coming years underscore the importance of continued efforts by governments to reduce their vulnerability to oil supply disruptions. As agreed by Energy Ministers, energy security will be further enhanced by a range of measures and policies, which include: improving and timely testing of emergency response mechanisms; maintaining diversified energy supplies, both in terms of fuel and sources; exploiting all economic and environmentally appropriate opportunities to promote energy production world-wide; promoting energy efficiency and conservation; supporting research and development, introduction of new technologies, and further development of competitive markets and liberalised trade. Global environmental issues heighten the importance of pursuing integrated policies which further the objectives of energy security, environmental protection, and economic growth. Action must be taken to address conventional pollutants and greenhouse gas emissions at both the national and international level. In relation to the global climate change issue, detailed study is needed of the technical potential for reducing greenhouse gas emissions as well as the costs and benefits of various measures to mitigate emissions, including economic instruments. As governments develop policies to address environmental issues, in particular global climate change, approaches must be integrated in a manner consistent with the need for diversified energy supplies and unfettered international trade in energy. The successful implementation of energy policies to achieve environmental goals will require industry participation and heightened consumer awareness. The growing convergence of the energy interests of OECD and non-OECD countries is a major facet of the increasing interdependence and globalisation of economic activity. All non-OECD countries can benefit from the energy policy experience of OECD countries. This is particularly true for the Asia-Pacific region and Latin America where energy demand is growing rapidly, and for central and eastern European countries as they move towards market economies. These latter countries and the Soviet Union will benefit from the development of new energy links with the OECD countries, including free and undistorted energy trade. The problems facing the Soviet oil and gas sectors warrant special attention given this country's position as the world's largest oil and gas producer. Contacts among all market participants should be further developed to promote communication and understanding. Such contacts could enhance the efficiency of the market, which is the best allocator of resources and determinant of oil production volumes and prices. Ministers encourage NEA analysis/assessment of nuclear energy in Eastern Europe, in particular as it relates to safety issues, in consultation when appropriate with other specialised agencies such as the IAEA.

## CO-OPERATION WITH NON-MEMBER COUNTRIES

43. Ministers welcome the OECD's steadily strengthening relations with non-Member countries, along with the world-wide move towards the common values of OECD countries: pluralist democracy, respect for human rights, and a competitive market economy. These values have proved to be the best possible basis for long-term economic and social development. They wish to see this strengthening continue, while taking due account of the diversity of non-Member countries' situations, circumstances and policies. Co-operation with non-Member countries in all regions and at all levels of development may take a wide variety of forms, the choice of which will be guided by a pragmatic approach. In some cases this could ultimately lead to membership in the Organisation for countries which share common OECD values and characteristics, express interest, and are prepared to accept OECD rules and disciplines. At the same time, Ministers reaffirm their determination to give high priority to co-operating with developing countries.

44. **The developing countries.** The economic, political and social situations of the developing countries have tended to diverge, with some promising developments, but conditions in many developing countries remain a matter of concern. Difficult structural adjustment and policy reforms have been set in train by a number of developing countries in Asia, Latin America and Africa, and are beginning to bear

fruit. But in many other developing countries economic and social conditions have been consistently deteriorating. While effective development depends primarily upon the developing countries themselves implementing appropriate policies, OECD countries have nevertheless to enhance, along the lines described in the 1990 Ministerial Communique, their support to these countries, and in particular, to the least developed among them, and to those which are adopting effective policies to meet the challenges they face. This support must aim to assist developing regions to surmount the difficulties they encounter in the adjustment of their economies, but equally to support actively the process of democratisation, respect for human rights and the transition towards competitive market economies which is proceeding in a growing number of developing countries. This co-operative effort with developing countries will focus on policies which integrate the shared objectives of:

- promoting sustainable economic growth and integration in the world economy, particularly of those developing countries which face the prospect of declining participation in it;
- reducing excessive military expenditures;
- enabling broader participation both by men and by women in productive economic activities and enabling markets and private initiative to play their full role, and encouraging a more equitable sharing of the benefits;
- promoting human rights, democratisation, open and accountable government institutions and the rule of law;
- ensuring environmental sustainability, and slowing population growth where it is too high for sustainable development;
- combating the illicit production, trafficking and consumption of narcotics.

45. In addition, OECD countries policies can do much to improve the prospects for developing countries. To this end, Ministers recognise the need for a more coherent policy approach to their co-operation with developing countries to help them overcome their difficulties. Sound macroeconomic policies which lead to sustainable non-inflationary growth can contribute importantly to a healthy global economic environment. Open markets provide the developing countries with the maximum opportunity to prosper; hence, in particular, the importance of a successful conclusion of the Uruguay Round. Market transparency is important; exchanges of views and information between producers and consumers of commodities can facilitate it. Cooperative approaches to relieving debt burdens and securing new resources flows in the context of structural adjustment efforts can help significantly, especially in the case of poorer developing countries. Ministers stress the need for continuing action to tackle the debt problems affecting many developing countries, and reaffirm their support for the strengthened debt strategy. They note that the debt problems of the low income countries remain particularly severe, and look forward to an early and appropriate conclusion of the Paris Club's discussions of additional debt-relief measures for the poorest most heavily-indebted countries. They consider also that efforts under way to relieve the debt burden of heavily-indebted lower middle-income developing countries should be pursued in line with the restructuring actions taken in the multilateral framework of the Paris Club. The debt problems of many of these countries should be closely monitored.

46. Ministers recognise that in view of the huge development tasks ahead, particularly given the strong efforts towards democratisation and economic policy reform throughout the developing world, substantial additional aid efforts will be required both quantitatively and qualitatively. They take note of the target already established by international organisations for the future level of development assistance (0.7 per cent of GNP). They recall that at the recent Conference on Least Developed Countries there was agreement that "a significant and substantial increase in the aggregate level of external support should be made available" and that options for implementation were recommended for various categories of donor countries. The important role that foreign direct investment could play in this field should also be noted. Ministers reaffirm that their determination to give high priority to their co-operation with developing countries will not be diminished because of their support for central and eastern Europe, nor by the developments in the Gulf region.

47. Ministers emphasize the need for participatory development, including broad-based economic growth and equity, protection of human rights and improvement of governmental effectiveness. An optimal public resources allocation can only be achieved through good governance.

48. Given the dramatic changes in some parts of the world towards pluralistic democracy, respect for human rights and a competitive market economy, opportunities exist for new approaches to relations between developed and developing countries. Members will continue their work in the relevant OECD bodies to develop these new approaches. Ministers welcome the results of the second United Nations Conference on the Least Developed Countries. The forthcoming Eighth Session of the United Nations Conference on Trade and Development will provide a test of the determination to take further the new consensus on the requirements for effective development progress and a sustainable global economy, based on an effective partnership between developed and developing countries.

49. **Central and Eastern Europe.** The changes in central and eastern Europe towards pluralistic democracy are of great historical importance. The complex and difficult process of transition from a centrally-planned economy to a market-based one, which has begun in central and eastern Europe, is a necessary follow-up to these changes. Ministers welcome this economic reform and encourage the countries concerned to persevere because its success is critical to economic renewal and sustainable growth. It will entail substantial structural adjustments and require deep changes in policies and established patterns of thinking. In the light of this challenge, the OECD countries, and the Organisation as such, should support this process to the fullest extent possible, and promote links with these countries.

50. International assistance, by actively supporting the reform effort, will also help sustain the political will to reform. Such assistance must involve the co-ordinated efforts of governments and the major multilateral institutions, including the OECD, the recently-established EBRD, the IMF, the IBRD, the G-24 process chaired by the EC Commission, the CSCE, the ECE, and the ILO, and be designed to foster market disciplines. Ministers agree on the importance of supporting the transition in these countries toward democratic institutions and market-oriented economies in the most efficient, effective and transparent manner possible. In this respect they endorse a conclusion of the participants in the Arrangement on Guidelines for Officially Supported Export Credits that they would try to avoid tied aid credits other than outright grants, food aid and humanitarian aid, into central and eastern Europe. They agree that the Organisation should keep this matter under active monitoring, with a view towards discussion and resolution of policy issues which may arise.

51. In view of the breadth and complexity of the problems that have to be addressed, and of the inherently limited and temporary nature of the balance-of-payments assistance made available by the G-24 countries, there is a role for a variety of forms of assistance only some of which involve direct financial support. In particular, access to markets in OECD countries and sustained economic growth in the OECD area can contribute significantly to the success of the reform process. The OECD will keep under active review trade between central and eastern European countries and OECD Member countries, with a view towards identifying trade restrictions, thereby facilitating their removal, and towards promoting trade transparency. Ministers look forward to reports on these issues at their 1992 meeting. Private investment has an essential role to play and should be actively encouraged. Ministers reaffirm the shared willingness of their countries to play their fair part in the global international assistance effort. But whatever the size and modalities of this effort, the reforming countries retain the essential role and responsibility in determining the most efficient way for delivering comprehensive reform based on free-market principles.

52. Ministers endorse fully the role of the OECD in providing technical assistance for policy formulation across a wide range of activities, directed primarily at building up public and private institutions and at developing the human resources needed for a successful transition. This role could still be strengthened. They emphasize the role of the Centre for Co-operation with European Economies in Transition in organising a coherent and comprehensive assistance programme. They particularly stress the importance of the establishing of the Centre's "Partners in Transition" programmes, designed to provide special assistance and services by the OECD to countries that have demonstrated a resolute commitment to a rapid transition to a market economy and to a pluralistic democracy, and have expressed the wish to entertain special links with the OECD.

53. Ministers express concern over economic developments in the Soviet Union and their negative implications for world trade, in particular for trade between central and eastern European countries. They recall the message of *The Economy of the USSR* prepared by the IMF, the IBRD, the OECD and the

EBRD on the mandate given by the Houston Economic Summit, that fundamental reform was the only answer to underlying structural problems in the Soviet economy. That message remains valid. They hope that the USSR and the Republics would move quickly to introduce the broad range of macro and microeconomic reforms necessary to move to a market economy, as recommended in the Study. They note that policy dialogue, technical assistance, and humanitarian aid can support reform, and consider that, whenever appropriate, existing multilateral institutions should be used to channel assistance. They recognise the special expertise of the OECD and welcome its technical assistance to the Soviet Union, and where appropriate the individual Republics. They call on the Organisation to continue its monitoring of economic policies and reforms in the Soviet Union in the light of the recommendations of the Study and subsequent and ongoing developments. They also welcome the establishment of a regular exchange of information within the Organisation on economic policies toward and relations with the Soviet Union. They encourage the Organisation to continue to pursue appropriate technical contacts with the Soviet Union, drawing on the experience acquired.

**54. Dynamic Asian economies.** The dynamic Asian economies have confirmed their impressive economic performance, albeit at a slightly slower pace than in previous years. Their significant contribution to world economic growth and international trade underlines the need for deepening further the informal dialogue started three years ago. This has led to a better understanding of the OECD/DAE economic relationship; a convergence of views on policy co-operation which in turn will help to foster economic relations between them; and a shared resolve to strengthen the multilateral trading and investment system. In this latter respect, Ministers welcome in particular the ongoing trade policy discussions between the Dynamic Asian Economies and OECD Member countries.

**55.** Ministers call on the OECD, while taking account of the diversity of DAE aspirations and circumstances, and in close consultation with them, to develop the dialogue further. Ministers hope that it may soon lead to the establishment of closer and more structured links between the Organisation and the DAEs where mutually desired.

**56.** Latin America, and in particular Mexico. Those Latin American countries that have engaged in major market-oriented policy reforms have improved their economic situation and are better placed to play a more active role in the global economy. This holds out the hope that the people of this region will be in a better position to take advantage of its vast economic potential. Mexico, in particular, is carrying out resolute market-oriented policy reforms. Ministers welcome the wish recently expressed by Mexico to broaden its links and co-operate more closely with the OECD. They invite the Secretary-General actively to follow up on this, and to report progress at their meeting in 1992.

## YUGOSLAVIA

Ministers recall the long association of Yugoslavia with the work of the Organisation. They express their hope that the conditions necessary for Yugoslavia to continue with its reforms towards a market economy will be improved, so that continued and sustainable economic progress can take place and links with the Organisation be further expanded.

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## Meeting of the Council at Ministerial Level in May 1992 Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

The Council of the OECD met on 18 and 19 May 1992 at Ministerial level. The meeting was chaired by Mr. Sigbjorn Johnsen, Minister of Finance and Mr. Bjorn Tore Godal, Minister of Trade and Shipping, of Norway. The Vice-Chairmen were Mr. Roland Dumas, Minister of State, Minister of Foreign Affairs. Mr. Michel Sapin, Minister of Economy and Finance, and Mr. Dominique Strauss-Kahn, Minister of Industry and Foreign Trade, of France; and The Hon. Maurice McTigue, Minister for State Owned Enterprises and Associate Minister of Finance of New Zealand. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers.

OECD Ministers welcome the historic developments in the world that have shown wider acceptance of the basic principles that the OECD Members hold in common: human rights, pluralist democracy, and market economy. These principles, pursued in a co-operative framework, have served Member countries well over the last forty years of pronounced economic and social development. At this time of rapid international change, Ministers have addressed three challenges facing the OECD and its Member countries:

- promoting sustainable economic growth and social progress;
- strengthening the multilateral framework; and
- the OECD in a changing world.

There is a great potential for sustained non-inflationary growth, both in OECD countries and in the world more generally. To realise this growth potential fully Ministers are determined to pursue appropriate and coherent policies both at national level and through international co-operation. Ministers are resolved to keep the economic fundamentals firmly in place, and to pursue with renewed vigour structural reform across a range of areas. This will promote growth, while at the same time helping to fight unemployment.

Ministers recognise the need to reinforce the multilateral framework, and to fight protectionism. A substantial, comprehensive and balanced outcome of the Uruguay Round is needed urgently. This will benefit all countries. OECD Governments will do their best to this end. Ministers pledge their Governments full commitment to re-invigorate the negotiation and bring it to an early and successful conclusion. An open multilateral trading system conducive to competition and structural reform is essential for underpinning sustainable growth. OECD countries will therefore contribute to the development of those fair, transparent, and enforceable rules which the rapidly evolving international trading environment may necessitate. They also stress the important role that UNCED will play in launching a new global partnership for sustainable development.

Ministers reaffirm their strong commitment to enhanced co-operation with developing countries. They are determined to support strongly the reform process in central and eastern European countries and the New Independent States of the former Soviet Union, including through the provision of market access. Ministers welcome and support the rapid and diversified development of contacts and intensified co-operation between the OECD and an increasing number of nonmember countries, believing that such contacts can facilitate the spread throughout the world of respect for human rights, pluralist democracy, and market economy. They look forward to further strengthening of such links and call on the OECD to develop further its work on non-member economies.

To meet these challenges, the OECD requires a comprehensive, viable and lively work programme.

Ministers affirm the unique role of the OECD in international co-operation. They call for reviews of priorities regarding OECD's work and resource allocation, and state their governments' continued preparedness to provide adequate funding.

## **PROMOTING SUSTAINABLE ECONOMIC GROWTH AND SOCIAL PROGRESS**

### **The Economic Situation and Policy Imperatives**

1. Ministers reflected on the nearly two years of slow growth in the OECD, recession in some countries, the weakness in the expected recovery, and the persistent rise in unemployment in most countries. They noted that: inflation pressures have receded in most countries; short-term interest rates outside continental Europe have generally fallen, sharply in some cases; long-term interest rates over the past year have begun to fall, although they remain high in relation to inflation in a number of countries; and progress has been made in reducing household and business indebtedness and in addressing financial-sector problems. These factors are projected to induce a gradual recovery during the course of 1992, and next year growth in the OECD area should strengthen further.

2. The major task facing OECD governments, in order to reinforce confidence among consumers and investors, is to improve the prospects for sustained non-inflationary growth, building on the positive forces that are already at work. A stable and comprehensive medium-term policy framework, consisting of sound fiscal and monetary policies and accelerated structural reform, is essential in this respect. In this framework, Ministers agree, taking into account the particular circumstances of each country, to adopt appropriate and balanced monetary and fiscal policies to help ensure non-inflationary growth. Structural reform will not only be speeded up but will also be increasingly subjected to multilateral surveillance and peer review. Policy actions generally will be made more effective through concerted international co-operation, which the globalisation of the world economy makes more indispensable than ever. Continued co-operation in respect of exchange rates and in reducing very large external imbalances will contribute to greater exchange-market stability and thereby to a better functioning of the international monetary system.

3. A centre-piece of a stable policy framework is sound public finances, that is, budgets: whose financing, whether through taxation or debt, does not pre-empt private savings or create undue distortions to incentives to work, invest, and save; and whose composition contributes to sustainable growth and employment, and an efficient functioning of the economy. Over the past year the process of budget-deficit reduction in many countries has seen considerable slippage, which cannot in most cases be blamed wholly on the economic slowdown. Ministers undertake to reduce budget deficits and restrain the amount of outstanding public debt by taking action appropriate to their countries' circumstances: setting more ambitious budget targets in some cases; and adhering more rigorously to existing objectives in others. Ministers agree that countries with large budgetary imbalances should intensify efforts to reduce deficits in order to achieve a more balanced policy mix. In those countries where fiscal imbalances have been contained, appropriate measures should be pursued to enhance medium-term growth prospects while maintaining public expenditures under control. In those countries with large surpluses and declining growth, policy makers should be mindful of the possibilities of strengthening domestic demand through appropriate measures. These measures will be accompanied by improved public-sector management, to ensure greater cost effectiveness, transparency and accountability. Steps taken here will aim to: produce an optimal allocation of resources; control expenditures; raise effectiveness and efficiency in the public sector; and respond better to societal requirements and the needs of the users of public services.

4. The reduction of OECD inflation over the past year is welcome. It is essential to preserve and important to build upon recent improvements in price performance. Sound monetary policy is critical in this respect; it will therefore continue to be conducted with vigilance and prudence. Within that general perception, however, Ministers noted the importance of creating the conditions for further sustainable reductions in interest rates.

### **Creating More Jobs**

5. Raising sustainable growth in the long term depends on accentuated structural reforms that will boost productivity. Human resources are paramount in this regard. After eight years of economic expansion with declining inflation, unemployment in the OECD area remains high and has been rising since 1990. Long-term as well as youth unemployment have risen in many countries. Fighting unemployment therefore remains a top priority.

6. OECD governments are resolved to reinforce further their efforts to foster the conditions for a revival of balanced growth. This will help to reduce unemployment. The substantial and durable reduction of unemployment will also be sought, as emphasized by Ministers of Labour at their meeting in OECD in January last [see SG/PRESS(92)4], through making operational without delay a coherent framework of structural policy actions, to improve the efficiency with which labour markets are able to accommodate economic and social change. These actions will:

- strengthen and modernise education and training systems;
- improve the acquisition and adaptation of needed skills;
- remove remaining obstacles to employment creation;
- ensure that employment legislation and regulations strike the right balance between the needs of enterprises, of employees, and of the unemployed;
- encourage working practices that make it easier for employees, both men and women, to combine work and family responsibilities; and
- improve the design of social protection systems both to encourage and to assist labour market participation.

Ministers invite the Secretary-General to initiate a comprehensive research effort on the reasons for and the remedies to the disappointing progress in reducing unemployment, by making full use of the Organisation's interdisciplinary potential, and by working towards a system of surveillance which may include cross-country monitoring and in-depth peer review. A progress report thereon should be presented to the next Ministerial meeting.

### **Societal Action on a Wider Basis**

7. Policies to reduce unemployment will contribute to the creation of equal opportunities for all to succeed in working life. This is a crucial element for the maintenance of a social consensus and for an increased willingness to adjust to change. Labour market and social policies which strengthen the ability of individuals to return to gainful work rather than to remain dependent on income support will be an essential part of this approach. The interactions of education and training, labour market and social policies are complex and action needed will go beyond the responsibilities of governments alone. New and improved forms of co-operation among government authorities, the social partners and other private-sector institutions and groups will be developed.

8. Ministers commend the role of the OECD in monitoring and assessing of migration flows, causes, and trends and reaffirm its importance. Taking fully into account work already underway in other international organisations, the OECD should also give priority to evaluating the economic and social consequences of these developments for sending and receiving countries.

9. Economic, social and environmental problems are so severe in many urban areas that a large and growing part of the population risks drifting away from the economic and social mainstream. Ministers consider that governments, both central and local, will need to pursue new and reinforced policies to improve the quality of life in urban areas across its economic, social, and environmental dimensions.

10. The economic and social problems of rural areas, whose solution may be decisive for the success of agricultural reform in many countries, are particularly complex. They should be addressed in an integrated and cost-effective fashion. This would require adjustment policies, and policies to accommodate and capitalise on the diversity of economic, cultural, social, environmental, and resource bases of rural areas. Within the framework of a comprehensive rural development policy, local initiatives and partnerships will be of central importance.



## STRENGTHENING THE MULTILATERAL FRAMEWORK

11. A substantial, comprehensive and balanced outcome to the Uruguay Round is crucial for maintaining and strengthening an open multilateral trading system capable of underpinning an international environment of competition, structural reform and economic growth. An early conclusion to the Uruguay Round is needed urgently. For that purpose, the process of negotiations now stalled needs to be reinvigorated. Major participants have recently indicated renewed political commitment to see the negotiations concluded as soon as possible. This determination is shared by all members of the Organisation. Further delay risks losing the momentum necessary for the successful conclusion of the Round. The handling of this issue will be seen as a key test of the commitment of OECD countries to the open international trading system. The international trading environment is evolving at a rapid pace, subject to unrelenting pressures from a globalising network of producers and consumers. Without forthright movement toward market opening measures and a strengthened set of enforceable and predictable rules, international trading relations run the risk of fragmentation, conflict and inefficiency. The Uruguay Round is a vital step to anchor in firm ground the efforts that must continue in order to ensure liberal and improved market access in the future. An early, comprehensive and balanced outcome thus offers substantial benefits.

12. In the field of regional integration, important developments are taking place as shown, for instance, by the signing of the European Economic and Monetary Union, the recent conclusion of the European Economic Area Agreement and the negotiations underway for the creation of a North American Free Trade Area. Regional integration can stimulate the multilateral liberalisation process and should be in conformity with international obligations and with the objective of maintaining and strengthening the multilateral trading system. The Organisation will continue to monitor closely the developments in this field.

13. The collective effort to strengthen the global, multilateral framework of economic activity cannot be relaxed. In this context Ministers expressed their determination to fight protectionist tendencies. New concepts, guidelines and disciplines will be developed where appropriate to ensure that this framework keeps pace with events, and remains a fully satisfactory basis for the continued development of economic activity, in particular of international trade. Both outstanding and emerging problems across a broad range of policy areas will be addressed with renewed vigour. An important aim will be to promote coherence.

14. There is an urgent need for reform of agricultural policies. In 1991, progress in the implementation of the reform principles agreed in 1987 continued to be very limited and uneven. Ministers noted and endorsed the recommendations of the Ministers for Agriculture at their meeting of March 1992. They note the work underway in the Organisation on the inter-related issues of agricultural reform, the environment and rural development, and stress the need for an integrated approach to those issues. While reform would have benefits for the economy and the agro- food sector, it may involve hardship for some of the agricultural population and for some regions heavily dependent on agricultural income. Where appropriate, adjustment assistance may therefore be required and will be provided in a way that does not create further impediments to structural change and that reduces economic and, in particular, trade distortions.

15. World-wide sustainable development requires that policies in all countries take account of the close interrelationships between economic growth, social well-being and environmental quality. As emphasised by Ministers of Environment and of Development Co-operation at their meeting in OECD on December last, the truly collective responsibility and duty of all the nations of the world is involved here, because the basic life support systems of the earth are at stake. Success will require: better integration of national economic, social and environmental policies; in addition to regulations, expanded use of market mechanisms in such a way as to ensure that environmental are fulfilled in the most cost-effective manner; international co-operation, supported by the mobilisation of expanded technical and, as agreed, new and additional financial resources, to enable all nations, particularly developing countries, to play their full roles; and the encouragement of scientific research and development of environment-related technologies. Therefore, OECD governments are committed to using the forthcoming United Nations Conference on Environment and Development as a catalyst to build a



strengthened partnership for sustainable development with non-member countries; and then to working with them to implement the agreed long-term policies, strategies and conventions that emerge from it. This partnership should be based on mutual commitments by all countries, taking into consideration their relative capacities and common but differentiated responsibilities. Ministers note with satisfaction that a United Nations Framework Convention on Climate Change was adopted by the INC on 9 May, which will be open for signature during UNCED in Rio de Janeiro. They consider that this Convention would provide a good basis for international action to tackle climate change, including the specific commitments by OECD countries, and invite the OECD to intensify its work on issues related to climate change in order in particular to support Member countries in their preparation and co-ordination of actions to implement commitments under the Convention.

16. Ministers welcome the agreements on officially-supported export credits and tied aid credits reached in the Arrangement on Guidelines for Officially Supported Export Credits and in the Development Assistance Committee on new measures aimed at greater transparency and discipline. They underline the importance of an effective implementation of these measures. Ministers expect further progress along the lines decided by the bodies concerned, including the Export Credit Group of the Trade Committee with its further work on subjects including export premium systems, and ask for reports at their 1993 meeting.

17. Ministers welcome the progress achieved over the past few years in the international co-operative efforts, in particular through the work of the Financial Action Task Force (FATF), to prevent the utilisation of the financial system for the purpose of money laundering. They express their determination to further reinforce multilateral co-operation in this area and invite all countries to participate actively in the fight against money laundering on the basis of the FATF recommendations.

18. Looking to the coming years, Ministers emphasise the need to address the important questions of trade policy, together with other domestic policies with trade relevance, that emerge from the increasing globalisation of the world economy. There is an increasingly close relationship between trade policies and, in particular, environment, competition, industrial support and technology development and innovation policies. Further progress will be made in better understanding the issues and identifying required policy adjustments:

- trade and environmental policies can be mutually supportive in the pursuit of sustainable development, particularly if those policy interventions which have negative trade and environmental impacts are removed and if environmental benefits and costs are internalised into national and international prices. OECD governments will give priority to pursuing further analytical work and discussion with a view to developing appropriate guidelines for submission to Ministers, as soon as possible, for the improvement of the compatibility of environment and trade policies, and to ensuring that environmental regulations and environment related trade measures do not operate as disguised barriers to trade;
- trade and competition policies have a common objective: economic efficiency. But these policies have sometimes impinged on each other. OECD governments will seek to: improve consistency between these policies to enhance competition and market access; provide a foundation for convergence of substantive rules and enforcement practices in competition policy; identify better procedures for the surveillance of trade and competition policies; and enhance the interests of consumers;
- trade and investment policies are closely related, since both trade and foreign direct investment form part of the international strategies of enterprises. The interaction of these two policy areas should be further analysed with a view to enhancing the consistency of policies for market access. Ministers urge expeditious study on the feasibility of a wider OECD investment instrument.

19. Industrial subsidies and other public support measures can give rise to distortions in both national and international markets that can contribute to international trade friction. Industrial subsidies also generally impede rather than promote structural adjustment and add to pressures on public expenditure. Ministers remain firmly of the view that every effort should be made to eliminate or bring under enhanced discipline subsidies that have trade distorting effects. The current work on industrial subsidies and structural adjustment indicators in the OECD represents important progress towards greater

transparency in this area and will facilitate the further task of the relevant international organisations in elaborating commonly acceptable international disciplines. Ministers invite the Organisation to intensify this exercise, whose key features are joint analysis and peer review, so as to allow a real international comparison, the essential starting point for systematic multilateral monitoring and surveillance. Specifically, work should continue on the concepts and methodologies necessary to allow comparability, quantification and analysis. Ministers stress the need to make progress in this area as quickly as possible.

20. Multilateral co-operation, in particular in the OECD, will also seek to identify problems and, where appropriate, strengthen disciplines in other areas where convergent national policy measures may improve the functioning of the global economy. In this regard, Ministers welcome the recent launching by OECD science and technology Ministers of a forum for exchange of information and open substantive discussion on large- scale science projects. Other areas might include: international aspects of taxation, liberalisation and supervision of financial markets, telecommunications, maritime transport, biotechnology and technology policy, as well as health, safety and environmental regulations, movement and qualifications of professionals and skilled workers and equal- opportunity legislation.

21. Ministers recognise the need for more attention to be given to the growing energy interdependence among nations inside and outside the OECD region and the importance of compatible approaches to energy and environment policies among both Member and non-member countries. They encourage Member countries to share their energy policy experiences and expertise, including access to information on energy technology innovations, as appropriate, with interested developing countries and countries in transition to market economies. They support the positive contributions made by the OECD and the IEA to the UNCED/INC process and urge them to continue to participate in and contribute to that process in the future, as appropriate.

## **THE OECD IN A CHANGING WORLD**

22. In the world-wide move towards pluralist democracy, respect for human rights and a competitive market economy, an increasing number of countries which recognise the validity of these basic principles of OECD Member countries wish to establish contacts and develop relations with the Organisation. In an increasingly interdependent world this represents an evolution which Ministers welcome, and it presents a challenge and an opportunity for the Organisation. The Organisation must respond positively and effectively to this new situation, while at the same time maintaining and reinforcing the relevance and quality of its work, and its efficiency as a group of like-minded countries, with benefit both for Members and non-members. The necessary expansion of contacts with non-member countries should proceed in a manner consistent with the inherent values and working methods of the Organisation, taking into account the variety of situations, circumstances and policies of these countries in devising the appropriate structures and modalities of co-operation. These may include participation by non-member countries in those OECD activities where a mutual interest is clearly recognised, and membership of the Organisation for countries which fully share OECD values and characteristics and are willing and able to meet the obligations of membership.

### **Developing Countries**

23. OECD countries will continue to give high priority to co-operation with developing countries. This requires a coherent and comprehensive approach which includes: pursuing macroeconomic policies conducive to non-inflationary growth and contributing to a stable global economic environment; further liberalising access to their markets for products from developing countries; substantial additional aid efforts both quantitatively and qualitatively, in particular in support of economic and democratic reform; and promoting co-operative approaches to relieving debt burdens, particularly for the poorest countries. Ministers therefore encourage the Organisation to marshal available analytic resources to foster coherent development policies in Member countries and a better mutual understanding of the problems facing developing countries. Donors who have made undertakings in respect of the ODA target of 0.7 per cent of GNP established by international organisations should make increased efforts to implement them and other donors should make their best efforts to increase their level of ODA. Co-operation with developing countries also requires developing constructive discussions in all appropriate fora, aimed at finding ways to deal in a coherent manner with fundamental issues such as environmental protection, excessive

population growth, poverty, education and technology co-operation. The institutional reforms agreed at the recent UNCTAD meeting are a welcome step towards more constructive policy dialogue.

24. In developing countries, participatory development, including a greater role for the private sector, democratisation, respect for human rights, and good governance, including the reduction of excessive military expenditures, are basic to ensuring the conditions for broad based, sustainable economic and social development. Ministers welcome the world-wide trends in these directions. Nevertheless, situations in developing countries still differ widely. Many countries have moved resolutely to implement these principles. The benefits of such efforts are becoming visible, including in private investment flows. In many other countries, however insufficient efforts have been made, and in some of these countries, economic and social conditions have been consistently deteriorating. OECD governments acknowledge the complexities of the issues involved, but sustained and determined efforts to implement the above principles are an increasingly important consideration in development co-operation, including aid allocation. OECD countries are willing to encourage and support these efforts.

### **Central and Eastern European Countries and the New Independent States of the Former Soviet Union**

25. OECD governments are deeply committed, both in their own interest and that of the countries concerned, to helping the process of transition succeed in Central and Eastern European countries (CEECs, which include Estonia, Latvia and Lithuania) and the New Independent States of the former Soviet Union (NIS). Ministers recognise that this transition to pluralist democracy, respect for human rights and a competitive market economy is indeed a difficult and complex process, which affects all aspects of the political, economic and social reality of these countries.

26. Success in transition demands the introduction or continuation by the countries themselves of comprehensive reform programmes aimed at creating the conditions under which economic agents, both national and foreign, can act effectively. Important among these conditions are:

- institutional clarity and stability at the political, administrative and legal levels, an effective social security system, and preservation of social consensus behind reform programmes;
- an effective macroeconomic stabilisation, including control of inflation, sound public finance and a stable currency;
- structural reforms whose main focus is to provide people and enterprises, including small and medium sized enterprises, with the skills, incentives and competitive environment needed for the market economy to thrive and create jobs;
- non-discriminatory openness to investment and trade from other countries, conducive to a progressive integration in the global economy;
- a continuing high priority accorded to tackling the massive problems of environment and nuclear safety, as well as of basic infrastructure inadequacy, and conversion of the industrial, scientific and technological potential from military to civilian use.

27. External support, both by governments and international organisations, is geared towards helping recipient countries, whose numbers have augmented significantly over the past year, to create these conditions, taking into account the specific situations of each of them and the increased scale of the task overall, including to the OECD. This support is increasing. Ministers stress the importance of international organisations continuing to deepen their co-ordination in accordance with their respective areas of competence. They commend and confirm the role of the OECD and its CCEET in the provision to an increased number of recipient countries of technical assistance for policy formulation, in particular with regard to structural policies. They stress the usefulness of the OECD's on-line Register of technical assistance projects, and urge countries to contribute to it. They look forward to the OECD's role as the clearing house for information on technical assistance to the New Independent States of the former Soviet Union. They call upon the Organisation to develop further the most effective mechanisms, taking due account of the activities of other international organisations, to deliver its support for reforms in the New Independent States of the former Soviet Union and the Central and Eastern European countries, to

consider in particular the proposed creation of a Liaison and Co-operation Committee that will bring together for discussions all OECD Member countries, the CEECs and the NIS, and to examine how best the OECD can assist in improving productivity growth in the CEECs and the NIS. They also support the International Energy Agency in its assistance efforts, and the contribution being made by the Nuclear Energy Agency to well co-ordinated international efforts to foster nuclear safety.

28. Central and Eastern European countries have already made progress, impressive in some cases, in establishing pluralistic democracy and making the transition to market economies. OECD Countries will continue to support strongly these efforts. Ministers note with satisfaction the implementation of Partners in Transition (PIT) programmes with Hungary, Poland and the Czech and Slovak Federal Republic. They expect the forthcoming meetings of Liaison Committees with these countries to provide an opportunity for assessing progress to date and further developments. They commend the efforts made by other Central and Eastern European countries, and call for an adequate response to the evolving needs of all these countries.

29. In the New Independent States of the former Soviet Union, the challenge of transition is an order of magnitude more daunting and demanding. OECD governments are resolved to do their best to help this historic change to be a success. Ministers instruct the OECD to offer its assistance to the NIS, focusing on those areas of its expertise best suited to the circumstances prevailing in these States. They instruct the OECD to define and make effective use of its function as a clearing house for information. They welcome the continued use of the Organisation as a forum for the exchange of information, and of experience with technical assistance.

30. Ministers recognise the crucial importance of expanding exports for the CEECs and the New Independent States (NIS) engaged in a process of commercial and economic opening. Member countries:

- should therefore support trade liberalisation in these countries by policies of import liberalisation in OECD countries, in general, as well as in sensitive sectors and areas where the CEECs and NIS have significant export capabilities;
- can also, for example, provide technical assistance in the identification and reduction of trade barriers, and support regional co-operation among these countries as a means to preserve efficient trade links and to foster the development of their trade.

On the other hand, the CEECs and NIS should liberalise further their foreign trade regimes, resisting protectionist pressures by domestic industries and foreign investors alike.

### **Dynamic Asian Economies**

31. The Dynamic Asian Economies have maintained their strong economic performance and this appears set to continue. Their increasingly important role in the global economy points to the desirability of developing further the informal dialogue begun four years ago. This dialogue has already contributed to a better understanding of OECD/DAE economic relationships, and to greater convergence of views about economic policies in areas of mutual interest, in particular trade and investment. It may be desirable to extend its scope to other global policy issues of mutual interest, such as environment, and education and training. Ministers noted the Republic of Korea's interest in membership and welcome increased formal contacts between it and the Organisation.

### **Latin America**

32. A number of countries in Latin America have made considerable progress towards stabilising, liberalising and restructuring their economies, and the benefits are already tangible. This is particularly the case for Mexico, after several years of market-oriented reform. After having heard the report of the Secretary-General, Ministers noted Mexico's interest in membership and welcome the development of relations between it and the Organisation, and express their hope of a further strengthening of these relations. They ask the OECD to consider the desirability of increasing contacts between the OECD and other reforming countries in the region.

# The Annual Report of the OECD - 1993

## Meeting of the Council at Ministerial Level in June 1993 Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	G8 CENTRE
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### MINISTERIAL AND OTHER MEETINGS

1. The Council of the OECD met on 2 and 3 June 1993 at Ministerial level. The meeting was chaired by Mr. John Dawkins, Treasurer of Australia. The Vice-Chairmen were Mr. Gunter Rexrodt, Federal Minister of Economy of Germany and Mr. Pertti Salolainen, Minister for Foreign Trade and Deputy Prime Minister of Finland. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers.

*Ministers addressed the need to restore strong, sustained growth with improved employment prospects; they agreed on collective action to meet the major challenges facing their countries. They are deeply concerned that growth in the OECD area is insufficient and that unemployment continues to rise in most countries. To cope with these problems they are resolved to take additional action to improve both macroeconomic and structural policies and to extend international co-operation, in particular by strengthening the open multilateral trading system.*

*Ministers are committed to a concerted strategy for growth and employment. It consists of the following planks, described in detail in this Communiqué:*

- *monetary and fiscal policies will exploit the opportunities that may exist -- without jeopardising the objectives of price stability and medium term budget consolidation;*
- *structural reform policies, including labour market policies, will aim for vigorous, competitive and efficient development of OECD economies, exploiting opportunities offered by technological progress and open international competition;*
- *intensive efforts will be made to continue to liberalise trade, to abide by and further strengthen multilateral disciplines and, as the first priority, to achieve a substantial, comprehensive and balanced outcome of the Uruguay Round by the end of the year -- which would be a very powerful contributor to bolstering confidence, growth and employment both in OECD Members and elsewhere.*

*In pursuit of this strategy, effective support will be given for the progressive integration of all countries into the world economy; this will include the concerted international effort to support the economies in transition, in particular Russia, and developing countries.*

*Ministers underline the particular relevance of the OECD and of the --basic values its Members hold in common: respect for human rights, pluralist democracy and the market economy. They appreciate its working methods and its multi-disciplinary character, as exemplified by the study underway on employment/unemployment. They call on the Organisation to continue to build on its strengths and on the collective wealth of its Member countries' national and regional, economic, social and cultural experiences to further develop common approaches in order better to meet the challenges of a fast changing world and to foster worldwide sustainable development.*

**PROMOTING SUSTAINABLE GROWTH AND EMPLOYMENT: THE MAJOR CHALLENGE FOR THE 1990's**

**REDUCING UNEMPLOYMENT: A CENTRAL GOAL**

2. Ministers are deeply concerned that the number of unemployed people in the OECD area may reach nearly 36 million by the end of this year and is unlikely to decline significantly before well into 1994. This represents enormous human and economic costs. Ministers commit their governments to reinforce and broaden their concerted strategy to improve employment prospects.

3. In this respect, Ministers noted the interim report presented by the Secretary-General on employment and unemployment and its preliminary conclusions. They call on the Secretary-General to press ahead, in consultation with all appropriate OECD bodies and other groups as necessary, to complete the final report in 1994, with specific policy recommendations.

4. Improving employment prospects requires higher sustained growth accompanied by structural reforms. All the actions identified hereafter aim for these goals. They span a wide range of mutually reinforcing policies. They intend to exploit an enhanced interaction between macroeconomic and structural policies and, through trade and competition, to build on the growing integration of the world economy. A high degree of social consensus would foster these actions. Ministers support and encourage actions now being taken throughout the OECD to increase real economic activity and employment, in the context of national initiatives and, importantly, of enhanced international co-operation at all levels, especially in the OECD but also elsewhere. In this context, they welcome the EC/EFTA joint initiative, the G7 co-operation, and other efforts which complement the OECD strategy. They call for further concerted action.

## MACROECONOMIC POLICY

5. Ever growing interdependence between economies results in a continual assessment by markets, particularly financial and currency markets, of the adequacy, and hence credibility, of national policies. These must not only fit the requirements of each country's specific circumstances, but also be compatible internationally and made more effective through close international co-operation. Overall, they must provide economic agents with a predictable, sound and stable environment, favourable to growth and employment.

6. In a context of weak economic performance and generally low inflation, monetary policy can and must exploit possibilities for lowering short-term interest rates, without jeopardising the fundamental aims of price stability and low long term interest rates. In this respect, Ministers welcome interest rate reductions which have already occurred and hope further cuts in interest rates can be made as and where conditions permit. Price stability must also be sought and maintained through structural improvements; this in turn would increase the room for manoeuvre for monetary policies.

7. To improve the balance between monetary and fiscal policies, it is equally important that governments at all levels contribute with policies aiming at sound public finances. A well-functioning public sector is important for a prospering market economy. High structural public budget deficits, however, pre-empt national savings; can adversely affect current accounts; and contribute to higher interest rates, thereby lowering productive investment and contributing to the economic slowdown. This highlights the importance of achieving fiscal consolidation, in each country's particular circumstances, over the medium term.

8. Ministers commit their governments:

- to reduce with determination government budget structural deficits over the medium term;
- without jeopardising the objective of medium term fiscal consolidation, to exploit opportunities that may exist for fiscal policy. The automatic stabilisers have been and will be allowed to play an appropriate role without risking an increase in structural deficits. These temporary deficits will be reversed once the economy begins to recover;
- to increase the efficiency of the public sector, including where appropriate through privatisation and through enhanced coherence of policies;
- to improve the "quality" of budgets on both the revenue and expenditure sides, in particular in promoting investments which strengthen the long-term physical and human potential of their

economies to realise sustainable growth.

## **STRUCTURAL POLICY PRIORITIES: STRENGTHENING THE MULTILATERAL SYSTEM**

9. To help ensure that recovery is sustainable, and in particular to provide sustained growth of employment over the longer term, the momentum of structural reform will be continued, and stepped up where necessary. Ministers therefore agree that coherent, complementary actions on structural reform will be undertaken in the areas set out below both nationally and in a multilateral framework and also ask the OECD to continue and deepen its work on structural issues, in particular through multilateral surveillance and peer review.

### *Trade policy*

10. Liberalisation of trade and strengthened multilateral disciplines have underpinned the development of OECD economies since the end of World War II. Protectionism has a worldwide impact: it reduces living standards, engenders dangerous economic tensions and impedes development by locking parts of the economy and of the labour force into low productivity, low value-added and poorly remunerated activities. A fundamental element in restoring confidence is therefore the OECD governments strong commitment to strengthen the open multilateral trading system so as to let it play its central role in promoting further non-inflationary growth and sustainable development around the world, fostering international trade within an agreed framework of multilateral rules covering access to markets and fair competition.

11. The momentum shown in the Quadilateral meetings of Trade Ministers and the collective determination expressed by OECD Ministers demonstrated that it is realistic not only to hope but to expect that the Uruguay Round will conclude by the end of the year.

12. Ministers accordingly agree:

- to do their utmost, individually and collectively, to ensure the rapid achievement of a substantial, comprehensive and balanced outcome of the Round, using the Draft Final Act of December 1991 as a basis for final agreement including a substantial market access result on goods and services;
- to abide by and further strengthen multilateral disciplines and to make no recourse to initiatives and arrangements which are inconsistent with the principles of free trade and undermine the multilateral system;
- to make full use of the GATT system and of the more informal mechanisms and broad expertise available in the OECD, so as to contribute to a reduction of international trade tensions and to the efficient operation of the multilateral trading system.

13. The multilateral framework needs to keep pace with and anticipate new developments affecting trade. Ministers ask the OECD to:

- pursue new issues arising at the interface of trade policy and other national policies (concentrating initially on competition, investment and, in the case of environment, on analytical work with a view to developing appropriate substantive guidelines as well as providing input to negotiating rules in the relevant multilateral fora). This work should help to gain an early and deeper understanding of the issues which are likely to be at the heart of the multilateral trading agenda after the Uruguay Round and of policy options;
- monitor and analyse important moves to regional integration, as a contribution to ensuring that they are complementary to and supportive of the multilateral trading system, by contributing to open markets and strengthened international competition.

Ministers endorse the procedural guidelines on integrating trade and environment policies contained in the joint report submitted by the Trade and Environment Policy Committees.

### *Agriculture*

14. Efforts are being made to implement agricultural reform along the lines agreed by Ministers in 1987 and subsequent years. Progress has been limited and uneven: much remains to be done. The OECD Secretariat has estimated that transfers from taxpayers and consumers to the agricultural sector totalled \$ US 354 billion in 1992, an increase of 7% over the previous year; but this figure expressed in ECU terms shows a more moderate increase (+2%) and these percentage increases covered widely different situations in individual countries. Many current domestic agricultural and trade policies remain costly and do not meet efficiently their stated objectives. They often distort domestic and world markets, which tends to lead to significant international frictions. Bearing in mind the difficulties which the necessary adjustment may entail, governments are determined to pursue their efforts to promote the agreed agricultural reform, within a comprehensive policy framework that addresses structural adjustment in the entire agro-food sector, as well as rural development and environmental questions, and that is consistent with the multifunctional character of agriculture. Ministers stress the role that the OECD must continue to play in support of this approach, both through improved qualitative and quantitative analysis and monitoring, and through constructive policy dialogue.

### ***Industrial support measures***

15. Ministers are deeply concerned about support measures and industrial subsidies that distort markets, represent heavy charges on public finances, risk locking economies into sub-optimal patterns of activities and risk provoking trade frictions. Ministers urge the OECD to press ahead with the projects already under way to increase transparency and comparability in the field of industrial subsidies and support measures and to present results that measure the importance of publicly financed support to industry in Member states. These projects will help to improve discipline. Ministers also stress the importance of concluding as quickly as possible the already long negotiations on agreements with respect to shipbuilding, steel and the financing of large civil aircraft in conformity with the objectives of the aircraft sector understanding. They call for a report at their 1994 meeting on the implementation of the recent agreements on further disciplines in the field of officially supported export credits and tied aid credits and on progress in developing guiding principles for setting guarantee premia as well as on other aspects covered by the Helsinki package.

### ***Foreign direct investment and international transactions***

16. Providing regimes for FDI which are open, clear, non-discriminatory, secure and stable is essential for business confidence and job creation. Ministers wish that the feasibility study on a Wider Investment Instrument be pursued at a sustained pace, and if possible completed by their 1994 meeting. They also stress the need to speed up liberalisation in the area of international services transactions and to consider the issues relating to taxation on them. Ministers welcome work in the Organisation on a draft Recommendation intended to prevent illicit payments in international transactions. They also reaffirm the principles agreed within the OECD for allocating and taxing the profits of multinational enterprises. In this context, they endorse the importance of the internationally agreed arm's length standard. Ministers also reaffirm the continued importance of co-operative global action to combat money laundering. They welcome the substantial progress made by members of the Financial Action Task Force (FAFF) in implementing effective countermeasures in their countries and look forward to the greater application of these measures.

### ***Labour market and social policies; human resource development***

17. In these domains, resolute action based on a comprehensive strategy for sustainable non-inflationary growth and employment is necessary. The Secretary-General's interim report on employment and unemployment points to it. Ministers commit their governments to press ahead with necessary reform and urge the OECD to help this effort by vigorously pursuing analysis, monitoring and discussion in all these domains, including active labour market policies, so as to take full advantage of the diversity of individual countries experience. They stress particularly the need to:

- ensure coherent social and labour market policies and practices; effectively combined to meet the needs of rapidly evolving circumstances to which our economies must adapt without increasing unemployment. Labour market mobility, flexibility and efficiency are all important in this respect.



They should be the focus of all relevant facets of public policy and operate where appropriate at the enterprise level;

- promote and increase the effectiveness of active labour market and social policies aimed at the efficient entry and re entry of workers into the labour market; enable the private sector to play its full role in job creation; facilitate the full participation of women in labour markets; particular attention should be given to the long-term unemployed and disadvantaged groups;
- continually improve, including within enterprises, education, training and retraining at all levels, involving both the employed and unemployed:
- to equip citizens with the skills, attitudes and values necessary for the full realisation of their human and professional potential;
- and such that education and training systems respond properly to the evolution of the employment needs of the economy;
- continue reform efforts aimed at ensuring a closer relationship between wages and productivity, at improving incentives to seek remain in employment, at enhancing employment prospects for low-skilled workers and at helping them to acquire the skills needed for higher paying jobs;
- increase labour productivity and define the role of public policy in doing so; and
- create skill-based jobs by facilitating the diffusion of new technology and innovative work practices, including flexibility in working arrangements, and through a general environment for innovation that fosters enterprise creation, including that of small and medium-sized high technology firms.

### *Migration*

18. Migration remains a major issue on the international agenda. Ministers ask the OECD, bearing in mind the recent Madrid conference and the work underway in other international organisations, to continue to analyse migration trends and policies, including the interlinkages with labour markets and with issues such as development co-operation, international trade, private investment and urban problems, which have a potential impact on migration. They also stress the need to address, in the appropriate fora, the range of serious problems created by illegal immigration.

### *Environmental policy*

19. Genuinely sustainable development over the long term requires worldwide co-operation. OECD Member countries intend, even in this period of economic downturn, to continue to play a leading role in the field of sustainable development, including in their commitment to follow up to the outcome of the United Nations Conference on Environment and Development (UNCED). They commit their governments to take effective action aimed at:

- achieving, at the national, regional and international levels, more effective integration and compatibility of environmental and all other relevant policies. In this regard they welcome the overall progress made by the OECD in this field, including the programme of environmental performance reviews. Ministers ask the OECD to pursue its follow-up to UNCED, and in this regard, to consider the feasibility of analysing the relation between consumption and production patterns and sustainable development;
- more effective use of the variety of available economic instruments, in combination with regulatory and voluntary measures, taking account of national circumstances, to address global, regional and national environmental problems -- with the goals of cost-effective, viable results, including reduction of greenhouse gas emissions, through national and international agreed actions;
- promoting environmental protection through various forms of international co-operation, including relevant international legal instruments; and
- promoting national and international efforts in the development and diffusion of technologies aimed at protecting and restoring the environment.

## **OECD IN AN INTERDEPENDENT WORLD**

20. The emerging worldwide consensus on human rights, pluralistic democracy and the advantages of

the market economy, and the successful integration of a growing number of countries into an increasingly globalised and interdependent world economy, call for an outward looking OECD.

21. Ministers take note of the interest in the Organisation expressed by non-Member countries, an increasing number of which have indicated the wish to become members. They feel that it is now time to invite the Organisation, taking into account resource constraints, to examine rapidly the situation and the consequences for the development of the Organisation in order to continue the process of opening the Organisation and to commence negotiations for membership with those countries which are able to assume all the responsibilities linked with it.

## **DEVELOPING COUNTRIES**

22. Far-reaching and encouraging changes are under way in many developing countries. Increasing prominence is being given to the requirement for good governance, respect for human rights and democracy, in order to create the conditions for sustainable economic development, social progress and reduction of poverty. Attention is being paid to participatory development and institutional capacity building, and a greater role given to the private sector and to market-oriented policies. The need to eliminate unproductive expenditures like excessive military spending, and to co-operate in fighting corruption, is also increasingly recognised. These are welcome changes to OECD countries and to their citizens whose support for aid is essential. Nonetheless, developing country experiences still differ widely: integration into the international economy is progressing successfully in a number of countries; others, including many in Africa, continue to experience serious difficulties. Global issues such as mass poverty, population growth, environmental destruction, migration, refugees, drug abuse and AIDS, also continue to pose major challenges.

23. In response to these circumstances, Ministers recognise the need for a comprehensive and differentiated approach, based on partnership and shared responsibility, in the support and encouragement which they give to the self-help efforts of developing countries in their diversity. They also recognise their countries' special responsibilities for a sound global economy and commit their governments:

- to undertake further efforts to promote integration of developing countries into international markets;
- to consider fully, when devising and implementing their own policies, the contribution which they can make to economic growth, environmental protection and social progress in developing countries; and to improve coherence between their development co-operation policies and other relevant policies, notably in the areas of trade, investment, environment and migration;
- to make all efforts to enhance development assistance, both quantitatively and qualitatively, with particular attention to the poorest countries, and, while responding to new requirements, also to make all efforts to meet ongoing needs for concessional development assistance.

## **DYNAMIC NON-MEMBER ECONOMIES**

24. The informal dialogue with the Dynamic Asian Economies (Hong Kong, Korea, Malaysia, Singapore, Taiwan and Thailand), which play an active role in the world economy, has proved substantial and useful. It has been extended this year to include Argentina, Brazil, Chile and Mexico. Ministers ask that this dialogue with Dynamic non-Member Economies be deepened.

25. In the context of the general approach outlined in paragraph 21, Ministers note that Mexico and Korea have been further involved in OECD activities over the past year. In light of Mexico's statement of intent for membership, comprehensive policy reforms and constructive participation in the OECD, Ministers invite the Organisation to examine with Mexico the terms and conditions of its membership with a view toward early entry of Mexico into the OECD. Ministers also welcome the positive evolution of Korea's involvement in OECD activities, which enhances mutual understanding and also paves the way for early membership.

26. Looking to the future, Ministers recognise that other non-Member economies, such as China, are

becoming increasingly important players in the world economy and their further integration into the multilateral trading system should be fostered. The OECD should consider broadening its knowledge and understanding of these economies.

## **ECONOMIES IN TRANSITION**

27. Reform has made uneven progress in the Economies in Transition (the CEECs, the NIS and Mongolia), whose situations are becoming increasingly diversified. The success of reform in these countries and their integration into the global economy are vital. Ministers reaffirm the willingness of their governments to work with these countries to support their efforts through a variety of bilateral and multilateral means.

28. In the context of the general approach outlined in paragraph 21, Ministers appreciate the manner in which the OECD has been helping the reform process, principally by providing, in a variety of ways, technical assistance for policy formulation and reform of governance. The Partners in Transition (PIT) programmes have promoted closer links between the countries concerned and the OECD, and have contributed to the objectives set out in the Memoranda of Understanding signed on 4 June 1991, helping them to succeed in transitions toward market economies and to enable each to meet the conditions for membership in the OECD as soon as feasible. Substantial progress in this direction has already been made. Some other Economies in Transition might also benefit from similar programmes. For the others, the OECD has diversified its activities in order to meet better their evolving needs and specific priorities. Ministers call on the OECD to:

- continue to focus the development of its programmes on policy areas such as establishing the legal and administrative framework and promoting structural reform and, to that end, to devise and implement its programmes in close partnership with those countries;
- help the CEECs and NIS to address their severe environmental problems including those deriving from defective industrial and nuclear installations, taking note of the outcome of the recent Ministerial Conference in Lucerne;
- pursue further its co-operation with other international organisations, bearing in mind their shared commitment to enhance co-ordination;
- contribute actively to the concerted international support effort to NIS, including promoting a competitive enterprise sector, such as small and medium-sized enterprises, military conversion, trade and investment, taking note of the outcome of the second West-East Conference of Ministers of Economy, Industry and Trade in Tokyo; in particular, to strengthen its co-operation and develop appropriate links with Russia;
- continue to develop its Register on technical and financial assistance, for which governments commit to provide the necessary information; and
- exploit its expertise to develop further its role as a locus for policy discussion among its Member countries and with the reforming countries, as exemplified by the recent high level meeting with four of them.

29. To foster the integration of the economies in transition into the world economy and into the framework of the rules and disciplines of the multilateral trading system, Ministers stress the need to intensify efforts to provide these economies with better access to OECD Member countries markets. They also recognise the need for these economies to develop mutually beneficial trade and payments relations among themselves. They underline the importance of supporting the creation of transparent, stable and non-discriminatory conditions for trade, foreign direct investment and private sector development.

## **LONG-TERM PERSPECTIVE**

30. This last decade of the century is proving to be one of momentous change. Interaction between economic globalisation, rapid scientific and technological progress, worldwide diffusion of information, shared concerns for the environment, and general progress towards democracy offers new challenges and opportunities for mankind. At the same time these changes lead to continuing and rapid adjustment of minds, consumer attitudes, skills, productive structures and government action. Ministers therefore

welcome the OECD's ongoing support in evaluating the long-term problems bound to confront Member countries, and in devising appropriate policy responses to achieve a growing general well-being and respect for the individual.

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# Meeting of the OECD Council at Ministerial Level in June 1994

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	GS CENTRE
MINISTERIAL AND OTHER MEETINGS					

The Council of the OECD met on 7 and 8 June 1994 at Ministerial level. The meeting was chaired by Mr Bertie Ahern, Minister for Finance, Mr Dick Spring, Deputy Prime Minister and Minister for Foreign Affairs and Ms Eithne Fitzgerald, Minister of State at the Department of Finance, of Ireland. Vice-Chairmen were Mr Ferdinand Lacina, Federal Minister for Finance and Mr Wolfgang Schussel, Federal Minister for Economic Affairs, of Austria, and Mr Andre Ouellet, Minister of Foreign Affairs, Mr Lloyd Axworthy, Minister of Human Resource Development and Western Economic Diversification, and Mr Roy MacLaren, Minister for International Trade, of Canada. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers.

Mexico, which has just acceded to the Convention on the OECD, after a process which has provided valuable experience, took part in the meeting as a full Member for the first time. Ministers welcomed this event, seeing it as the beginning of a new phase in the OECD's development and look forward to Mexico's contribution to the work of the Organisation.

### PROMOTING GROWTH AND EMPLOYMENT

Ministers welcome the signs that the economic recovery, which began two years ago in some OECD countries, is taking root also in others and gradually gathering pace, allowing for an improved outlook for the rest of 1994 and 1995. However, Ministers recognise that further policy measures are necessary to realise the potential of OECD economies and to ensure an enduring decline in the number of jobless. Unemployment is an unacceptable waste of human potential, an ordeal for those concerned - especially young people and the long-term unemployed - and a threat to social cohesion. Member country governments are therefore giving very high priority to combating unemployment and encouraging job creation.

Ministers endorse the main conclusions of the *OECD Employment/Unemployment Study Policy Report*. They agree to implement its employment recommendations within the context of their particular economic circumstances. They recognise that the present situation is attributable both to the effects of the recent recession and, significantly, to serious structural deficiencies, especially the inadequate and sluggish adjustment of Member country economies to the rapid changes associated with technological progress, competition and globalisation.

The process of globalisation will enable a rapidly growing proportion of the world population to participate in and benefit from economic development and thus will contribute to world-wide prosperity. Recent technical advances and the expansion of trade and investment create vast new opportunities for OECD countries to expand employment. To do so requires them to be permanently innovative and able to adjust, constantly improving their economic efficiency. This is the way to ensure job creation and better standards of living. It is a challenge that Member countries can and must meet.

Ministers agree that hindrance or reversal of globalisation, world-wide competition, technical progress or structural change run counter to the long-term interests of Member countries. They reject protectionism of any kind, in order not to preserve artificially yesterday's jobs instead of preparing for those of tomorrow, including new well-paid jobs in emerging sectors. They endorse the OECD's analysis that to delay the necessary structural adjustment would be to go down a blind alley and make it more painful and costly.

Ministers also agree that their implementation of the employment strategy, in co-operation with the social partners in the light of national circumstances, depends on and must exploit the positive interaction between macroeconomic and structural policies. By contributing to strong, sustainable and non-inflationary growth, macroeconomic policy can create stable conditions which facilitate structural adjustment, private investment and job creation. By improving the adaptability and speed of adjustment of the OECD economies, and by creating a suitable climate for individual and corporate initiative, structural policies allow stronger sustainable growth without inflationary overheating.

To provide economic agents with a framework which gives the confidence and encouragement to move forward, macroeconomic policy must pursue three interrelated objectives:

- reduce budget deficits over the medium-term;
- ensure lasting price stability; and
- support demand as necessary and appropriate.

Member country governments need to be energetic in their efforts to reduce budget deficits and bring public debt and expenditure under control. This need for fiscal consolidation conditions the policy actions described below. Various elements of this general problem can be emphasised: for example, that it affects all levels of government; the fiscal burdens of ageing populations; or the need to control social expenditures or pension system liabilities (noting, *inter alia*, that accrued pension liabilities can amount to a significant share of overall public liabilities). But the shared broad objectives remain to realise high rates of saving and low long-term interest rates, thereby encouraging higher private investment. In addition, every effort must be made to improve the quality of budgets, by examining revenue and expenditure sides with a view towards optimising their impact on growth, structural adjustment, employment and productivity.

Ministers agree that monetary policy must continue to be anchored by its ultimate goal: strong, sustainable, non-inflationary growth. They recognise the different positions of the OECD economies in their economic cycles. Where recovery is well underway, monetary policy should remain vigilant in preventing the emergence of inflationary pressures, in a way which sustains recovery over the medium-term. Where recovery is not yet sustained, eased monetary policy should be maintained or the scope for further easing should be exploited as far as possible, without jeopardising prospects for price stability; where possible, consistent with the medium-term policy objective of budget consolidation, fiscal measures will be implemented as necessary to ensure sustained non-inflationary growth led by strong domestic demand. Continuation of exchange rate co-operation will further contribute to an economic climate favourable to growth.

Ministers recognise that even with improved growth prospects, OECD unemployment, which has an important structural component, is projected to fall only slowly, and that comprehensive labour market and other structural reforms are therefore essential. The *Policy Report* covers a wide range of structural policies. To reduce unemployment, the aim must be to establish the conditions most conducive to innovation, private initiative and the creation of large numbers of jobs at all skill levels and to ensure that people are equipped to take these jobs. Enhanced labour market flexibility helps to match people with jobs. In these ways Member countries will be contributing fully to sustainable world economic development, while at the same time paving the way for continued improvement in the living standards and quality of life of their populations.

In shaping structural policies, Member country governments will aim to:

- nurture an entrepreneurial climate which encourages the creation of new enterprises, often small- and medium-sized, and the expansion and adaptation of existing firms, and enables firms to increase efficiency and employment;
- ease regulations that discourage private initiative;
- complement, as appropriate, private sector initiatives to develop, disseminate and implement technological innovation, including information, communications and environmentally sound technologies;
- further liberalise services markets and exploit to the full the job creation potential of the services

- sector;
- reduce the general level of subsidisation of enterprises, in particular, by refraining from subsidising out-of-date and uncompetitive production;
- promote the expansion of public or private investments in modern infrastructures;
- enhance the integration of economic and environmental strategies in all sectors.

Member country governments also resolve to promote measures that can increase sustainable employment and help achieve both social equity and economic efficiency. With these ends in mind, they will seek:

- to further improve education and training systems, in each national institutional context and, where appropriate, in close co-operation with social partners, local authorities and private initiatives, so as to ensure that people can, throughout their lifetime, develop their knowledge and skills, thereby contributing to improved productivity and sustained high levels of growth;
- to improve the functioning of labour markets by making them more flexible, with a view to achieving a better match between the supply of and demand for jobs, and by reducing impediments to labour mobility;
- to make employment services more effective and, more generally, give high priority to active labour market policies and programmes including those targeted to the long-term unemployed and youth;
- to amend laws and regulations that discourage firms from taking on workers, or people from taking up work;
- to co-operate closely with regional and local authorities towards enhancing employment opportunities at all skill levels, without neglecting services activities which can absorb unemployed workers in large numbers.

The implementation of these policies, which has begun in many Member countries, calls for tenacity and effort. Sustained adjustment is necessary. As it occurs, the need for social cohesion should also be taken into account. Each government will seek to ensure, within the constraints of their specific circumstances, that there is an adequate social safety net for those who need temporary encouragement to adjust, as well as those who despite their efforts do not succeed in adapting; they should be afforded a decent standard of living and full participation in economic and social life.

The benefits to be reaped from this employment strategy are considerable. Renewed confidence will strengthen consumption and investment; productivity gains and innovation will fuel rising living standards; structural adjustment, by removing obstacles and making Member countries' firms more competitive, will enable them to take full advantage of the enormous markets being opened up elsewhere in the world. Ministers stress that the success of this strategy to increase employment and reduce unemployment depends critically on initiative by individuals and firms, and their innovative and creative capacities; government action alone will not suffice.

Building on the *Policy Report* and the OECD's *Triennial Structural Review*, Ministers request the OECD to carry forward the work outlined below. This work should exploit fully the Organisation's multidisciplinary strengths within the framework of its committee structure. Ministers will have a first review of this follow-up programme at their 1995 meeting. The tasks include:

- to deepen and differentiate the analyses and priority policy recommendations of the *Policy Report* through cross-country analysis and by country;
- to work with national and international statistical agencies to develop better data where deficiencies impede policy-making, to co-ordinate studies on the sources of job creation and job loss, and to develop analysis of the relationships between technology (including information technology), job creation and growth;
- to use OECD's existing peer review structures to monitor collectively the implementation of policies adopted and, in particular, assess the effect of structural reforms on overall economic performance.

This work programme will also enable the OECD to respond in a timely way to the request of the G-7

Ministers for further analysis on the impact of technology and productivity on employment.

While economic growth and job creation in the OECD countries depend to a large extent on the macroeconomic and structural policies implemented, they are also shaped increasingly by growing interdependence with the rest of the world. The strengthening of the multilateral system and co-operation with non-Member countries are prerequisites of the strategy adopted.

## **STRENGTHENING THE MULTILATERAL SYSTEM**

OECD Members celebrate the signing of the Uruguay Round Final Act and the establishment of a World Trade Organisation (WTO) as historic events which mark an important step towards a universal trading system, and will enhance world trade leading to new opportunities for employment. The agreements concluded will substantially advance trade liberalisation, expand and strengthen the multilateral rules and disciplines governing international trade, and promote further non-inflationary growth in accordance with the objective of sustainable world-wide development.

Ministers undertake to:

- do everything to ensure that there are no delays in the ratification process and that the new WTO will enter into force on the 1 January 1995 target date;
- avoid, during that process, any trade-restrictive or distortive measures that would contradict the letter or spirit of the new rules and disciplines under the WTO, and to conform to multilateral dispute settlement procedures;
- make every effort to find, in a constructive spirit, mutually acceptable solutions to any trade-related problems in areas where multilateral rules do not exist, and to avoid initiatives and arrangements which are inconsistent with the principles of free trade or undermine the multilateral trading system;
- implement within the agreed period and respect fully and effectively the rules and liberalisation commitments contained in the Uruguay Round package, conclude speedily the remaining negotiations in accordance with the Final Act, and try to implement their commitments in advance, when possible; and
- resist protectionism in all its forms and continue to work towards further trade liberalisation, proper functioning of market mechanisms, and deregulation.

The OECD will actively support the Preparatory Committee and the WTO in implementing the Uruguay Round agreements and their work programmes. Drawing upon its multidisciplinary strengths, the OECD also will continue to monitor and analyse areas where further progress with liberalisation and the strengthening of the multilateral system may be required. The OECD work programme, which will involve co-operation with all relevant international organisations, will include:

- trade and environment, a high-priority area in which the analytical work already well under way will be further developed, with a report to be prepared for Ministers in 1995 containing substantive conclusions and a review of Member governments' actions to implement the OECD procedural guidelines adopted by Ministers in 1993;
- trade and competition law and policy, and trade and investment; and
- trade, employment and internationally recognised labour standards, including basic concepts, empirical evidence in trade and investment patterns, and current mechanisms for promoting higher labour standards worldwide. This work should lead to a report to Ministers in 1995.

The OECD will also contribute to strengthening the multilateral system by:

- continuing to monitor and analyse the progress of regional integration to ensure that it continues to complement and strengthen the multilateral system;
- entering a new phase of work aimed at elaborating a multilateral investment agreement, with a report to Ministers in 1995;
- continuing to strengthen transparency and discipline concerning officially supported export credits and export credit insurance. To this end, Ministers urge the Participants in the Export Credit



Arrangement to agree to the latest Proposal from their Chairman on additional measures and future work, and report progress in 1995 on its implementation;

- ensuring that there is no relaxation in the drive to reform agricultural policies on the basis of the principles agreed by Ministers in 1987 and in 1992;
- contributing actively to the work underway at national and international levels to tackle environmental problems; Ministers reaffirm their commitment to work with non-Member countries in a spirit of strengthened partnership for successful implementation of Agenda 21 and conventions related to sustainable development and to support the United Nations Commission on Sustainable Development to this end;
- carrying further its analysis of the problems posed, in a globalised economy, by disparities in systems of taxation, which could distort the flows of goods, services and capital, and by completing its current review of the OECD Transfer Pricing Guidelines;
- advancing the work on the convergence of competition laws and policies;
- continuing analysis of subsidies and indicators of government assistance to industry;
- completing the negotiation, which Ministers consider important, of an agreement respecting normal competitive conditions in the shipbuilding industry; and
- continuing its analytical work on migration trends and policies.

Ministers endorse:

- the OECD Council's Recommendation on Bribery in International Business Transactions, and they invite the Organisation to promote effective observance, by Member countries and as many non-Member countries as possible, of the principles laid down in the Recommendation;
- the Decision of the Financial Action Task Force (FATF) to extend its work for a further five years, emphasising the importance of continued worldwide action against money laundering.

## THE ROLE OF THE OECD IN AN EVOLVING WORLD

Many non-Member countries are gaining relevance in the world economy and are basing their development on market principles, pluralist democracy and respect for human rights, as the OECD countries have long done. Within the scope of its resources, the Organisation should continue to build up contact, dialogue and co-operation with these countries. Where mutual interest exists, it should open up to those of them which are both ready and able to assume all the responsibilities of membership.

Korea has established further close links with the Organisation and is now taking part in a number of activities on the same footing as Member countries. Ministers welcome Korea's intention to make a formal application for membership this year with a view to becoming a member by the end of 1996 and invite the Organisation to examine the terms and conditions of Korea's membership as soon as Korea is ready to do so.

The four "Partners in Transition" countries - the Czech Republic, Hungary, Poland and the Slovak Republic - have made substantial but varying headway, with the assistance of the OECD Centre for Co-operation with Economies in Transition (CCET), in moving towards a market system and integration into the world economy. All four have recently applied for membership of the OECD. Ministers welcome this and ask for an early start of negotiations with each of these countries to examine the terms and conditions of membership in order to bring each of them into the Organisation as soon as each is ready and able to assume all the responsibilities of membership.

Ministers welcome the Declaration on Co-operation as well as the Agreement on Privileges and Immunities signed today between the OECD and the Federation of Russia, which mark the firm intention of both parties to deepen their existing active co-operation and policy dialogue. They hope that this co-operation will help to strengthen the ongoing transition process in Russia and contribute to the full and beneficial integration of this major country into the world economy.

The CCET should continue to make effective use of its available resources to provide support to other countries in Europe and Asia engaged in transition to a market economy, through a focused programme of activities. Ministers welcome the substantial efforts that these countries have made. They ask the

Organisation to consider how to develop for Bulgaria, Romania and Slovenia, in the light of their recent requests to the Organisation, new country-specific programmes tailored to their particular requirements. They note that the other countries, in particular the Baltic States, may be interested in such country specific programmes.

China has become in many respects a leading player in the world economy. The OECD will continue to broaden its knowledge and understanding of this country. Possibilities for dialogue and co-operation will be explored with China and developed where mutual interests exist.

Ministers express satisfaction with the continuing OECD dialogue with the Dynamic Non-Member Economies (DNMEs). They look to the informal high level meeting with the DNMEs, to be held in Tokyo in October 1994, as a major opportunity jointly to explore ways to develop the dialogue. As the number of dynamic economies and major players in various sectors increases, it is important to provide possibilities for mutually beneficial dialogue with the OECD. For similar reasons, the Organisation will remain attentive to all possibilities for intensifying relations with regional groupings. Ministers encourage the Organisation to continue its study of economic and other linkages with major developing countries (other than the DNMEs).

Ministers also note that OECD contacts with countries in Latin America are increasing beyond those with Latin American participants in the DNME dialogue. They are pleased that, after Korea, Argentina and Brazil have joined the OECD Development Centre. While an increasing number of developing countries are making encouraging economic and social progress, many others have yet to embark on the dynamic growth path. OECD governments are committed to continuing to bring support to the self-help efforts of these countries, especially the poorest, notably in sub-Saharan Africa, in building up economic and social infrastructures, and developing the human resources necessary for their economic growth and smoother integration into the world economy. Member countries are committed to give particular consideration to the interests of developing countries in implementing the Uruguay Round results and in dealing with new trade issues. Member countries will seek to assist the least developed countries to take advantage of the outcome of the Round. Basic economic and political reforms, especially those aimed at good governance, deserve particular support in partnership and dialogue with developing countries. Poverty, debt, hunger, disease, population growth, environmental, refugee and migration pressures in developing countries are all issues of global importance for sustainable development. In conflict and famine situations, special aid responses are required, and they should be integrated with the needs and strategies for long-term development. Recognising the importance of sustaining their efforts in this field, Ministers ask the OECD to address the issues of aid effectiveness, quality and volume as well as improved coherence of OECD Member countries' policies.

As the 21st century approaches, the world, now marked by generalised economic interdependence, holds great promise as well as risk. The OECD countries bear a special responsibility for ensuring that sustainable economic development and social progress are consolidated and extended. They intend to shoulder that responsibility and contribute to the full, through all their policies, towards further harmonious and constructive pursuit of the universally shared benefits offered by the process of globalisation. They look to the OECD to help them achieve this through its analyses, its identification at an early stage of upcoming issues and opportunities, its recommendations, and its monitoring of Member countries' policies.

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# Meeting of the OECD Council at the Ministerial Level in May 1995

## Communiqué

HELP	SEARCH	YEAR	COUNTRY	SUBJECT	OS CENTRE
MINISTERIAL AND OTHER MEETINGS					

The Council of the OECD met on 23 and 24 May 1995 at Ministerial level. The meeting was chaired by Mr. Pedro Solbes, Minister of Economics and Finance, Mr. Javier Gomez-Navarro, Minister of Trade and Tourism, and Mr. Javier Solana, Minister of Foreign Affairs, of Spain. Vice-Chairmen were Mr. Yohei Kono, Deputy Prime Minister, Minister for Foreign Affairs, Mr. Ryutaro Hashimoto, Minister of International Trade and Industry, and Mr. Masahiko Komura, Minister of State for Economic Planning, of Japan, and Mr. Sigbjorn Johnsen, Minister of Finance, and Mrs. Grete Knudsen, Minister of Trade and Shipping, of Norway. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers.

Significant economic recovery has been achieved in most OECD economies since Ministers met in 1994. Inflation is low and there is growing evidence of declining unemployment, although unemployment rates remain unacceptably high in a number of countries. OECD governments seek sustainable development and non-inflationary growth. A good mix of economic, social and environmental policies, when consistent with budget restraint, will create jobs, bring prosperity and strengthen our societies.

### COMMITMENTS BY MINISTERS

*Building on these developments, and the interrelationships world-wide among economic development, trade liberalisation, technological advances, employment growth, environmental protection and social cohesion, Ministers undertake to co-operate in the following strategy:*

- to sustain non-inflationary growth through macroeconomic policies and structural reforms that reinforce each other, thereby promoting shared prosperity and generating a stable economic and financial environment;
- to fight unemployment as a top priority, particularly that of the low skilled, youth and the long-term unemployed, which can lead to social exclusion; and to enhance income potential, particularly for the low end of the scale; this will help to strengthen our societies;
- to maintain price stability through sound monetary policy;
- to meet the pressing need for fiscal consolidation and sustainable fiscal positions in order to free national savings for more productive investment and to help address issues such as the emerging demands of our ageing populations as well as our increasing health care requirements;
- to maintain efforts to improve implementation of these policies, and continue to co-operate on exchange rates, thereby helping to promote greater stability in financial markets, to preserve the ongoing recovery, and to contribute to continued expansion of international trade and investment;
- to improve the ability to adjust and compete in a globalised world economy through strengthened efforts towards structural reform, thereby promoting greater economic flexibility, employment growth and higher living standards; priority areas include better education and training (including lifelong learning), improving the functioning of labour markets (including, as appropriate, active labour market policies) and creating conditions in which small and medium-sized enterprises can flourish;
- to promote regulatory reform and improve transparency in both government policies and markets;

- to further promote adequate prudential supervision of banking and non-banking financial institutions and greater transparency in financial markets;
- to develop policies that fully exploit the contributions of advances in technology, particularly information technology, to growth and employment; and that promote innovation in our societies;
- to make further progress towards a strong and effective World Trade Organisation (WTO) with a well-functioning and respected dispute settlement mechanism;
- reaffirm their commitment to resist protectionism in all its forms; remove impediments (including administrative and structural ones) to the openness of national markets to global competition;
- maintain the momentum of trade liberalisation as a vehicle for economic growth through:
  - the successful completion of current negotiations, including those in the services sectors by the dates foreseen in the GATS (by the end of June for financial services), and the follow-up actions and negotiations foreseen in the Uruguay Round Final Act;
  - work towards increased transparency, where appropriate, of WTO proceedings;
  - actively pursuing, through the necessary consensus building, the possibilities of new initiatives to reduce in a global and balanced way trade barriers and other trade distorting measures
  - active preparation for an ambitious WTO Ministerial meeting in Singapore in 1996;
- promote initiatives for domestic regulatory reform aimed at positive structural adjustment, especially when they lead to the liberalisation of trade and investment flows;
- the immediate start of negotiations in the OECD aimed at reaching a Multilateral Agreement on Investment by the Ministerial meeting of 1997, which would:
  - provide a broad multilateral framework for international investment with high standards for the liberalisation of investment regimes and investment protection and with effective dispute settlement procedures;
  - be a free-standing international treaty open to all OECD Members and the European Communities, and to accession by non-OECD Member countries, which will be consulted as the negotiations progress;
- prepare for discussions on investment in the WTO which it would be appropriate to envisage in the future, and encourage the OECD to co-operate with the WTO to this end;
- work to obtain ratification and implementation, by participants, of the Agreement Respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry", adopted at OECD since their last meeting;
- fully adhere to the letter and spirit of their agreed tied aid credit disciplines.

*In view of global interdependence and the continuing importance of development co-operation, Ministers commit to:*

- support the integration of developing countries and economies in transition into the world economic system;
- pursue the strategic orientations set out in the Development Assistance Committee's High Level Statement on Development Partnerships in the New Global Context, including the continuing commitment to mobilise as many public resources as possible and to encourage private flows to back the self-help efforts of developing countries.

#### **MINISTERS' REQUESTS TO THE OECD**

*To facilitate the implementation of the strategy outlined above, Ministers request the OECD to:*

- effectively integrate macroeconomic and microeconomic analyses and policy recommendations; and monitor their implementation;
- continue to work towards a better understanding of the economic implications of the functioning of international financial markets;
- as set out in the report "The OECD Jobs Study: Implementing the Strategy", monitor the implementation of country-specific policy recommendations based on that strategy and complete the planned thematic reviews on active labour market policies; taxes and benefits;

- interactions between macroeconomic and structural policies; and technology, productivity and job creation; and present a report to Ministers in 1996;
- examine the possibility of developing comparable and standard measures of human capital investment and common performance indicators of such investment, with a report back to Ministers in 1996;
  - consolidate and analyse the policy implications of ageing populations with an initial report to Ministers by 1996;
  - pursue and integrate work on the various aspects of the reform of social protection systems and services, and on migration;
  - continue work on territorial development policies to respond to problems of restructuring of localities, cities and regions;
  - examine further the effects of technology, advances in knowledge and innovation on productivity, growth and employment, and recommend policy principles for knowledge-based economies; initiate similar work on the Global Information Society - Global Information Infrastructure in consultation, where appropriate, with relevant non-governmental partners; and provide Ministers with reports on both issues in 1996;
  - Continue to identify appropriate and cost-effective ways for achieving environmental goals, *inter alia* through a better internalisation of environmental costs and the application of the Polluter Pays Principle, and continue to enhance the mutual compatibility of economic and environmental policies, looking towards the 1996 meeting of OECD Ministers of Environment; contribute to the follow-up to the United Nations Framework Convention on Climate Change, including the implementation and development of the Climate Technology Initiative in co-operation with the International Energy Agency and the private sector;
  - continue to pay special attention to the policy implications of globalisation and interdependence across the full spectrum of its ongoing work.

*Aimed at strengthening the multilateral system, Ministers invite the OECD to:*

- continue interdisciplinary work and analysis of the "new" trade issues and of the openness of national markets to global competition; as part of this, consider the development of a broader concept of market access which encompasses not only public and private impediments to market entry but also the conditions for investing and conducting business in each market;
- in co-operation with the WTO, continue its successful work on trade and environment with a view to deepening analysis and helping to build consensus on options or recommendations for further promoting the compatibility and reinforcement of trade and environmental policies;
- proceed with its work on agricultural policy reform;
- continue analysis and dialogue on competition policy and the interactions of trade and competition policies, on export credits and on industrial subsidies; complete quickly the revised transfer pricing guidelines;
- continue actively and diligently the work on trade, employment and labour standards, as called for by Ministers in 1994;
- pursue its monitoring of the progress of regional integration, to help ensure that regional trade initiatives are consistent with the newly-strengthened multilateral trading system;
- examine the significance, direction and means of reform in regulatory regimes, and undertake exploratory work on corporate governance;
- strengthen work on bribery and corruption in international transactions and, recognising that *inter alia* an effective approach, where consistent with national legal regimes, could be to make such bribery a crime, provide the 1996 Ministerial meeting with a full progress report on the implementation of the 1994 OECD Recommendation.

*In an increasingly interdependent world, Ministers request the OECD to:*

- elaborate the strategic orientations for development co-operation into the next century in the light of changing economic, human, environmental and technological conditions;

- remain open and selective in its relations with non-member economies; maintain the tradition of high standards for OECD membership and for participation by non-members in the work of committees and develop flexibly other forms of dialogue and co-operation with non-members on the basis of mutual interest;
- bring the accession processes of the Czech Republic, Hungary, Poland, the Slovak Republic and Korea to their conclusion as soon as each of these countries is ready and able to assume all the responsibilities of OECD membership and thereby to participate in its network of disciplines;
- continue actively to implement the Declaration on Co-operation between the Russian Federation and OECD;
- continue to develop its dialogue and co-operation with China in the light of the Secretary-General's forthcoming mission to Beijing;
- maintain its intensifying co-operation with other economies in transition in Europe and Asia, including specific programmes and special activities begun with some countries in 1995;
- develop the successful dialogue with the Dynamic Non-Member Economies, including its recent expansion in some activities to new participants; continue to co-operate with those Latin American countries with which mutual interests exist;
- work to establish a wider variety of relationships by means of a forum for dialogue with emerging market economies; the structure to promote this dialogue will function in accordance with the principles, objectives and rules of the OECD;
- examine further, with the completion of the first phase of the Organisation's Study on Linkages between OECD and Major Developing Economies, more specific aspects and impacts of such linkages and the implications on OECD Members' policy options in the future.

*Ministers call upon the OECD to establish clear priorities in its work in order to make the best use of available resources. They consider that the OECD is well equipped to face new challenges. The Organisation is characterised by a proven capacity for policy analysis based on broadly-shared political, economic and social views. It also has an ability to adapt its activities when new needs arise.*

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OECD Council Meetings at Ministerial Level

**Meeting of the Council at Ministerial Level  
Paris, 21-22 May 1996**

**Communiqué**

1. The Council of the OECD met on 21 and 22 May 1996 at Ministerial level. The meeting was chaired by Mr. Franz Vranitzky, Federal Chancellor, and Mr. Viktor Klima, Federal Minister of Finance, of Austria. Vice-Chairmen were Professor Antonio Luciano de Sousa Franco, Minister of Finance, and Mr. Francisco Manuel Seixas da Costa, Secretary of State for European Affairs, of Portugal, and Mr. Joseph Stiglitz, Chairman of the Council of Economic Advisors, of the United States. Prior to the meeting, the Chair led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers. Ministers endorsed the conclusions of the recent OECD meetings of Ministers of Science and Technology, of Education, of Environment, of Public Management and of Development Co-operation.
2. Ministers welcomed the accession of the Czech Republic and Hungary to the Organisation since they last met in 1995.
3. Ministers expressed their deep appreciation and gratitude to the Secretary-General, Mr. JeanClaude Paye, for his strong leadership and outstanding dedication to the Organisation and to the cause of international economic co-operation over the past 12 years. They wished him well for the future. The Council welcomed Mr. Donald Johnston as his successor, with effect from 1st June 1996.
4. Ministers considered that the strong fundamentals in many OECD countries strengthen prospects for better economic growth after the recent and unexpected slowdown in activity in some. Inflation is generally low; interest rates have come down substantially; and the broad movements in the exchange rates of the major currencies have improved the prospects for non-inflationary growth. However, there are serious challenges. Though high budget deficits and public debt are now being seriously addressed in most countries, they remain key problems. Unemployment remains unacceptably high in many OECD economies. The unequal distribution of income is a concern in some. Structural rigidities weaken resiliency and adaptability to change. Recognising that conditions in OECD countries are inextricably linked to events and conditions in non-member countries, Ministers resolve to work together to generate sustainable development and non-inflationary growth in the OECD and beyond by creating more jobs, reducing poverty and exclusion, protecting the environment, and increasing confidence.
5. The globalisation of the economy is the product of the interaction between trade and technological progress. It gives all countries the possibility of participating in world development and all consumers the assurance of benefiting from increasingly vigorous competition between producers. To take advantage of these prospects for improved living conditions and progress, individuals, enterprises and countries must show themselves capable of rapid adjustment and continuous innovation. This is the challenge, particularly for Member countries.
6. Ministers intend to rely in particular on the OECD's capacity to undertake analysis and develop policy proposals in order to meet together this challenge, on the basis of a jointly-agreed strategy whose

principal elements are:

- (i) -- the search for sustainable economic development at as high a level as possible, while maintaining social cohesion;
- (ii) -- the continuous strengthening of the system of multilateral rules necessary for the proper functioning of a globalised economy;
- (iii) -- diversified interaction with non-member countries.

7. Ministers adopted the following plan for action by OECD governments and guidelines for the work of the Organisation:

### ***PLAN OF ACTION***

#### ***8. Ministers resolve to:***

- (i) -- implement macroeconomic and structural policies which should be mutually reinforcing and which will raise growth potential, increase job creation, maintain inflation at a low level and promote sustainable development;
- (ii) -- continue to fight unemployment as their most urgent challenge, particularly as it affects the low-skilled, youth and the long-term unemployed and risks increasing social and regional disparities: in order to do so they will implement with firm determination the recommendations of the OECD Jobs Strategy; positive results from policies consistent with this strategy have begun to show up in several Member countries;
- (iii) -- reduce fiscal deficits, by limiting public expenditure where appropriate, restore sound public finances and improve public sector management in order to improve growth prospects and help prepare for social and economic changes in the future;
- (iv) -- pursue sound monetary policy and, in so doing, contribute to securing price stability and to creating a more favourable and predictable environment for investment and consumption decisions;
- (v) -- continue to co-operate on economic policies and exchange rates, thereby helping to improve the fundamentals for sustained growth, to promote greater stability in financial markets and to contribute to continued expansion of international trade and investment;
- (vi) -- further promote adequate prudential supervision of banking and non-banking financial institutions and greater transparency and better dissemination of information in financial markets;
- (vii) -- strengthen structural reforms in order to take full advantage of the beneficial effects of globalisation and technological advances and to create favourable business conditions, including for small and medium-sized enterprises (SMEs);
- (viii) -- promote innovation systems and use the full potential of information and communication technologies;
- (ix) -- ensure that everyone has a sound foundation for lifelong learning and has or can acquire the necessary qualifications and skills to enhance employability in an evolving labour market and a knowledge-based society;
- (x) -- pursue regulatory reform, particularly by improving the quality of regulation and easing the transition to ever more competitive markets, thereby facilitating in a non-discriminatory way enhanced trade and investment opportunities;
- (xi) -- pursue the integration of environmental with economic and other policies;



(xii) -- underscore equal opportunities as a priority objective of society and promote the role of women in the labour market.

**9. Ministers stress that strengthening the open and rules-based multilateral system will give renewed impetus to ongoing multilateral trade liberalisation efforts, and will map future directions for the multilateral trading system in support of sustainable real growth, employment and development. To that end they commit to:**

(i) -- reaffirm the very high priority they attach to an effective and dynamic multilateral trading system, in particular by:

working to strengthen the confidence in and credibility of the multilateral trading system by avoiding taking trade and investment measures that would be in contradiction with World Trade Organisation (WTO) rules and OECD codes, and by using and complying with any applicable provisions for consultation and dispute settlement when differences arise;

adhering to WTO rules, resisting all forms of protectionist pressure, ensuring full and effective implementation of commitments in accordance with the agreed timetables, including notification requirements, and pursuing focused efforts to achieve a successful conclusion to unfinished negotiations in certain service sectors and on non-preferential rules of origin;

ensuring and enhancing, through the use of the WTO Committee on Regional Trade Agreements and other appropriate fora, the consistency of regional integration with an open multilateral trading system;

working to widen WTO membership on agreed terms while safeguarding the integrity of the system as a whole; in this connection, effective market access in goods and services and effective enforcement of intellectual property rights is critical;

(ii) -- work for a successful first WTO Ministerial Conference to consolidate and build on the momentum of the Uruguay Round through a balanced, consensual agenda reflecting the interests of all WTO Members, including developing and transition economies;

(iii) -- co-operate actively in ensuring progress on the WTO "built-in" agenda for review, further work, or negotiations, including:

continued preparatory work already under way in the various WTO Committees and Working Groups;

as mandated at Marrakesh, review of the report and recommendations of the WTO Committee on Trade and Environment with a view to making substantive progress on this issue;

establishment of a work programme for the preparation and pursuit of the built-in agenda, where this is not already defined;

(iv) -- address the growing need for the further development of the multilateral trading system by:

pursuing all possibilities for further trade liberalisation, noting current work towards an information technology agreement; recalling OECD work on new issues, giving further consideration to these issues with a view to determining how to proceed;

giving new impetus to non-discriminatory multilateral liberalisation and rule-making, including through building on the momentum of regional co-operation;

looking ahead beyond Singapore, noting the priority of the WTO in providing a forum for trade liberalisation and the future expiry of the mandates of the built-in agenda, and exploring various possibilities and modalities to ensure that the process of comprehensive multilateral trade liberalisation continues into the next century;

(v) -- begin an examination of trade and investment in the WTO and work towards a consensus which might include the possibility of negotiations;

(vi) -- further the progress made so far in the negotiation of a Multilateral Agreement on Investment (MAI):

reach an agreement by the Ministerial meeting in 1997, with high standards of investment liberalisation and protection and effective dispute settlement procedures and aim at achieving a higher level of liberalisation;

engage in an intensified dialogue with non-member countries, in particular those interested in acceding to the MAI;

(vii) -- maintain the momentum of work on OECD Transfer Pricing Guidelines and work towards a common approach to the problems posed by harmful tax competition;

(viii) -- further work for liberalising, in the interests of all, international air transport within bilateral and multilateral frameworks in order to ensure that the aviation sector contributes fully to economic development in OECD countries and in the world more generally;

(ix) -- continue to encourage the removal of remaining capital controls in Member countries;

(x) -- re-examine the tax deductibility of bribes to foreign public officials, with the intention of denying this deductibility in those Member countries which do not already do so, recognising that such action may be facilitated by the trend to treat bribes of foreign officials as illegal; and criminalise such bribery in an effective and co-ordinated manner in order to combat bribery in international business transactions, and for that purpose, further examine the modalities and appropriate international instruments to facilitate criminalisation and consider proposals in 1997;

(xi) -- continue working for the promotion of core labour standards around the world. They welcomed the conclusions of the OECD report on trade, employment and labour standards as making an important contribution to the understanding of this issue. They encouraged Member governments to discuss these conclusions, as well as the Secretariat's analytical report on the subject, with a wider, non-member audience, with a view to considering any further action; this discussion could start in the context of the Policy Dialogue with Dynamic Non-Member Economies due to take place in the autumn;

(xii) -- maintain the momentum of the work of all participants of the "Export Credit Arrangement", especially on the guiding principles for premia setting and on the Outline Understanding on agricultural products with a view to concluding agreements by the 1997 Ministerial meeting;

(xiii) -- make every effort to obtain ratification of the "Shipbuilding Agreement" by all participants within the agreed timeframe so that the Agreement enters into force by 15 July 1996, and encourage other countries to become parties to the Agreement;

(xiv) -- proceed with the agricultural policy reform process in line with OECD principles and by fully implementing Uruguay Round commitments, and develop innovative and better targeted ways to address policy objectives such as those related to the environment, the rural economy and food security, and undertake work in preparation for the next meeting of OECD Agriculture Ministers.

**10. Ministers recognise that sustainable progress in developing countries is of increasing global importance and that the linkages between developing and developed countries should be mutually reinforcing and supportive of development. In a spirit of new global partnership they agree to:**

(i) -- work together as bilateral donors and with multilateral development institutions to promote the integration of developing countries into the globalising world economy and to maximise the effectiveness and co-ordination of the global aid system;

(ii) -- endorse the long-term development strategy approved at the High-Level meeting of the Development Assistance Committee and, in particular, call on the developing countries to make efforts together with the developed countries towards the achievement of its output-oriented development objectives;

(iii) -- while recognising the need to increase the volume of development assistance, mobilise as much official bilateral and multilateral financing as possible, particularly adequate levels of Official Development Assistance; promote the flow of private resources and investment; and encourage the efficient and effective use of all these resources while reinforcing the self-help efforts of developing countries;

**11. *As ever more countries embrace the market economy, pluralistic democracy and respect for human rights, as the world economy undergoes globalisation and as the overall architecture of international organisations evolves, the OECD must respond by adapting ever more rapidly. It must tackle new problems and reach out to new partners -- both among and within States -- while at the same time preserving the shared values and characteristics on which its relevance and effectiveness are based.***

12. In addition to the three countries for which the accession processes are well underway, several other non-member countries have expressed their wish to adhere to the OECD Convention. Some of these are participating in various Committees of the Organisation. Ministers welcome this interest and re-affirm that the OECD must remain open to countries sharing the same values, but also remain selective and maintain the tradition of high standards for OECD membership. OECD's membership has to continue to evolve, in accordance with a changing world and the interests of its Members. In order to prepare the Organisation for future enlargement, while preserving its efficiency and usefulness, there is a need to take stock, define and introduce any necessary changes. Ministers expect a report on this subject in 1997.

13. Ministers are pleased with the quality of the dialogue and co-operation that has been established with a number of emerging and dynamic market economies and economies in transition. They firmly support these activities and will ensure that they continue to evolve in a coherent way and fulfil the mutual interest in an effective and differentiated manner.

**14. *Ministers conclude that the OECD is an essential component of the multilateral system. The ambitious plan of action agreed by Ministers underscores the vital role of the Organisation in reinforcing democracy and demonstrating the values and dynamism of the free market. Ministers, while bearing in mind the constrained budgetary environment, call on the Secretary-General to meet the challenges of bringing the OECD into the 21st century, working with Member countries to provide them with an OECD which continues to be ever more focused, efficient and effective.***

#### **GUIDELINES FOR THE WORK OF THE ORGANISATION**

15. ***To facilitate the implementation of their commitments, bearing in mind the requirement to fit new work within a constrained budget, by concentrating on core priorities, Ministers request the OECD to:***

#### **Growth and Employment**

(i) -- carry out analysis and exercise monitoring of macroeconomic and structural policies and provide recommendations for sustained high non-inflationary growth, particularly on issues of common interest or with significant international spillovers;

(ii) -- follow up the Jobs Study work, including elements requested by G-7 Ministers, summarised in the report *Pushing Ahead with the Strategy* and support more rapid implementation of its recommendations by:

undertaking further work on the interaction between macroeconomic policies and structural reforms;

continuing the analysis and surveillance of country-specific issues and policies in the economic surveys and reporting to Ministers in 1997 on the common themes and lessons learned from the first full cycle of reviews;

working with Member countries in a well co-ordinated horizontal manner to find practical policies, strategies and programmes to implement the findings of the Technology, Productivity and Job Creation report, and developing new work to identify "best practices" in policies for innovation and technology diffusion and providing an interim report to Ministers by 1997, as well as continuing the analysis of the interaction between trade and technology;

continuing the reviews of labour markets and education and training policies, including with respect to the young, as well as completing the thematic work on entrepreneurship and job creation;

continuing to analyse issues and identify the policies relating to supporting the most vulnerable groups and to enhancing their ability to increase their participation in work and in society and to increase their living standards over time; including a review of the impact of social protection policies and their interactions with macroeconomic and structural policies;

(iii) -- pursue forward-looking work on approaches that ensure that the public service is dynamic and well-equipped to respond to the challenges facing governments and to implement public policy effectively and efficiently;

(iv) -- deepen its work on a comprehensive policy framework to facilitate further development of the Global Information Infrastructure and related products and services, including the development of cryptography policy guidelines which would enhance security and protect intellectual property rights in this area, and analyse the economic and social impacts;

(v) -- endorse the work plan on regulatory reform, bearing in mind that well-founded reform will improve economic efficiency and growth, promote technological innovation, serve consumer interests, support international trade and investment, and enhance government effectiveness;

(vi) -- disseminate the first report on the policy implications of ageing populations and further the analysis of the challenges in key policy areas such as pensions, health and long-term care, and report back in 1998;

(vii) -- continue its work on international migration;

(viii) -- develop an initial set of indicators of human capital investment based on existing data, analyse areas where significant gaps remain in internationally-comparable data, identify the costs of development and data collection for new measures and performance indicators, and report to Ministers in 1998;

(ix) -- undertake further examination of the potential for environmental (or "green") tax reform and analysis of the elimination or reform of environmentally-harmful subsidies, with a view to presenting reports to Ministers in 1997 and 1998 respectively;

(x) -- continue work on territorial policies, including for urban and rural areas;

### **Strengthening the Multilateral System**

(xi) -- explore future directions for the further development of the multilateral trading system, making full use of its capacity for interdisciplinary analysis to identify important trade issues for possible future multilateral discussions and negotiations and trade disciplines in areas insufficiently or not currently covered by multilateral trade rules;

(xii) -- continue monitoring of regional and inter-regional developments, including their impacts on the

multilateral system;

(xiii) -- deepen understanding of new dimensions of market access and market presence, with a particular focus on the interaction between trade and competition policies;

(xiv) -- develop its work on corporate governance and framework conditions;

(xv) -- monitor the implementation and extend the application of the OECD Transfer Pricing Guidelines and analyse and develop measures to counter the distorting effects of harmful tax competition on investment and financing decisions, and the consequences for national tax bases, and report back in 1998;

### **Development Co-operation into the 21st Century**

(xvi) -- follow up the intensive reflections on the strategic orientations for development co-operation into the next century and develop a work programme that supports more intensified work in the area of comprehensive approach and policy coherence;

(xvii) -- complete, by 1997, policy orientations for donors on Conflict, Peace and Development Cooperation, together with an agenda addressing excessive military expenditures in developing countries and the implications for development assistance effectiveness, peace and global security;

(xviii) -- follow up on the effect given to the recommendation on anti-corruption proposals for bilateral and multilateral aid procurement endorsed by the Development Assistance Committee;

### **Charting the Future of the OECD**

(xix) -- bring to an early and satisfactory conclusion the accession processes for Poland as well as for Korea and the Slovak Republic as soon as each of these countries is ready and able to assume all the responsibilities of OECD membership;

(xx) -- define and implement measures now becoming necessary as the Organisation evolves and its relations with non-members become more diversified;

(xxi) -- develop and rationalise, on the basis of a comprehensive, coherent and efficient strategy, the various forms of dialogue and co-operation with non-member economies. Within this framework, support further reform efforts in transition economies; strengthen co-operation with Russia; develop dialogue with dynamic non-member economies and, more generally, with emerging market economies; and intensify co-operation with the major economies of the various regions of the world;

(xxii) -- complete the study on *Globalisation and Linkages to 2020: Challenges and Opportunities for OECD Countries* and submit a report in 1997.

**16. Ministers call on the OECD to accelerate the process of structural change in the Organisation, in particular by adopting more stringent priority-setting and by formulating and implementing reforms of management and working methods, with a view to further enhancing the relevance, efficiency and effectiveness of the Organisation, consistent with available resources. In light of this, Ministers request the Secretary-General to convene a special Council meeting at the earliest possible date in order to address these issues, and in particular to consider the Organisation's budgetary situation and prospects.**

**17. Ministers recalled that the origins of the OEEC and its successor, the OECD, grew out of the vision George Marshall expressed in a speech at Harvard nearly 50 years ago. Ministers expect to celebrate this anniversary at their meeting next year. Looking to the future, and recalling the OECD's global context, Ministers expressed their expectation that the OECD will continue to play its role as catalyst and pathfinder in international economic co-operation and development.**

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OECD Council Meetings at Ministerial Level

**MEETING OF THE COUNCIL AT MINISTERIAL LEVEL  
Paris, 26-27 May 1997**

**COMMUNIQUÉ**

1. The OECD Council at Ministerial level met on 26-27 May 1997, under the chairmanship of Mr. Jean Arthuis, Minister of Economy and Finance (France), assisted by the vice-chairs from Mexico and the Czech Republic, to discuss the issues of sustainable growth and social cohesion, multilateral trade and investment liberalisation, and the role and evolution of the OECD in a globalising world economy.
2. Ministers welcomed the accession of Poland and the Republic of Korea to the OECD, and their contribution to the work of the Organisation.
3. Ministers underlined their conviction that globalisation offers a real opportunity to improve living standards in their own countries and to allow all countries to participate in sustainable world development. Taking advantage of this opportunity, the rapid advance of technology, and the growth of a knowledge-based society, requires individuals, businesses, governments and whole societies to adjust and innovate. The challenge for governments is to pursue policies whereby the benefits of globalisation are fully realised and widely shared by all groups of society.
4. Much is at stake. There is an historic coincidence of interests for OECD and non-OECD countries in today's globalising world economy. Reflecting this, the OECD's linkages study, *Towards a New Global Age*, outlines a vision for the year 2020 which promises a large increase in prosperity and welfare across the world, and the progressive integration of developing and transition countries into the global economy. But realising it requires governments to seize the opportunities and continue to move forward with trade and investment liberalisation, macroeconomic discipline, comprehensive product and factor market reforms, strengthening of financial systems, and implementation of effective environmental policies. They also must respond to, and anticipate the needs and opportunities of, the emerging knowledge-based societies, which are driven by new information and communication technologies. Ministers are determined to implement this ambitious agenda.
5. Ministers called on the Organisation to use its unique strength to analyse important national and international problems in a multidisciplinary and forward-looking way. The OECD plays an invaluable role in charting the path for how countries -- OECD and non-OECD alike -- can best take advantage of the opportunities and meet the challenges of globalisation. Ministers noted the important analytical work which has been carried out. They welcomed the successes in implementing OECD decisions, recommendations and agreements, but also recognised that much remains to be done. In this context, they drew the following conclusions.

**PROMOTING SUSTAINABLE GROWTH AND SOCIAL COHESION**

6. Ministers agreed that macroeconomic policies focused on sound public finances and effective control of inflation, combined with enhanced structural reforms, are essential to achieving improved and

sustainable growth and employment outcomes. Both are a necessary component in the fight to eliminate persistent and unacceptably high unemployment that exists in most OECD countries. They agreed on the need for regulatory reform, for the elimination of structural rigidities in product and factor markets and for policies to improve the innovative capacity and competitiveness of enterprises, so that economic activity can flourish more robustly. They also agreed that attention needs to be given to improving the prospects for the most vulnerable in society.

### **Macroeconomic Policy**

7. Ministers noted that economic growth in 1997-98 is projected to average 2 ½ to 3 per cent in the OECD area. Growth will be more balanced, and inflation will remain low almost everywhere, but substantial output gaps and high levels of unemployment will remain in some countries. Ministers confirmed their commitment to pursue policies to achieve strong sustainable non-inflationary growth. They recognised that transforming this growth momentum into rising employment will require some differences in the short-run orientation of macroeconomic policies to reflect countries varying cyclical positions while respecting the medium-term objectives of fiscal consolidation. They also noted that the pursuit of sound monetary and fiscal policies, combined with continued co-operation on exchange rates, sound financial systems and structural reforms, can contribute to smoothly functioning international financial markets. Ministers welcomed the efforts of the European Union countries to achieve a successful introduction of the Euro and a well-functioning EMU with a scheduled date of entry into force of 1 January 1999, underpinned by sound macroeconomic and structural policies, that would contribute to the stability of the international monetary system.

8. Ministers agreed that fiscal consolidation will continue to be a priority in most OECD countries to create the conditions for sustained growth. Many OECD countries have budget deficits or debt levels which are still too high, and population ageing threatens to push up public spending further. Given high tax burdens, the main effort in cutting deficits will have to fall on expenditures. In addition to the need for rationalisation, Ministers agreed that improving the quality of expenditure requires increased focus on programmes that contribute to economic growth through enhancing human capital and innovation. Continuing reform of public sector management to increase policy effectiveness and expenditure efficiency will also assist in controlling budgets.

### **Employment and Implementing the OECDs Jobs Strategy**

9. Eliminating high and persistent unemployment is the major economic policy challenge for most OECD countries. The Jobs Strategy review concluded that for the OECD area as a whole, unemployment has fallen only slightly from its peak in 1994 and that structural unemployment has risen. In a number of countries, it is at unacceptably high levels. Ministers agreed that the bulk of this unemployment remains structural in nature, although there is also cyclical unemployment in some countries.

10. Ministers noted a major finding of the country review process, that those countries that had moved ahead with the comprehensive implementation of the macroeconomic and structural policies recommended in the Jobs Strategy, including labour and product market reforms, had experienced significant improvements in their employment situation. While it is recognised that these policies take time to bear fruit, in other countries reforms were insufficient to bring a fall in structural unemployment in the 1990s. Ministers also acknowledged that the structural changes often required may involve difficult adjustments for some firms, regions, sectors and segments of the work-force. But they agreed that hindrances to competition and technological progress or other sources of structural change would constrain growth and thus run counter to the interests of Member countries. At the same time, Ministers recognised that the gap between the haves and have nots within some OECD countries may have widened, the latter more often than not being less skilled. Whilst the key preoccupation is to boost employment, there are also some concerns about widening income inequalities or unequal access to opportunities and there is a need to prevent people from drifting into long-term unemployment and social exclusion.

11. Ministers agreed that a key element in dealing with the problems of marginalisation is putting in



place policies which improve access to work, encourage greater employment and raise future earning prospects. The recommendations in the Jobs Strategy represent an effective approach to doing this that can be implemented in different ways. Reforms in tax and benefit systems can improve incentives to find and stay in employment and avoid excessive hiring costs. Workers can be reintegrated into employment by effective active labour market policies. At the same time, those job protection measures and restrictions on working time that are excessive and thereby hinder job creation should be eliminated. Ministers stressed the key role that small and medium-sized enterprises play in job creation, as well as the importance of adopting best policy practices for innovation and technology diffusion, for improving peoples knowledge base and skills and for ensuring that active participation in society is maintained for at-risk groups. They look forward to reports in these areas, including the work on entrepreneurship and indicators of human capital investment, at their next meeting. Ministers also agreed on the urgent need to implement effective strategies for lifelong learning for all, to strengthen the capacity of individuals to adapt and acquire new skills and competences.

12. The country review process has indicated that policies should be implemented consistently over time and need to be tailored to the specific circumstances of each country. While Ministers were greatly encouraged by the success of certain countries experiences in implementing the Jobs Strategy, they agreed that greater reform efforts are necessary in most countries. They called for further action in tackling unemployment and asked the OECD to continue to review progress with the implementation of the Jobs Strategy recommendations. They asked for an update at their next meeting and for a further full review in 1999.

### **Ageing Populations**

13. Ministers discussed the emerging policy challenge of ageing populations. For several decades, but especially after 2010, there will be large increases in the proportion of people in older age groups in OECD countries. Furthermore, many people are leading longer lives without disability. Living standards will be put under pressure unless productivity growth picks up significantly during this period and existing trends towards early retirement are changed. Ministers recognised the need to achieve more flexibility in the balance between learning, work, leisure and care over the course of a life span through a shift in policies and attitudes. They voiced support for the concept of active ageing which addresses the question of participation in socially useful activities, including participation in the labour force. Changes in pension and health care systems, already under way in some OECD countries, may be required to arrest their escalating costs and ensure their viability. Interaction between labour force participation, pensions and saving policies should be further analysed. The Ministers looked forward to a report on ageing populations in 1998. They also stressed the importance of sharing national experiences in the social policy area as proposed in the Initiative for a Caring World" and encouraged the OECD's activities in this regard.

### **Regulatory Reform**

14. Ministers agreed that the attack on structural rigidities in their economies should encompass comprehensive regulatory reform, including higher quality regulation and deregulation where existing regulation is excessive. Regulatory reform aims at improving economic efficiency and the ability of economies to adapt to change and to become more productive. By enhancing competition, it can create new businesses and jobs, speed the diffusion of new technologies and business methods, enhance trade and investment opportunities, and reduce the scope for trade frictions. Reform can also provide more cost-effective means of attaining important social and environmental goals. Ministers took note of the OECD work which suggests that some countries can expect to see significant increases in real GDP levels from comprehensive reform.

15. Ministers welcomed the Report on Regulatory Reform and endorsed its principles. They agreed to work to implement its recommendations, which focus on how governments can improve their regulations and regulatory processes. They noted the intention to undertake further work in sectoral and policy areas and requested the OECD to conduct reviews of regulatory reform efforts in Member countries beginning in 1998, based in part on self-assessment, with the goal of contributing to the steady improvement of regulatory practices in Member countries. They asked for an update on the project at

their 1998 meeting.

### **Corporate Governance**

16. Corporate governance -- the rules and practices through which investors, employees, management and other enterprise stakeholders operate -- has important impacts on corporate behaviour and hence a country's overall economic performance. Ministers called on the OECD to continue to study the complex links between policy frameworks, corporate governance practices and economic outcomes and to report on the conclusions as soon as possible.

### **The Information Society and Electronic Commerce**

17. Information and communication technologies are fundamental driving forces in globalisation. The information society promises economic and social benefits for all our citizens, companies and governments. Ministers endorsed the recommendations of the Global Information Infrastructure/Global Information Society report. They welcomed the OECD cryptography policy guidelines as an important contribution to international co-operation in this area and called on the OECD to review developments and to launch dialogue with non-members as soon as possible. The stakes and challenges ahead are enormous. Ministers noted the great potential of electronic commerce. They asked the OECD to examine carefully its implications for areas such as taxation, commercial transactions, consumer protection, privacy and security, so that these issues can be addressed within a coherent policy framework; Ministers further asked for an update report in 1998.

18. Bearing in mind the great potential of the Internet, Ministers looked forward to the results of the study being undertaken in the OECD to compare national legislation and policies concerning the Internet, recognising the important advisory role of the private sector, and to identify areas in which international co-operation may be needed. Ministers also strongly condemned the dissemination on the Internet of child pornography and information that promotes child abuse. They urged that this abhorrent and unacceptable misuse of the Internet be addressed immediately including in the appropriate international organisations.

## **PURSUING TRADE AND INVESTMENT LIBERALISATION**

19. Ministers affirmed the central role which international trade and investment play in creating employment, improving economic efficiency, and raising standards of living in all nations. They are therefore committed to work for a strong, rules-based, open and effective multilateral system of trade and investment, capable of responding to the challenges of globalisation and enhancing sustainable development. Actions on a broad front are needed to achieve further liberalisation of measures directly affecting such flows and the reform of domestic policies which can also act as important barriers to market access and presence.

### **Support for the Multilateral Trading System**

20. Ministers welcomed the outcome of the WTO Singapore Ministerial Conference which advanced and broadened the trade agenda, thereby giving strong impetus to further liberalisation, including through the subsequent success in achieving the information technology agreement and the agreement on basic telecommunications services.

21. Ministers reaffirmed the important role of the OECD in support of the WTO and the multilateral trading system. They attach utmost importance to maintaining the momentum of trade liberalisation in 1997 and beyond. Ministers continue to place high priority to the full and effective implementation of the Uruguay Round Agreements. Accordingly, they are determined to pursue vigorously the built-in agenda agreed at the end of the Uruguay Round, together with the WTO work programme as agreed at Singapore which includes the new and important work on investment, competition, trade facilitation and transparency in government procurement. They encouraged the WTO to continue its work on the issue of trade and the environment. Ministers noted the contributions that the OECD Committees, within their

existing work programmes, might make to the process of information exchange and analysis now underway in the various WTO Committees, while avoiding unwanted duplication with work in other fora. In this context Ministers also noted that it has been ten years since the pioneering 1987 OECD Ministerial Principles for Agricultural Policy Reform were agreed, and noted the ongoing process of implementation in Member countries.

22. Ministers pledged to work towards successful conclusion of the current WTO negotiations on financial services with a high level of liberalisation on a full MFN basis by December 1997. They agreed to explore further market opening initiatives. They also agreed to refrain from actions that would undermine progressive liberalisation; to continue their efforts to ensure that public opinion fully understands the benefits of open, two-way trade, globalisation and further liberalisation; and to resolve disagreements co-operatively and in consistency with the WTO's Dispute Settlement Understanding.

23. They reaffirmed their commitment to observe internationally recognised core labour standards as well as to reject the use of labour standards for protectionist purposes, as agreed in the Singapore Ministerial Declaration. They agreed that building on OECD work in this area is important to better understand the subject.

24. Ministers agreed to work to ensure that regional trade agreements are complementary to and consistent with the rules of the WTO system and to integrate developing and transition economies fully into the multilateral trading system, paying particular attention to the least-developed countries. They also support the early accession on commercially viable terms of applicants to the WTO, while preserving the integrity of WTO rules.

25. They looked forward also to new and deepened analytical work on the benefits of further trade liberalisation and the interaction between trade policy and other policies.

26. Ministers urged the early ratification of the OECD Shipbuilding Agreement by all participants to establish normal competitive conditions within the international shipbuilding market and to encourage other countries to become parties to the Agreement.

### **Export Credits**

27. Ministers welcomed the success of negotiations on guidelines for premia setting in officially supported export credits. Efforts will continue to strengthen disciplines in this area. Ministers encouraged Participants to conclude negotiations on export credits for agricultural products as soon as possible and to make a report to their next meeting in 1998.

### **Harmful Tax Competition**

28. Liberalisation and the advent of global information and communications technologies have exposed tax systems to competitive forces and have increased the risk of competitive bidding between countries for geographically mobile activities. Such behaviour may lead to harmful tax competition which can erode the tax base and distort trade and investment flows. In response to the 1996 Ministerial mandate, the OECD is actively addressing this issue to establish a common approach to this problem. A report will be presented to Ministers in 1998.

### **Combating Bribery in International Business Transactions**

29. Bribery in international business is another key issue in an increasingly interdependent world economy. Bribery hinders competition, distorts trade and harms consumers, taxpayers and the efficient honest traders who lose contracts, production and profits. It can also undermine public support for government. Ministers endorsed the Revised Recommendation on Combating Bribery in International Business Transactions. In particular, they reaffirmed their commitment to criminalise bribery of foreign public officials in an effective and co-ordinated manner. They noted that an international convention in conformity with the common elements agreed to by Members is an appropriate instrument to attain such criminalisation rapidly. They recognised that achieving progress in this field requires not only efforts by

individual countries but multilateral co-operation, monitoring and follow-up. They recommended that Member countries should submit criminalisation proposals to their legislative bodies by 1 April 1998 and seek their enactment by the end of 1998. Ministers decided, to this end, promptly to open negotiations of a convention to be completed by the end of this year with a view to its entry into force as soon as possible within 1998. Ministers urged the prompt implementation of the 1996 Recommendation on the tax deductibility of such bribes. Ministers stressed the global relevance of bribery in international business transactions and called on non-OECD countries to join forces to fight this phenomenon.

## **THE OECD'S GLOBAL ROLE**

30. The globalisation of the world economy is accelerating, with a growing number of countries embracing pluralistic democracy, respect for human rights and the market economy. These are welcome developments for the OECD, which has long advocated the principles behind these positive trends.

### **Membership Issues**

31. Five countries have joined OECD since 1994 and several other countries have expressed their wish to become Members. Ministers welcomed this interest and reaffirmed that the future role and membership of the Organisation need to evolve. They recalled that the Organisation must remain open to states sharing the common values of OECD Members, on the basis of mutual interest. It should also be selective while preserving the tradition of high standards for membership. Both of these principles are important in reinforcing the OECD's effectiveness and relevance to its Members. Ministers agreed that the accession process of the Slovak Republic should be concluded as soon as this country is ready and able to share the common values and assume all the responsibilities of OECD Members.

### **Co-operation with Non-members**

32. Ministers welcomed the intensification of co-operation between the Russian Federation and the OECD, to be reflected in the establishment of a Liaison Committee. Such co-operation with the Russian Federation should help it establish a fully-fledged market economy within a framework of democratic institutions, and to meet and sustain all the conditions for its membership in the OECD, the ultimate goal shared by both parties.

33. Ministers also considered the various elements of the Organisation's ongoing dialogue and co-operation with non-member economies. They acknowledge the importance of such activities for the OECD's mission and of deepening dialogue and co-operation with emerging and transition economies on their integration in the world economy. In this respect, they recognise the role of the Organisation in favouring the transition process, through its thematic and country-based programmes. In the context of reform of the OECD, Ministers also called for rationalisation of such programmes and structures to ensure that they continue to evolve in an effective manner, and with increasing focus on the core activities of the Organisation, while preserving the capacity for flexible and differentiated co-operation with non-members. Ministers endorsed the actions already taken and urged the Organisation to pursue its efforts to achieve that objective.

34. Ministers agreed that the OECD's dialogue and co-operation must be a mutually beneficial process which enables OECD and non-OECD countries to share their own policy experiences. Ministers also agreed that the increasingly integrated global economy makes it essential that OECD analysis and monitoring of OECD economies takes proper account of the growing importance of non-member countries.

### **Co-operation with International Organisations**

35. Concerning OECD's relationships with other international organisations, both global and regional, Ministers asked that synergies with these organisations be fully exploited and unwanted duplication eliminated. In this regard, Ministers welcomed the effective working relationships that have been established with the WTO and other institutions.

## **Global Environmental Issues**

36. The integration of economic, social and environmental objectives underpins global sustainable development. Ministers noted that OECD analytical work on these issues helps Member countries ensure that environmental considerations are properly taken into account in the elaboration of policies. Its work also assists OECD Members in their preparations for international work in this area, including for the Special Session of the United Nations General Assembly in June, and the Framework Convention on Climate Change, in the light of the critical meeting of the Conference of Parties to the Convention scheduled for December in Japan. In this connection, they further acknowledged the need for Member countries to advance research and development, and dissemination, of relevant technologies as one way to address global environmental problems. Ministers welcomed the report on green taxes and noted that a report on evaluating the impact of subsidies on the environment will be discussed in 1998. Ministers urged the Organisation to consider how better to integrate the environment in other relevant activities of the Organisation.

## **Development Issues**

37. Work on development and interdependence has highlighted both the remarkable successes over recent decades of many developing countries in integrating themselves into the mainstream of trade and investment systems, but also the serious difficulties still confronting others. Ministers welcomed the co-ordinated efforts embodied in the OECD's partnership strategy to help those countries that are assuming responsibility and ownership for their programmes and striving to achieve sustainable development and avoid marginalisation, including in Sub-Saharan Africa and South Asia, to build their own capacities for development. Ministers welcomed OECDs continuing review and discussion of the objectives set out in the OECDs partnership strategy which is now shared by many developing countries and international organisations. Achieving these development objectives requires an integrated approach, encompassing the pursuit of sound economic policies, including appropriate trade and investment liberalisation policies; a vigorous private sector; balanced social development; expanded participation; strengthened governance; as well as environmental sustainability and sufficient monitoring capacity. Ministers recognised the need to increase the volume of development assistance and called for the effective mobilisation of financial resources for development from all sources -- private and public, internal and external -- including the maintenance of substantial levels of official bilateral and multilateral development assistance, as part of a comprehensive and coherent approach to development, in particular towards the poorest countries. Ministers recalled the agreement of the Singapore Ministerial Conference on a Plan of Action, including provision for taking positive measures, for example duty-free access, on an autonomous basis, aimed at improving overall capacity of the least developed countries to respond to the opportunities offered by the trading system. Ministers considered that the forthcoming WTO/UNCTAD/ITC High Level Meeting in Geneva in October 1997 provides an excellent opportunity to bring forward proposals which seek to give operational content to this Plan of Action, and they also called on non-member countries to contribute to the success of the High Level Meeting.

38. Such goals require that the OECDs partnership strategy should continue to be implemented in close collaboration with partner countries and emerging donors, as well as with other multilateral organisations. Ministers welcomed OECD's new guidelines on co-operation aimed at conflict prevention and peace-building, the proposed work for helping to address excessive military expenditures and progress with anti-corruption measures for aid procurement. They asked that OECD Members report on these three issues to the 1998 Ministerial Council meeting. They also asked for an update on implementation of the OECDs partnership strategy at their next meeting and for a full review in 1999.

## **The OECD's Future Role**

39. Ministers strongly support the process of reform set in motion by the Secretary-General and now underway in the Organisation and look forward to the results of the current streamlining and priority-setting exercises in the 1998 programme of work and budget of the Organisation. They believe that a well-focused and effective OECD, working to improve policies in both the national and international context, is an especially potent instrument of global change and reform. A key task is to

help governments to lead a better informed public debate on the issues at stake. In this regard, Ministers request the OECD to produce a focused, multidisciplinary report explaining the benefits of trade and investment liberalisation.

40. It is 50 years since General Marshall's Speech at Harvard first launched the period of international economic co-operation which gave birth to the OEEC, the forerunner of the OECD. Ministers believe that while the OECD's mandate as laid out in its Convention remains valid and relevant, the Organisation must and can adapt its operations and work priorities to meet the continuing resource pressures and the changing needs of its Members. Ministers expressed their strong support for the Organisation and committed to work collectively towards strengthening its role in the global economy of tomorrow.

### MINISTERIAL STATEMENT ON THE MULTILATERAL AGREEMENT ON INVESTMENT

Ministers are convinced of the importance of international investment and the need for fair, transparent and predictable rules for investors and investments. They welcome the major progress made in developing a comprehensive Multilateral Agreement on Investment (MAI) with high standards for the liberalisation of investment regimes and investment protection and with effective dispute settlement procedures. They recall that the MAI will be a free-standing international treaty open to all OECD countries and the European Community, and to non-OECD countries.

Ministers express their determination:

- i. to resolve outstanding questions and achieve a high standard of liberalisation and investment protection;
- ii. to achieve a satisfactory scope and balance of commitments;
- iii. to pursue intensified dialogue with non-member countries, particularly those interested in joining the MAI;
- iv. to conclude the Agreement in time for the 1998 Ministerial Meeting.

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### OECD Council Meetings at Ministerial Level

## OECD COUNCIL MEETING AT MINISTERIAL LEVEL Paris, 27-28 April 1998

### COMMUNIQUÉ

1. The OECD Council at Ministerial level met on 27-28 April 1998 under the chairmanship of Mr Jaime Gama, Minister of Foreign Affairs, and Mr António Sousa Franco, Minister of Finance, of Portugal, assisted by the vice-chairs from Hungary and Korea. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers. Ministers discussed key policy challenges of the globalising economy which they face in meeting the aspirations of their citizens -- promoting economic growth and employment through sound macroeconomic policies and structural reform; the better integration of environmental, social and economic policies; and the strengthening of the multilateral system -- thereby ensuring sustainable development and a durable improvement in living standards. They focused also on the global implications of the financial and economic situation in Asia. Against this background, Ministers discussed the OECD's role, its achievements and future work.

### **ECONOMIC GROWTH, THE GLOBAL IMPLICATIONS OF THE ASIAN CRISIS AND THE MULTILATERAL SYSTEM**

2. Ministers noted that the Asian financial crisis has highlighted the growing interdependence of countries in the world economy as well as the importance of having well-functioning markets and efficient economies and supportive mechanisms of international co-operation and solidarity. They believe that recent events have confirmed that good governance and effective structural policies -- concerning financial systems, regulatory reform, corporate governance, and labour and product markets -- together with stable macroeconomic policies based on sound and transparent public finances and control of inflation, are critical to good economic performance, employment, social cohesion and the smooth functioning of the global economy. Ministers stressed the importance of a quick return to financial stability and economic growth in Asia through the rapid implementation of the macroeconomic and structural reforms necessary for recovery. They called on OECD countries to contribute to that recovery with policies that sustain growth and domestic demand, further open markets and improve conditions for investment. In this regard, domestic demand-led growth in Japan would contribute significantly.

3. Ministers welcomed reforms being undertaken by countries in Asia and recognised their growth potential over the longer term but also urged countries affected by the crisis to implement fully and expeditiously the recommended reforms agreed with the IMF, the World Bank and other relevant international institutions. The events in Asia have underlined the importance of international monetary and financial co-operation and of the advantages of all parties working together in a co-ordinated manner to prevent, manage and contribute to overcoming crises of a global nature.

4. Bearing in mind the upcoming WTO Ministerial, Ministers also noted that the impact on trade and investment of the current financial and economic situation in Asia poses challenges for the multilateral system. All countries have a substantial stake in economic stability and development in the Asian region. Ministers agreed on the importance of all countries maintaining open markets, resisting protectionist pressures, sustaining the momentum for future broad-based liberalisation building further on current levels of market access, undertaking regulatory and structural reform, and providing a receptive climate for investment. Ministers confirmed the importance of stable trade financing facilities and of providing development assistance, as appropriate, targeted to help address the economic and social implications of the financial crisis for affected Asian countries.

5. Ministers reaffirmed the Organisation's commitment to contribute to the international effort, led by the international financial institutions, to overcome the Asian financial crisis as rapidly as possible, through policy dialogue and co-operation in its areas of expertise. They stressed the important role of the OECD's peer review mechanism in contributing to sound macroeconomic and structural policy environments in Member countries. They endorsed the establishment of an OECD special programme addressing structural issues arising from financial instability in non-member economies, to complement on-going co-operation with emerging and transition economies in Asia and elsewhere. In this context, Ministers welcomed the commitment on the part of many non-OECD countries to a path of continued liberalisation, structural reform, good governance and the maintenance of a favourable investment climate, which contribute both to the good performance of those economies and to a strengthened multilateral system.

6. Ministers noted that, despite the effects of the Asian financial crisis, the underlying economic situation in most OECD countries is generally good, with sustained output growth and low inflation expected in nearly all. Economic growth in 1998-99 is projected to average around 2 1/2 per cent in the OECD area, though with very different prospects across the regions, including some strengthening of growth in continental Europe, marked weakness in Korea and the prospect of a resumption of growth in Japan with its stimulus package. Nevertheless unemployment remains at over 7 per cent, some 35 million persons, for the area as a whole and it is forecast to remain around 10 per cent in Europe.

7. In this context, Ministers discussed recent policy developments and challenges facing OECD countries. They confirmed their commitment to pursue policies to achieve strong sustainable growth and reaffirmed the need for macroeconomic policies focused on sound public finances and effective control of inflation. They also agreed on the need for fiscal consolidation over the medium term in most OECD countries, in order to reduce debt levels and help meet the challenge of ageing populations. Where tax burdens are high and action is still needed to reduce deficits, the main efforts should involve containing expenditures, although tax reform may also have a role to play. Different cyclical positions may call for different policy settings in the short term, however. In particular:

- In the United States, a general government budget surplus has been achieved for the first time in decades. The policy framework there should continue to be directed at sustainable expansion and to increasing national saving. At the same time, given the tight labour market, any possible resurgence of inflationary pressures in that country should be watched carefully.
- With respect to the European Union, Ministers welcomed the convergence of budget deficits and inflation rates in EU economies, as this will allow the EMU to come into being on a broad base. Three OECD Member countries have so far entered the EU enlargement process, and Ministers encouraged them to continue with efforts toward necessary macro-economic and structural adjustments that they have been undertaking. Continued pursuit of sound and credible macroeconomic policies, within the stability framework, together with the pursuit of structural reforms, is critical for job creation and sustainable non-inflationary growth throughout the EU. However, it is important that recovery in EMU participating countries be increasingly based on sustained growth of domestic demand.
- Ministers welcomed the substantial policy measures announced April 24 by the Government of Japan aimed at achieving domestic demand-led growth. They noted the intention of the Government of Japan to put the measures in the package into place quickly. Ministers noted that



further progress in the strengthening of the financial system and in structural reform would help establish a sound basis for sustainable growth led by domestic demand. Over the longer term, fiscal consolidation remains an important goal in a rapidly ageing society.

- Ministers welcomed the efforts by Korea to overcome its economic difficulties through the implementation of its programme of reforms. Continued vigorous pursuit of the reform package, including financial reforms, improved corporate governance and enhanced competition through more liberal and non-discriminatory trade and investment policies, supported by continued high savings and an educated workforce, is necessary to restore economic prospects and put the economy back on the medium-term track of high growth.

8. Ministers recognised the importance of having an open and well-informed public debate on trade and investment liberalisation in the globalising world economy, in light of public concerns about the effects of such liberalisation. They welcomed the Organisation's study "Open Markets Matter: The Benefits of Trade and Investment Liberalisation", which outlines the substantial gains to be made through continued liberalisation by all countries to promote efficiency, innovation and consumer choice; develop better quality goods and services; raise incomes; and sustain economic growth and net job creation. Ministers noted that liberalisation is one important component, among others, of what must be a coherent set of policies aimed at achieving a durable improvement in living standards. At the same time, there is a need to ensure that the gains from liberalisation are as widely shared as possible, and that policies are in place to help, in particular, those most affected by adjustment. Bearing in mind the need to build public support for the multilateral system, Ministers agreed accordingly on the importance of ensuring maximum possible transparency.

9. Ministers agreed to a statement on the Multilateral Agreement on Investment, which is annexed to this Communiqué.

10. Ministers are convinced that globalisation offers great opportunities to enhance economic growth and improve welfare, both in Member and non-member economies. They recognised that these benefits will be fully realised and widely shared only if structural reforms are adopted which encourage and facilitate governments, firms, and citizens to successfully adjust and innovate, taking into account the needs of the most vulnerable and the need to prevent people from drifting into long-term unemployment and social exclusion. Ministers agreed to pursue policies to that effect, taking into account the need to integrate economic, social and environmental objectives in promoting sustainable development.

11. In that context, Ministers agreed that action is needed to secure: sound macroeconomic conditions and financial systems; comprehensive reforms in both labour and product markets and tax and welfare systems; strategies for lifelong learning in the public and private sectors; an adequate response to the social, fiscal and financial implications of ageing populations; better corporate governance and regulatory practices; the effective development and utilisation of new technologies including in electronic commerce; the full benefits of trade and investment liberalisation; and sustainable development. Ministers called on the OECD to contribute to this ambitious agenda by charting the way in which countries can best take advantage of the opportunities and meet the challenges of globalisation.

## PROMOTING STRUCTURAL REFORM AND ADJUSTMENT

### *Implementing the Jobs Strategy*

12. Ministers agreed that reducing high and persistent unemployment remains a top priority for many countries, especially in Europe. Ministers are particularly concerned about the persistence of high long-term and youth unemployment, as well as decreasing employability among older workers, in many OECD economies. There is evidence that unemployment is now largely structural in OECD countries, although there are still some where cyclical unemployment remains high. There is also mounting evidence that the OECD Jobs Strategy, implemented comprehensively and tailored to the specific conditions in each country, represents an effective means of promoting employment and responding to countries' labour market problems. Ministers therefore emphasized the importance of the full

implementation of the Strategy. They requested a comprehensive review of progress in this area in 1999, to aid them in implementing necessary reforms. Ministers also noted growing regional disparities in unemployment and widening income disparities in a number of countries and the importance of addressing these issues. They welcomed the specific initiative by the Organisation focusing on youth unemployment, which OECD Labour Ministers had recommended at their meeting in October 1997.

13. Ministers agreed that, as discussed at the OECD Industry Ministers' meeting in February, fostering entrepreneurship and improving the conditions for the creation and growth of small- and medium-sized enterprises are important for achieving better economic performance and improved job prospects, as well as for reducing regional economic disparities. They aim to improve the conditions for entrepreneurial activity, in particular by ensuring that capital markets, tax systems, administrative and regulatory conditions, infrastructure, and the labour and product market environment, provide a suitable setting. They noted the rapid growth and stressed the increasing importance of services, their connections with industry, and their impact on competitiveness.

14. Ministers also recognised the important role of technology in driving productivity advances and thus economic growth. Technological change leads to shifts in the pattern of labour demand, reducing the demand for some types of employment and increasing the demand for others. Policy should thus be geared not only to fostering innovation and technology diffusion, but also to facilitating the ability of both firms and individuals to adapt to technological change, thereby reaping the full benefits of productivity improvements and generating positive effects on jobs.

15. Taking full advantage of technological opportunities requires an appropriately-skilled workforce. Ministers agreed on the importance of effective education and training systems, as well as lifelong learning for all, to ensure that people are adequately equipped, or re-equipped, for the jobs of the future. Particular attention should be paid to efficiently assisting the most vulnerable in society who may be less able to take advantage of education and training programmes.

### ***Improving Strategies for Ageing and Social Policy***

16. Ministers discussed the challenges of ageing populations, a major priority for policy-makers, recognising that demographic and labour market trends in most OECD countries are likely to result in increasing numbers of people who are not working relative to working people, especially from 2010. They welcomed the report "Maintaining Prosperity in an Ageing Society" which proposes principles for interrelated reforms in many areas of social, economic and financial policy, in particular for health care and pensions systems. Societies must foster a climate conducive to "active ageing", providing support for people to lead active lives as they grow older. Ministers agreed to take into account these principles in developing national strategies and to monitor progress through the OECD.

17. Reform of social policy more generally figures high on the agenda of most OECD countries. The "Initiative for a Caring World" is contributing to a useful sharing of national experiences. Social policy should be more cost-effective and emphasize integration into the labour market in order to be more responsive to the needs of all people, especially the most vulnerable, and thereby strengthen social cohesion and contribute to overcoming poverty. Ministers look forward to the recommendations of OECD Social Policy Ministers, who will meet in June, on how the Organisation might best contribute to achieving these objectives.

### ***Governance and Regulatory Issues***

18. Ministers welcomed the analytical work of the OECD on corporate governance. They called on the OECD to develop, in conjunction with national governments, other relevant international organisations and the private sector, a set of standards and guidelines in this field, taking into account factors which influence business practices in each country, and to report on these by the 1999 Ministerial.

19. Ministers also noted that the quality of public sector management is essential for effective government and encouraged comparative analysis in this area. They welcomed the recent approval of the OECD Recommendation on Improving Ethical Conduct in the Public Service in Member countries, and

asked to receive a report on this issue in 2000.

20. Ministers also reiterated the importance of regulatory reform in increasing economic growth and efficiency, and the ability of economies to adapt. The launch of the country review process, initially involving the Netherlands, United States, Japan and Mexico, will contribute to Member countries' efforts in this regard. They look forward to receiving a synthesis report on these reviews in 1999. They wish to enhance this process with reviews of additional Member countries in 1999 and beyond.

### *The Electronic World*

21. The electronic world has potentially far-reaching implications for many facets of life, including the organisation of work and employment, the means of conducting commercial transactions, and the operation of government and the private sector. It also provides new business challenges and opportunities, including for small and medium-sized enterprises. To help this technology reach its potential, Ministers expressed their intention to work for agreement in the WTO on trade aspects relating to electronic commerce. Ministers welcomed the OECD's work on electronic commerce, recognising that the Organisation is well placed to examine the economic and social implications of these new technologies, and to contribute in specific areas such as trade policy, taxation, electronic authentication, consumer protection, privacy and security. They look forward to the ministerial Conference on electronic commerce, to be held in Ottawa in October. That Conference will seek to develop, in consultation with the private sector and other international organisations, a coherent 'action plan' for public policy and self-regulatory action, with the goal of realising the potential of global electronic commerce.

22. As the year 2000 approaches, Ministers agreed on the importance of rapidly adapting computer systems in order to avoid the potential for significant disruption due to the so-called "millennium bug". They stated their intention to meet this challenge and recognised the need to exchange information among governments and to work with the private sector, as appropriate, to ensure that the problem is resolved in a timely and comprehensive manner. They also called on the OECD to promote global awareness of the Year 2000 problem and its potential economic impact, and to report to the Ottawa ministerial Conference on electronic commerce.

### **STRENGTHENING THE MULTILATERAL SYSTEM**

23. In view of the upcoming WTO Ministerial, which is being held in conjunction with the 50th anniversary of the multilateral trading system, Ministers reaffirmed their strong commitment to the multilateral system. They attached the utmost importance to maintaining open markets and sustaining the momentum of liberalisation. They stressed their resolve to ensure full and timely implementation of the Uruguay Round agreements, to strictly adhere to WTO rules, and to pursue the process of broad-based trade liberalisation, including in new areas. To this effect Ministers encouraged vigorous efforts in the WTO based on the built-in agenda agreed at the end of the Uruguay Round, together with the WTO work programme as agreed at Singapore. Ministers welcomed that exploration of the possible scope and modalities for further liberalisation and rulemaking had begun and stressed the importance of advancing toward an international consensus. In this context, Ministers expressed their support for complementing existing WTO mandates by addressing remaining barriers to trade in industrial products and for further liberalisation in the information technology area. Ministers reaffirmed the OECD's important role in support of the multilateral system and the WTO's preparations for future negotiations. They recognised that further integration of developing and transition countries into the multilateral system remains a high priority, and that it is important to remain responsive to their needs. In this context, particular attention should be given to enhancing opportunities for the least developed countries, and to helping them build the capacities needed to benefit from those opportunities. Ministers also supported the early accession on commercially viable terms of applicants to the WTO, while preserving the integrity of WTO rules.

24. Ministers noted that OECD Agriculture Ministers had, at their March meeting, reaffirmed that, in conformity with the conditions of Article 20 of the Uruguay Round Agreement on Agriculture and

including all the elements contained therein, further trade negotiations are due to continue the ongoing process towards the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform. Ministers also noted that Agriculture Ministers had adopted a broad set of shared goals and policy principles covering all aspects of agricultural policy reform, and that those Ministers had: stressed that agro-food policies should seek to strengthen the intrinsic complementarities between the shared goals, thereby allowing agriculture to manifest its multifunctional character in a transparent, targeted and efficient manner; and had agreed that the challenge in pursuing the shared goals is to use a range of well-targeted policy measures and approaches which can ensure that the growing concerns regarding food safety, food security, environmental protection and the viability of rural areas are met in ways that maximise benefits, are most cost-efficient, and avoid distortion of production and trade.

25. Ministers also renewed their support for the observance of internationally recognised core labour standards and the goal of reaching agreement on an ILO declaration and follow-up mechanism. They noted the important role of the social partners in the process. Ministers also rejected use of labour standards for protectionist purposes.

26. Ministers reaffirmed their commitment to the OECD Guidelines for Multinational Enterprises, and to continue to update them in a timely manner, to ensure their relevance and effectiveness.

27. Ministers urged the early ratification of the OECD Shipbuilding Agreement by all participants to establish normal competitive conditions within the international shipbuilding market and to encourage other countries to become parties to the Agreement. Noting that the Agreement's original target date for implementation was January 1996, Ministers called on all signatories to ratify the Agreement as quickly as possible.

28. Ministers noted with satisfaction the 20th anniversary of the Export Credit Arrangement. It has proved to be a highly successful means of achieving rules-based disciplines on export credits. They welcomed the positive efforts undertaken in the area of premia following the adoption of the 1997 Guidelines. Ministers regretted, however, that an Understanding covering agricultural export credits has not been concluded, but remain convinced that the appropriate forum in which to continue debating the matter is provided by the meetings of the Participants to the Arrangement. Noting the outstanding undertaking on this issue in the Uruguay Round Agreement on Agriculture, they urged the Participants to reach an agreement as soon as possible and to report back on this matter at their 1999 Ministerial meeting.

29. Ministers welcomed the signing in December 1997 of the Convention on Combating Bribery of Foreign Public Officials and the subsequent legislative steps taken by Participating countries. They underlined their commitment to speedy ratification and implementation to allow the Convention to enter into force by 31 December 1998. They stressed the importance for all Participating countries to eliminate tax deductibility of bribes. Finally, they asked for a report in 1999 on the implementation of the Convention and on the progress made in the work planned on the following issues: bribery acts in relation with foreign political parties; advantages promised or given to any person in anticipation of that person becoming a foreign public official; bribery of foreign public officials as a predicate offence for money laundering legislation; the role of foreign subsidiaries and of offshore centres in bribery transactions. Ministers asked the OECD to promote wider participation in the Convention and its follow-up among non-participating countries.

30. Ministers welcomed the decision of the Financial Action Task Force (FATF) Ministerial meeting to extend its work for a further five years and the new strategy it has adopted. They also noted the FATF decision to promote the establishment of a world-wide anti-money laundering network based on adequate expansion of membership.

31. Ministers\* welcomed the Report "Harmful Tax Competition: an Emerging Global Issue" and recognised that it represents a step forward towards curbing harmful tax practices. Ministers underlined the commitment to intensify efforts in this area at the national, bilateral, and multilateral levels. They welcomed the establishment of Guidelines on Harmful Preferential Tax Regimes, the commitment to

draw up a list of tax havens and the creation of a Forum on Harmful Tax Practices. Ministers look forward to receiving periodic reports on the progress in implementing the recommendations set out in the Report.

32. Ministers encouraged the OECD to pursue further, and to broaden, its work in order to carry out fully the mandate given by Ministers in 1996 to develop measures to counter the distorting effect of harmful tax competition on investment and financial decisions, including real economic activities, and to associate non-member countries with this work.

33. Ministers\* also welcomed the OECD Recommendation on measures against "hard core" cartels which was agreed in March. They called on Member countries to halt and deter the operations of such cartels, which have damaging effects on consumers and businesses around the world and to co-operate in their efforts to this end. They invited non-member countries to associate themselves with the Recommendation.

### OECD'S CURRENT AND FUTURE CHALLENGES

34. Ministers noted with satisfaction the measures undertaken over the last year to improve the coherence and efficiency of the OECD's co-operative relations with non-members. They urged the Organisation to continue to strengthen these relations in a flexible and open but differentiated way, on a basis of mutual interest, with both emerging and transition economies. The ongoing, mutually beneficial dialogue should focus increasingly on the core activities of the Organisation, and on issues of particular importance for the successful integration of these economies into the international economic system. Ministers welcomed the growing interest of non-members in participating in the work of the Organisation.

35. Ministers reiterated that the OECD must remain open, on the basis of mutual interest, to membership by countries sharing the same values, while being selective and preserving the Organisation's tradition of high standards for membership, as well as its efficiency and relevance to its Members. Ministers also welcomed the continuing commitment to market-oriented reform by the Russian government. They called on the Russian Federation to participate more fully in co-operative activities with the OECD, which aim to help Russia establish a fully-fledged market economy within the framework of effective democratic institutions, as well as to meet and sustain the necessary conditions for future membership of the Organisation, the ultimate shared goal of both parties. They welcomed the continuing interest of certain emerging and transition countries in OECD membership. Ministers agreed that the accession process of the Slovak Republic should be concluded as soon as this country is ready and able to share the common values and assume all the responsibilities of OECD Members.

36. Ministers welcomed the steady progress being made in implementing the OECD's partnership strategy to help developing countries build their own capacities for development. Dialogue and joint review with partner countries are pointing to concrete changes in strengthening their local ownership and reducing aid dependency. This strategic agenda involves work on: agreed indicators of progress in economic well-being, social development, environmental sustainability and good governance; as well as on tested poverty-reduction strategies. Its success will be based on increased policy coherence, especially to help developing countries secure sustainable development, assemble the necessary financial resources and integrate successfully into the global economy. Ministers requested the Secretariat to submit a report to their meeting in 1999 on the links between trade and investment and development, and the role that the OECD might play in promoting greater policy coherence. At the same time, Ministers recognised the importance of substantial levels of official development assistance, in particular for the poorest countries, as a means of helping developing countries maximise their prospects for growth and for achieving the goals of the partnership strategy. They welcomed the work being undertaken to stem unproductive expenditure, including excessive military expenditure, in developing countries and recognised the importance of improving the coherence of Members' relevant policies and programmes with this aim. Ministers look forward to the scheduled full review in 1999 of the implementation of the development partnership strategy. Ministers welcomed the agreed mandate to work on a Recommendation on untying of official development assistance for the least developed

countries, with a text to be proposed in 1999. They also welcomed the new Guidelines on Gender Equality and Women's Empowerment in Development Co-operation.

37. Ministers agreed that the achievement of sustainable development is a key priority for OECD countries. They encouraged the elaboration of the Organisation's strategy for wide-ranging efforts over the next three years in the areas of climate change, technological development, sustainability indicators, and the environmental impact of subsidies. They welcomed the Shared Goals for Action adopted by OECD Environment Ministers at their April meeting. Ministers recognised that all OECD countries, on the basis of their differentiated responsibilities, need to play their part in combating climate change by implementing national strategies, including measures such as clear targets and effective regulatory and economic measures, as well as through international co-operation. In this regard, OECD analysis will be critical in helping Member countries find the most efficient and effective ways to meet Kyoto targets. Ministers asked the OECD to enhance its dialogue with non-member countries in these areas and to engage them more actively, including through shared analyses and development of strategies for implementing sustainable development. Ministers further noted that, as part of the Shared Goals, Environment Ministers stressed the crucial importance of strong environmental policies in the implementation of sustainable development. Ministers agreed to interpret the term 'sustainable' as including social and environmental, as well as economic, considerations. The Organisation is well-placed to exploit its multidisciplinary expertise in this area and to pursue the integration of economic, environmental and social policies to enhance welfare. In this regard, Ministers stressed the importance of promoting effective integration of environmental considerations in the multilateral system.

38. Ministers welcomed the Secretary-General's achievements in reforming the Organisation and emphasised the importance of the work currently underway on committee and directorate restructuring and on the decision-making process. They believe that continued efforts to renew, streamline and refocus the Organisation can further enhance its value as a resource for Member countries at a time of rapid change. They recognised the importance of returning the Organisation to a stable and predictable budgetary climate as soon as possible. Ministers called for renewed efforts to prioritise the OECD's work, recognising the important role that Members themselves must play in working with the Secretary-General in this regard. They stressed that the multidisciplinary, forward-looking nature of the Organisation's work is important in helping countries deal with the complex problems of a globalising world. Ministers noted the positive accomplishments of the OECD and encouraged the Organisation to continue to adapt to the changing needs of its Members. Ministers reaffirmed their strong support for the Organisation and committed to work toward strengthening its role in the global economy of tomorrow.

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\* Luxembourg and Switzerland (for the reasons set out in Annex 2 of the Report) abstained in Council on the approval of the Report and the adoption of the Recommendation and are not bound by this text and its recommendations; accordingly they do not associate themselves with this paragraph.

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## MINISTERIAL STATEMENT ON THE MULTILATERAL AGREEMENT ON INVESTMENT (MAI)

1. Ministers regard investment, like trade, as an engine of economic growth, employment, sustainable development and rising living standards in both developed and developing countries. They re-affirm the importance they attach to achieving a comprehensive multilateral framework for investment with high standards of liberalisation and investment protection with effective dispute settlement procedures, and open to non-member countries. They also recognise the importance of the public debate on the implications of globalisation.

2. Ministers welcome the Report by the Chairman of the Negotiating Group on the progress made since the Ministerial meeting of May 1997 in developing a Multilateral Agreement on Investment (MAI).
3. Taking into account the positive results produced by the Negotiating Group, as well as the remaining difficulties and the concerns that have been expressed, Ministers decide on a period of assessment and further consultation between the negotiating parties and with interested parts of their societies, and invite the Secretary-General to assist this process. Ministers note that the next meeting of the Negotiating Group will be held in October 1998. Ministers direct the negotiators to continue their work with the aim of reaching a successful and timely conclusion of the MAI and seeking broad participation in it. In the same spirit, they support the current work programme on investment in the WTO and once the work programme has been completed will seek the support of all their partners for next steps towards the creation of investment rules in the WTO.
4. Ministers recognise the need to complete work on MAI disciplines and exceptions with a view to achieving a high standard of liberalisation and a satisfactory balance of commitments, which takes full account of economic concerns and political, social and cultural sensitivities. A solution is also needed for particular issues relating to extraterritoriality.
5. Ministers confirm that the MAI must be consistent with the sovereign responsibility of governments to conduct domestic policies. The MAI would establish mutually beneficial international rules which would not inhibit the normal non-discriminatory exercise of regulatory powers by governments and such exercise of regulatory powers would not amount to expropriation.
6. Ministers note the increased convergence of views on the need for the MAI to address environmental protection and labour issues, and the broad support for including a strong commitment by governments not to lower environmental or labour standards in order to attract or retain an investment.
7. Ministers are committed to a transparent negotiating process and to active public discussion on the issues at stake in the negotiations.
8. Ministers welcome the full participation as Observers of Argentina; Brazil; Chile; Estonia; Hong Kong, China; Latvia; Lithuania and the Slovak Republic with a view to their becoming founding members of the MAI. Ministers are committed to pursue an active dialogue with non-members, including on their development interests, particularly with those non-members willing and able to meet the obligations of the agreement.

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## APEC ECONOMIC LEADERS DECLARATIONS

November 23, 1993	APEC Leaders Economic Vision Statement, Blake Island, Seattle
November 15, 1994	APEC Economic Leaders' Declaration of Common Resolve, Bogor, Indonesia
November 19, 1995	APEC Economic Leaders' Declaration of Common Resolve, Osaka, Japan
November 25, 1996	APEC Economic Leaders' Declaration: From Vision to Action, Subic, Philippines
November 25, 1997	APEC Economic Leaders' Declaration: Connecting The APEC Community, Vancouver, Canada
November 18, 1998	APEC Economic Leaders' Declaration: Strengthening the Foundations for Growth, Kuala Lumpur, Malaysia
September 12-13, 1999	APEC Economic Leaders' Declaration: The Auckland Challenge, Auckland, New Zealand
November 15-16, 2000	APEC Economic Leaders' Declaration: Delivering to the Community, Brunei
October, 2001	APEC Economic Leaders' Declaration: Shanghai, China



# **Leaders' Declaration – Brunei Darussalam**

## ***Delivering to the community***

Bandar Seri Begawan

16 November 2000

1. We, the Economic Leaders of APEC, meeting in Bandar Seri Begawan to consider the challenges of the new millennium, reaffirm our confidence in the APEC vision of a community of open and interdependent economies as the means to strengthen our ability to grow together in the global market and deliver prosperity to our people.
2. We renew our determination to bring this vision into reality through our shared commitment to the Bogor goals of free and open trade and investment and through our wide-ranging cooperation in building the capacity of our people, our institutions, our infrastructure and our markets according to the action agenda we agreed in Osaka.
3. We remain committed to the vision because we have seen how open economic policies pursued by the economies of our region have been the driving force in delivering impressive growth over two decades. This growth has resulted in rising incomes, more opportunity, better education and a higher standard of health for our people.
4. While the economic crisis was a setback in a decade of progress in APEC, we have not allowed this to deter us from building upon the policies which have given us rapid and stable economic growth. We are encouraged by the improvement in economic and social conditions in the economies affected by the crisis and by the signs of a return to strong economic growth in the regional economy as a whole.
5. We note though the risks to the world economy posed by volatility in the oil market. We call for appropriate measures to promote stability in the mutual interests of consumers and producers. We welcome the efforts made this year by APEC members to balance oil markets and note the many ongoing cooperation activities within APEC which will help reduce vulnerability and promote market stability.
6. We are determined not to be complacent in any of our efforts for continued improvements to growth because we know that the same policies which are consolidating the recovery will also enable us to integrate more confidently into the global economy.

### **Managing Globalisation**

7. As we view the options ahead, we are convinced that the movement towards global integration holds the greatest opportunity to deliver higher living standards and social well-being for our communities. We acknowledge that meeting the wide range of social and economic challenges that globalisation poses will not always be easy.
8. We understand that in all our economies there are people who have yet to gain the benefits of economic growth, especially in rural and provincial communities. We also appreciate that the many people who have been hard hit by the economic crisis have had their faith in openness severely tested. As Leaders, bound by a sense of shared prosperity and a mutual understanding of the difficulties in each of our economies, we resolve to address the wide disparities in wealth and knowledge and bring the benefits of globalisation to all our people. APEC's economic and technical cooperation programs are already making a positive

contribution to this process but we believe they can be strengthened. We therefore ask our Ministers and officials to ensure that the cooperation agenda is clearly targeted and more focused to achieve practical outcomes which will help our economies build the necessary capacity.

9. We resolve as well to continue our work in international forums to help shape the global economy and provide a more secure and stable financial environment for both developed and developing economies. Important lessons have been drawn from the crisis of 1997-98. This understanding of the need for the right preventive practices to reduce the risks of financial panic has been the focus of the international community's response. We welcome the efforts of the G-20, the Financial Stability Forum, the international financial institutions and other fora to strengthen international financial architecture. These efforts include improving international surveillance, strengthening regulatory and supervisory frameworks, and appropriately involving private creditors in crisis resolution. They also involve cooperative financing arrangements at the regional level that complement IMF resources and reforms to the international financial institutions including the review of quota/share allocation. We also thank ABAC for the extensive recommendations it has made on implementation of these issues and ask that our Finance Ministers examine them in the coming year.

10. Our ability to reap the benefits of globalisation will depend on the capacity of our economies and our people to cope with ongoing change. The crisis has already taught us much about the need for continuing structural reform and market opening, and the importance of implementing sound economic policies. In particular, it has alerted us to the importance of facilitating inevitable structural adjustments to take up new opportunities and to the heavy costs of avoiding adjustment.

11. To better prepare ourselves for the future, we instruct all our Ministers to make renewed efforts in APEC work on developing strategies to manage the required structural adjustments more effectively. We ask them to include in this, ways to look after those disadvantaged by economic change including through continued work on social safety nets. We also ask them to include ways to develop systems of good governance and robust institutional frameworks for the financial and corporate sectors.

12. We note the importance our Finance Ministers have placed on building capacity in these areas. We welcome their progress and further extension of work in a wide range of programs, including skills development of financial regulators and insurance regulators, and insolvency law reform and financial disclosure. We encourage Finance Ministers to continue to share experiences and expertise on key issues like privatisation and managing bank failures as well as strengthening social safety nets to deepen the region's understanding of how markets and institutions can be strengthened to face ongoing change.

#### **Creating New Opportunities**

13. There is no doubt that the revolution in information and communication technology is dramatically boosting the development of a global economy. It carries with it unprecedented opportunities in a new style of economy with new forms of markets, higher levels of productivity and new demands for knowledge, entrepreneurship and innovation.

14. We are encouraged that businesses and individuals even in traditional sectors can also benefit from the new economy as the use of technology becomes more widespread within each economy and throughout the region. However, we realise that the technology and the benefits it can bring have not yet reached millions of our people.

15. Our vision is to prepare each of our economies and all of our people to use the technology revolution as a passport to the fruits of globalisation. We announce today new strategies

which we believe will profoundly improve the livelihood of our community in the years ahead. We commit to develop and implement a policy framework which will enable the people of urban, provincial and rural communities in every economy to have individual or community-based access to information and services offered via the internet by 2010. As a first step toward this goal we aim to triple the number of people within the region with individual and community-based access by 2005.

16. Governments alone cannot achieve this vision. We recognise that it will require massive infrastructure development and human capacity building, and technologies which are only now in their formative stages. It will require a regime of outward-looking and market-oriented policies which can attract business investment and the cooperation and skills of our universities, training and research institutions, colleges and schools. We also recognise that the pace of development and implementation of the appropriate policy framework will vary in each economy because of the diversity among members and the widely different levels at which information and communication technology is now integrated.

17. We commit to working in partnership with the widest spectrum of the business community and those in education and training throughout the region to develop the policies which can make it happen. As a first step toward building this partnership and setting the agenda ahead, Brunei Darussalam and the People's Republic of China will jointly host a high-level APEC meeting of business, government, trainers and educators in China in 2001. We believe the outcome of this meeting will provide useful views for APEC Ministers and APEC fora.

18. Today, we also launch a wide-ranging Action Agenda for the new economy that outlines programs that will help our economies use advances in information technology to boost productivity and stimulate growth and extend services to the whole community. The Action Agenda includes ways to promote the right policy environment and build capacity to help create a framework to strengthen markets, electronic commerce, infrastructure, knowledge and skills development and provide affordable and more efficient access to communications and the internet. We recognise that this is only a start and we instruct all our Ministers and officials to develop this program further in 2001. We urge wide consultation and interaction with stakeholders in business and human capacity building as partners in our vision. We welcome ABAC's contribution to these issues this year and encourage them to continue that cooperation.

19. We note that APEC has already made significant progress in strengthening markets, developing human resources and promoting the development of small and medium enterprises to support the development of the new economy. We are particularly encouraged to see early success in the APEC E-Commerce Readiness Initiative where, in partnership with the business community, APEC has established global leadership in enabling economies to assess and improve their readiness for the new economy.

20. We welcome the comprehensive package announced by Japan before the Kyushu-Okinawa G8 Summit, to provide about US\$15 billion for addressing the international digital divide, noting that a significant proportion will be mobilised in the APEC economies.

21. We place particular emphasis on preparing our young people for the challenges ahead and agree that information technology should be a core competency for learning and teaching. We support APEC programs to enhance the quality of teachers and build sound education management through a process of cooperation in education in the region and commend the Association of Pacific Rim Universities and other organisations for their initiatives to develop distance learning capacity within the region. The new information and communication technology also enables important networks to be developed to extend health and medical services to the wider community and to address basic health issues. We commend the progress already made in strengthening disease information networks. We commit to fighting

HIV/AIDS and other infectious diseases and call on the relevant authorities to report in the next year on a strategy which can be used in APEC to more effectively meet these disease challenges.

#### **Strengthening the Multilateral Trading System**

22. In this era of globalisation, a fair and rules-based multilateral trading system is even more crucial to our success and prosperity. The system should respond to the challenge of the 21<sup>st</sup> century.

23. We reiterate that there is a need to expeditiously launch a new WTO round for the benefit of all WTO members, particularly least-developed and developing economies. We agree that a balanced and sufficiently broad-based agenda that responds to the interests and concerns of all WTO members should be formulated and finalised as soon as possible in 2001 and that a round be launched in 2001. The elements and objectives we agreed in Auckland remain relevant.

24. We instruct our Ministers to make meaningful progress in the agriculture and services negotiations now underway. We also instruct them to continue the preparatory work on industrial tariffs and other related areas, as part of the preparation for a new round, without prejudice to the overall agenda for negotiations. We reaffirm our commitment to the moratorium on the imposition of customs duties on electronic transmissions until the next WTO Ministerial Meeting and we acknowledge the importance of avoiding unnecessary measures restricting use and development of electronic commerce. We endorse our Ministers' call for the establishment of an ad hoc analytical task force in the WTO which would examine how WTO rules are relevant to the evolution of electronic commerce.

25. We commend the confidence-building measures adopted in the WTO, including those on market access for least-developed economies and those addressing concerns over aspects of the implementation of WTO agreements. We urge effective implementation and the participation of more economies in the least-developed economies market access initiative.

26. To increase momentum toward the launch of a new round, we welcome the progress made to develop the strategic APEC plan on building capacity to implement WTO agreements. We endorse the strategic plan as it has been laid out and support decisions by Ministers for its early implementation.

27. We welcome the substantial progress that has been made over the past year in the WTO accession negotiations for China and urge rapid completion of these negotiations so that China can join as soon as possible. We also support rapid accession to the WTO by Chinese Taipei and the advancement of the accession processes of Russia and Vietnam.

28. We note the recent developments in regional trading arrangements in the Asia Pacific. We agree that regional and bilateral trade agreements should serve as building blocks for multilateral liberalisation in the WTO. We therefore affirm that the existing and emerging regional trading agreements should be consistent with WTO rules and disciplines. We also believe that these arrangements should be in line with APEC architecture and supportive of APEC's goals and principles.

#### **Making APEC Matter More**

29. The people of the region are APEC's most valuable asset. We continue to believe that APEC must be a process which is open and transparent and which draws on the talents and creativity of our people. We strongly encourage the continued engagement and outreach APEC has developed with our community and seek to develop partnerships with groups which share, and will add impetus to, our goals.

30. We are pleased to note the increasing participation of women in APEC programs and the efforts to ensure that their participation is further facilitated and increased.

31. Although much of APEC's work is investment in the future, we are pleased that people are already gaining tangible and direct benefits from our earlier programs. We are also encouraged by new programs which are targeted toward improving access to information, the mobility of people and the flow of goods, services and investment within the region.

32. Our Individual Action Plans remain the most important mechanism for laying out our individual paths toward the Bogor goals of free and open trade and investment. We want to ensure that action plans are transparent, comprehensive and specific, and effectively communicated to business and the wider community. We therefore instruct Ministers to ensure that the new e-IAP system released this year is fully utilised and operational in 2001 and updated and improved as an electronic tool in future years.

33. We encourage the business community to utilise our new BizAPEC website as a tool for seeking new opportunities within the region and to facilitate their trade and commerce. We ask our officials to make this a dynamic centre of information and reflective of the ongoing interests of business. This initiative, along with others implemented by APEC, can facilitate small and medium enterprises in their efforts to build strategic alliances and take up the advantages of international trade and investment.

34. We believe the APEC Ecotech Clearing House website is an important addition to our electronic interaction with the community by providing a transparent and ready mechanism to show the effectiveness of our extensive program of economic and technical cooperation.

35. We continue to place the highest priority on facilitating the flow of goods and services and to reducing the cost of international transactions for the benefit of business and the consuming public. We know that progress in this area has particular benefit for small and medium enterprises. We instruct our Ministers to continue work on simplifying and harmonising our customs procedures and standards and conformance as two priority areas highlighted by ABAC and our business community. To provide a stronger basis for the future work on improving facilitation, we urge intensive efforts by Ministers and officials to produce a set of principles on trade facilitation in 2001 and ask them to address trade facilitation in an integrated way so as to help lower the cost of doing business in the region.

36. The future lies in our youth. The investments we make in encouraging them to cherish the region's rich cultural diversity, and in the development of their knowledge and skills, will to a large degree determine the future course of globalisation. We welcome the wide-ranging programs offered by several economies promoting the interaction of youth this year and we strongly encourage these activities to continue in order to build a greater sense of community within the Asia Pacific.

37. We attach to our Declaration a range of additional Directives to Ministers and officials and an annex which outlines our Action Agenda for the New Economy.

## Attachment 1

### Directives of APEC Economic Leaders

The Directives in this attachment are in addition to those we have made in the body of our Declaration and in Annex 1. The Directives cover issues relating to trade and investment liberalisation and facilitation, and economic and technical cooperation, and issues arising from the APEC Finance Ministers process.

#### *Trade and Investment Liberalisation and Facilitation and Economic and Technical Cooperation*

- We support the actions of APEC Ministers Responsible for Telecommunications and Information Industry in their Cancun Declaration which lays out a Program of Action and Principles, and we urge them to find mutually beneficial ways to build upon this work to help achieve the visions we have set out in Brunei this year.  
(<http://www.apecsec.org.sg/virtualib/minismtg/mgtgtel2000.html>)
- We welcome the message from APEC Energy Ministers from their meeting in San Diego this year and commend the commitments made in their Declaration. Recognising that energy is central to building the region's economic and social future, strengthening the marketplace and promoting clean and sustainable development, we support their simultaneous pursuit of economic growth, energy security and environmental protection. We welcome the new energy security initiative and the new implementation strategy and note that the latter offers important capacity building elements, including an option available by request from economies for on-site visits by facilitation teams to share experiences on implementation according to needs expressed by that economy.  
(<http://www.apecsec.org.sg/virtualib/minismtg/emm4.html>)
- We welcome and endorse the outcome of the second APEC Education Ministers Meeting held in Singapore in April. We agree with the key strategies identified by the Ministers for APEC economies to develop their education systems and meet the challenges of the new economy. We also welcome the decision by the Ministers to meet every five years to chart the future visions and directions for cooperation in education. (<http://www.apecsec.org.sg/virtualib/minismtg/mtggedu2000.html>)
- We agree that tourism is one of the region's most important and dynamic industries, providing employment and business opportunities for a wide section of the community including small and medium enterprises and people in outlying areas. We endorse the APEC Tourism Charter prepared by APEC Ministers Responsible for Tourism at their meeting in Seoul, noting its forward-looking approach and its inclusion of comprehensive time-bound goals, a program of capacity building, and action plans to build capacity in tourism and remove impediments to future growth in the sector.  
(<http://www.apecsec.org.sg/virtualib/minismtg/mtgwtg2000.html>)
- While we acknowledge tangible progress made this year towards achieving the Bogor goals, we agree that we need to continue discussion on how best to achieve them. We welcome the comprehensive approach agreed by Ministers in reviewing and building upon the guidelines in Part I of the Osaka Action Agenda on trade, investment and facilitation as part of this process. We also note the review of implementation of the joint activities in Part II of the Osaka Action Agenda on

economic and technical cooperation.

(<http://www.apecsec.org.sg/virtualib/minismtg/mtgtrd2000.html>)

(<http://www.apecsec.org.sg/virtualib/history/osaka/osakaact.html>)

- We endorse the strategic APEC plan for WTO-related capacity building as a basis for concerted action to enhance capacity for full participation in the WTO. We confirm that both developed and developing APEC members would prioritise as appropriate the plan in the development programs, and that priority should be given to allocating the APEC Trade and Investment Liberalisation and Facilitation Fund to finance possible programs in accordance with the established approval process of the Fund. We also confirm that members would pursue collaboration with relevant international organisations such as the World Bank and the Asian Development Bank to implement this plan.
- We urge APEC Ministers and their officials to make further progress on the reduction of non-tariff measures as called for at our last meeting in Auckland and as reiterated by ABAC in its report this year. (<http://www.abaconline.org/current/report2000.pdf>)
- We urge continued effort in APEC's work on strengthening markets, noting that there has been progress in many areas, including in cooperative initiatives on strengthening economic legal infrastructure and competition and regulatory reform. Together with individual efforts by economies, we are moving towards stronger and more efficient markets in the region. We also welcome the progress in implementing the recommendations for more competitive air services on a voluntary basis, including the proposals on widening and deepening the measures within APEC as well as a plurilateral arrangement among five like-minded economies.
- We welcome the commitment by APEC Ministers Responsible for Small and Medium Enterprises to step up their engagement with business and their evolving cooperation initiative on SMEs and new business support. (<http://www.apecsec.org.sg/virtualib/minismtg/mtgsme2000.html>)
- We endorse our Ministers' initiative for APEC to prepare a human capacity building strategy that would define the objectives, priorities and principles for APEC to respond to the challenges of the 21<sup>st</sup> century.
- We welcome the outcome of the APEC Forum on Shared Prosperity and Harmony held in Seoul in April. The Forum provided an important opportunity to discuss economic and social policies for sustained growth. In particular we welcome the proposal to strengthen social safety net activities in APEC to address economic disparities. We hope that this kind of policy dialogue established by the Forum will continue among APEC economies. (<http://www.apecforum.go.kr>)
- We strongly endorse the approaches many APEC fora are making to interact with the business sector in their programs and we encourage the business sector itself to be proactive in helping to shape the policy environment in which it works. We welcome the initiative of a dialogue with the chemical industry. We support ABAC's recommendation for the development of a network of Institutes of Directors to promote and facilitate the adoption of best practices and international standards in transparency and corporate governance.
- We remain firmly committed to gender integration through the Framework for the Integration of Women in APEC. We welcome and endorse recommendations from the Ad Hoc Advisory Group on Gender Integration to further accelerate the

implementation of the Framework and see this as a continuation of our past efforts to ensure that all people in our economies achieve their full potential for improved economic and social well-being. (<http://www.apecsec.org.sg/workgroup/gender.html>)

- We welcome the progress report from Ministers on the implementation of the recommendations of the APEC Food System. We recall that the APEC Food System can make an important contribution to meeting the objectives of APEC, given the importance of the region's food sector. We reconfirm our commitment to address in parallel three areas of cooperation: the development of rural infrastructure, the promotion of trade in food products, and the dissemination of technological advances in food production and processing. We urge APEC fora and members to increase momentum in this regard as recommended by ABAC. ([http://www.apecsec.org.sg/workgroup/food\\_sys.html](http://www.apecsec.org.sg/workgroup/food_sys.html))
- We note the progress on the private-public sector initiative, Regional Integration for Sustainable Economies, which directly improves the capacity of our rural communities to be part of the regional trading system. (<http://www.riselink.net>) (<http://www.pecc.org/food/risesitereport.cfm>)
- We urge our Ministers and officials to monitor the developments in biotechnology and foods derived from biotechnology to ensure a transparent and science-based approach to the regulation of these products and that our communities are able to be fully aware of the benefits and implications for producers and consumers.

### *Issues Arising from the Work of APEC Finance Ministers' process*

#### Regional economy

- We note that there has been an encouraging improvement in the economic and social conditions in the economies affected by the crisis of 1997/98. The regional economy as a whole is showing signs of a return to strong economic growth, but there is no room for complacency. There is a need for continued structural reform and sound policies to sustain this progress.
- We note the risks posed by oil price volatility to the world economic recovery and for developing economies that are heavily dependent on oil market conditions, and the need to stabilise prices at sustainable levels. In the light of rising world demand, we call for appropriate increases in supplies and other necessary measures to promote long-term price stability in the mutual interests of consumers and producers.

#### International financial architecture

- Important lessons have been drawn from the crises of 1997/98. This understanding of the need for the right preventive practices to reduce the risks of financial panic – notably, stronger national balance sheets, strengthening of banking systems through effective regulation, greater transparency, greater monitoring and control of quasi-government guarantees and, crucially, more sustainable exchange rate regimes – has been the focus of the international community's response.
- We welcome the recent meeting of the G-20 Ministers and Governors, which considered ways to reduce countries' vulnerabilities to financial crises and included a wide-ranging discussion on how the international community can meet the challenge



of globalisation. Such exchanges between a broad group of systemically significant economies not only help strengthen the international financial architecture, they have the potential to advance other issues of concern to the developing world.

- Surveillance is an important element in promoting international and domestic economic health. We affirm the importance of the IMF/World Bank Financial Sector Assessment Program (FSAP) and Reports on Observance of Standards and Codes (ROSC). Progress has been made in developing international standards, codes and best practice guidelines in a wide range of areas that will aid efforts to improve the legal, institutional, and regulatory frameworks in APEC economies. We support the key standards identified by the Financial Stability Forum and encourage APEC economies to implement them in accordance with their circumstances and priorities. Focused and targeted technical assistance will assist economies in implementing the key standards.
- Implementation of the Financial Stability Forum recommendations on highly leveraged institutions, capital flows and offshore financial centers will contribute to reducing the risks associated with cross-border capital flows and promoting international financial stability. Constructive engagement is important to assist economies to strengthen regulatory and supervisory frameworks. We note that the Forum did not recommend direct regulation of highly leveraged institutions at this stage but emphasised that it could be considered if, upon, review the implementation of their recommendations did not adequately address the concerns identified.
- Progress has been made in developing a framework for appropriately involving private creditors in crisis resolution and we urge the IMF and other relevant bodies to continue their efforts.
- IMF lending facilities have recently been modified to improve their effectiveness. We support the work of the Multilateral Development Banks to increase their focus on policies and programs directed at reducing poverty. Representation on the Boards of the IMF and the World Bank and quota/share allocation should appropriately reflect developments in the world economy.
- Cooperative financing arrangements at the regional level designed to complement resources provided by the international financial institutions in support of IMF programs can be effective in crisis prevention and resolution. In this context, we welcome the recent developments in East Asia and similar arrangements in North America.
- These efforts to strengthen the international financial architecture, particularly the emphasis on surveillance and crisis prevention, have achieved real results – in reduced leverage and longer maturities of external debt; in movements towards a mix of exchange rate regimes and macroeconomic policies more compatible with stability and avoidance of financial crises; and, in more resilient domestic banking systems and under specific circumstances in each country, through greater foreign participation.

#### Building stronger foundations

- We welcome the Finance Ministers' work to strengthen markets, in particular :
  - The development of the Voluntary Action Plan for Freer and More Stable Capital Flows. As our Finance Ministers have recommended, economies should focus on

implementing sound and credible financial policies in order to minimise the risks and to take advantage of the opportunities available in international capital markets. Economies should also note that, capital account liberalisation requires strengthened financial systems and effective risk management framework.

- A study of APEC economies' experiences in managing bank failures, with the goal of developing a set of recommendations based on case studies that illustrate lessons from managing bank failures in our region.
- Progress made in developing skills of financial regulators and the strengthening of financial supervisory systems and the ongoing work in this area, including a new project on developing skills of insurance regulators.
- A clear recognition of the need to improve corporate governance and APEC's ongoing work in this area, including on insolvency law reform and financial disclosure.
- The guidelines for developing well-designed and cost effective social safety nets.
- The establishment of the Privatisation Forum as a way of sharing experience and expertise on privatisation, including governance and regulation of state enterprises.
- Recommendations from the Third Pension Fund Forum, particularly on education, funds management and good governance.
- Establishment of an APEC Working Group to survey the domestic legal and regulatory frameworks for fighting financial crime.
- The review of the codes of conduct and practices of the credit rating agencies and continue to foster an environment conducive to greater transparency.
- Establishment of an APEC Working Group to examine issues related to electronic financial transactions.

## Annex 1

# Action Agenda for the New Economy

We have laid out in Brunei Darussalam a vision to capture the full economic and social benefits of the emerging new economy.

APEC has taken a number of actions to move forward on the New Economy including on E-Commerce Readiness Assessment, paperless trading, electronic Individual Action Plans, and capacity building of institutions and human capital in areas related to e-commerce.

To build on that beginning and to achieve our vision, we outline the following action agenda which aims to promote the right policy environment and to build capacity.

We recognise that this is only a start and that it will require cooperation and partnership among APEC economies, and among business, government and the widest spectrum of the community.

We instruct our Ministers to develop and expand this agenda, in consultation and engagement with the stakeholders, in order to:

- strengthen our market structures and institutions to enable new and existing forms of trade and investment in goods and services to flourish in the new environment;
- develop a conducive policy environment for investment in infrastructure and the development of technology; and
- induce innovation and entrepreneurship and build human capacity and knowledge through comprehensive and high-quality education, training and skills development programs:

Create an environment for strengthening of market structures and institutions

- Strengthen financial markets and supervisory and regulatory frameworks to improve capacity to provide capital to the most dynamic companies;
- Continue work towards pro-competitive and market-based policy frameworks for liberalisation in trade in telecommunications and IT services;
- Continue improving upon the electronic individual action plans (e-IAPs), a transparent and user-friendly way to record our economies' progress towards liberalisation;
- Intensify cooperation between governments and the business sectors to work towards affordable quality access to telecommunications services and the internet for all our communities;

Create an environment for infrastructure investment, technology development, entrepreneurship

- Develop the agreed work program leading to favorable as well as compatible legal and regulatory frameworks for consumer protection, electronic transactions documents and signatures across APEC;
- Continue work to ensure that SMEs are able to make full use of ICT in all aspects of trade and business;



## Leaders' Declaration - New Zealand

### *THE AUCKLAND CHALLENGE*

### *APEC ECONOMIC LEADERS' DECLARATION*

AUCKLAND, NEW ZEALAND  
13 SEPTEMBER, 1999

We, the Economic Leaders of APEC, celebrate here in Auckland ten years of unprecedented cooperation in our region, in pursuit of a vision of stability, security and prosperity for our peoples. We shall continue to exercise leadership to reach our goals and to meet the challenge we have set ourselves.

We welcome the improved performance and prospects of our economies since we last met, and commend the actions taken to reform those economies affected by the crisis. The cooperative growth strategy we adopted in Kuala Lumpur, and sound macroeconomic policies in key economies, have supported the restoration of confidence and growth, and have allowed us to share growing confidence about our prospects.

We are not complacent about the risks that might impede recovery and sustainable growth and we will sustain the momentum for reform. Continued multilateral and bilateral support is still important. We welcome and endorse the efforts of Ministers through the year in pursuit of APEC's goals. As Leaders, we accept responsibility for resisting protectionism, opening markets further, and addressing structural and regulatory weaknesses that contributed to the economic downturn from 1997. We will achieve this by strengthening our markets through regulatory reform and enhanced competition and by improving the international framework governing trade and investment flows. To this end we commit to the launch of a new Round of negotiations in the World Trade Organisation.

All people in our communities have a stake in the success of APEC. We want to ensure they achieve their full potential for improved economic and social well being. We particularly welcome the more active participation of women and business in APEC's work this year.

### **Supporting Growth through Strong and Open Markets**

Improved competitiveness through ongoing reform is the road to recovery and sustainable growth. Through APEC, we seek to expand opportunities for business and employment growth, build strong and open markets and ensure that our communities and economies can participate successfully in the international economy. Open, transparent and well-governed markets, both domestic and international, are the essential foundation of prosperity and enable enterprises to innovate and create wealth.

We will strengthen our markets by:

- providing greater transparency and predictability in corporate and public sector governance

- enhancing the role of competition to improve efficiency and broaden participation by enterprises
- improving the quality of regulation and the capacity of regulators to design and implement policies for sustainable growth
- reducing compliance costs and facilitating business growth
- building a favourable regional and international environment for free and fair competition

In reconfirming our commitment to achieve the Bogor Goals of free and open trade and investment by 2010/2020, we endorse the attached APEC Principles to Enhance Competition and Regulatory Reform. These principles provide a core part of the framework for strengthening our markets which will better integrate individual and collective actions by APEC economies to achieve those goals.

We accept Ministers' proposals for an initial work programme to strengthen markets. This gives priority to strengthening market infrastructure and human capacity in our economies and enterprises, especially in developing economies. It also calls for specific implementation strategies in areas such as natural gas and e-commerce. We call upon the private sector, including the APEC Business Advisory Council (ABAC) and the APEC Financiers' Group, to contribute to these efforts.

We welcome and endorse the work of our Finance Ministers, and encourage their efforts to strengthen domestic financial markets and secure the foundation for the return of capital to the region by:

- enhanced supervision of financial markets, including through improved training of supervisors and regulators
- developing domestic bond markets based on the just published Compendium of Sound Practices
- developing and applying agreed corporate governance principles

The alignment of the APEC Finance Ministers' process with the APEC Leaders' process offers new opportunities for cooperation. We instruct our Ministers to pursue greater links among APEC fora and their work programmes. We look forward to receiving a report from Finance Ministers of further progress in dealing with financial market issues when we next meet.

We reaffirm that individual actions by economies are the principal means by which APEC's goal will be attained. We acknowledge that progress towards the Bogor Goals has been uneven, and undertake to continue concrete actions to fulfil our commitment. We also accept the views of ABAC and other business representatives who have called for action plans to be more specific, transparent and comprehensive, and welcome the initiative by Ministers to review and strengthen processes for individual and collective actions under the Osaka Action Agenda.

APEC's trade facilitation programmes are already delivering substantial benefits - in customs harmonisation, standards and conformance, and increased mobility of business people. We welcome the agreed new initiatives, and instruct Ministers to give priority to this work next year, in consultation with business, and to better communicate the value of APEC's trade facilitation role.

Enhanced economic and technical cooperation is essential if we are to lift our peoples into prosperity, and narrow the development gap among Asia/Pacific economies. The financial crisis has underlined the importance of cooperation in human and institutional capacity building, science and technology exchanges and development of infrastructure. We direct our Ministers to give special attention in the coming year to improving effective and coordinated delivery of APEC's Ecotech and capacity building programmes, in accordance with the Manila Declaration.

We welcome Ministers' report on the APEC Food System proposed by the APEC Business Advisory Council, and endorse its recommendations on the development of rural infrastructure, dissemination of technological advances in food production and processing, and promotion of trade in food products. A robust regional food system that efficiently links food production, food processing and consumption, is a vital contribution to meeting the objectives of APEC. We instruct Ministers to implement the recommendations, taking into account ABAC's submission this year, and monitor annually progress towards achieving the APEC Food System.

We recognise the key role that electronic commerce will play in linking our economies. APEC must continue its efforts to create a favourable environment for e-commerce in cooperation with the private sector.

In a little over 100 days, APEC economies will face the challenges and risks of the century date change. Intense activities in economies and throughout the region have lessened risks but more cooperative planning must occur. We recognise that global interdependence means we must continue our efforts to prepare, accelerate cross-border contingency planning, and enhance transparency about readiness as a matter of the highest priority. We adopt the APEC Y2K 100 Days Cooperation Initiative to intensify cooperation for responding to potential Y2K events. We agree to share information and expertise about Y2K impacts on critical infrastructures during and after the date change.

### **APEC in the Global Economy**

APEC will continue to play a leadership role in strengthening the global economy, especially the multilateral trading system.

Strong financial systems are fundamental to achieving robust, open and growing economies. We welcome the report from our Finance Ministers on developments in strengthening the international finance architecture and are encouraged by the progress made. The establishment of the Financial Stability Forum and the new informal mechanism to enhance dialogue among the systematically important economies should advance cooperation on strengthening the international financial system. We support ongoing efforts to improve crisis prevention and crisis resolution, and urge prompt action to improve transparency of highly leveraged institutions. We also support the developing consensus on the need to ensure that reforms of the international financial system, and domestic financial markets, are mutually reinforcing. APEC's diverse membership provides a special contribution to discussions on domestic and international financial reforms. In respect of both the public and private sectors, APEC advocates:

- greater transparency and openness including improved reliability and timeliness of information
- clearer accountability for decisions and judgements

This year, APEC has a unique opportunity to give impetus to deliberations in the World Trade Organisation (WTO). We will give the strongest possible support at Seattle to the launch of a new Round of multilateral negotiations within the WTO, and endorse the positions adopted by Ministers. We recognise the need to build public confidence in this process and to improve coordination on trade related matters among relevant international organisations. We agree on the importance of ensuring full implementation of existing WTO agreements. We see continued growth in international trade and investment as the best means of achieving prosperity and security.

In particular, we agree that the new Round should:

- include comprehensive market access negotiations covering industrial tariffs in addition to the already mandated negotiations on services and agriculture

- lead to timely and effective improvements in market access to the benefit of all participating economies, particularly developing economies and, consistent with this objective, provide scope to review and strengthen rules and disciplines
- have a balanced and sufficiently broad-based agenda and be concluded within three years as a single package which does not preclude the possibility of early results on a provisional basis

We support, as one of the important objectives of the negotiations on agriculture, the abolition of agricultural export subsidies and unjustifiable export prohibitions and restrictions.

We call on all WTO members to join us at Seattle in a commitment not to impose new or more restrictive trade measures for the duration of the negotiations, as applied during the Uruguay Round. We pledge not to impose any such measures before the Seattle WTO Ministerial meeting.

Support for ongoing WTO negotiations will remain a key area of APEC's work throughout those negotiations. In particular we resolve to work actively in the negotiations to ensure that APEC and WTO are mutually reinforcing. To respond fully to the challenges and opportunities of today's interdependent world for the benefit of all our peoples and to avoid fragmentation of the international trading system, we need to ensure convergence between regional and multilateral liberalisation initiatives.

In order to achieve universality of membership, we also seek early progress in the accession negotiations to the WTO, including for those APEC economies that are not yet WTO members. We issue a strong call for these accession negotiations to be concluded at the earliest opportunity, if possible prior to commencement of the new WTO negotiations.

### **Participation in Prosperity**

As Leaders, we recognise our responsibilities to ensure full and successful participation by all of our populations in the modern economy. Technological change has irreversibly integrated global markets for goods and services, and finance. The effective development and application of knowledge will be a key driver of future economic success, and we pledge to ensure that APEC economies are to the forefront of building and sharing their expertise in this vital sector. Cooperation in such fields as e-education, science and technology and life-long skills development should be strengthened. Globalisation must become an opportunity for all.

We commit to ensuring that APEC takes a leading role in enabling developing economies to participate successfully in the global economy, through enhancing human and institutional capacities and progressively opening markets. We recognise that income and wealth disparities between and within economies can pose a challenge for social stability. Appropriate social safety nets play a role in facilitating economic and social adjustment. We welcome efforts by APEC economies, and other institutions, to address social safety net issues, and encourage further efforts to maintain employment and environmentally sustainable growth. In that regard, we welcome the outcomes of the Human Resources Development and Small and Medium Enterprises Ministerial Meetings. APEC economies will pursue enhanced dialogue and continue to seek policy approaches that encourage inclusion and economic advancement, as well as initiative and innovation.

We welcome the Framework for the Integration of Women in APEC, which is a significant step to enhance the ability of women to contribute to and benefit from prosperity of the region. We shall review implementation of the Framework when we next meet.

In 1999, we have enhanced opportunities for business, especially smaller enterprises, to make their views known in APEC. Those views are of keen interest to us. Further dialogue with the private sector, at all levels, is essential to maintain the dynamism and relevance of APEC. We also look to the private sector for support for reform.

Once again, we welcome the recommendations from the APEC Business Advisory Council, ABAC, and thank members of the Council for their contribution in areas such as capacity building, finance, food, e-commerce and air services. We instruct Ministers to take the ABAC recommendations into account during their work in 2000. We support implementation of the eight steps for more competitive air services, and the identification of further steps to liberalise air services in accordance with the Bogor Goals. Tourism and air services have a large contribution to make to development and community building in the region.

### **Conclusion**

As Leaders, we recognise that our role in APEC, as in our own economies, is to set the course which will allow for sustainable development and which will deliver a strong social dividend to our populations. We acknowledge that economic adjustments may be difficult, and that there is social cost which must be reduced. But we are united in our belief that the path to increased prosperity requires continual reform and adjustment of our policies and outlook. An open regional framework, within which competition and cooperation flourish, is the best means of building a prosperous future together. We embark on APEC's second decade confident that a deepening and enduring spirit of openness, partnership and community is being built. The challenge we collectively face is to maintain our momentum and deliver on our commitment. We accept the challenge.

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## ***APEC Principles to Enhance Competition and Regulatory Reform***

### **Open and Competitive Markets are the Key Drivers of Economic Efficiency and Consumer Welfare**

Recognising the strategic importance of developing competition principles to support the strengthening of markets to ensure and sustain growth in the region and that these principles provide a framework that links all aspects of economic policy that affect the functioning of markets;

Recognising that these principles are non-binding and will be implemented by each member economy voluntarily, consistent with the way APEC operates;

Recognising that the adoption of these principles for policy development needs to take account of, and encompass the diverse circumstances of economies in the region and the different priorities that arise from these circumstances;

Recognising that member economies will have flexibility to take into account their diverse



circumstances in implementing this framework;

Recognising that policy and regulation in APEC economies may properly have objectives other than promoting competition;

Recognising that exemptions and exceptions from a competition driven regulatory framework may be necessary and that these will be implemented in a way that minimises economic distortions, giving consideration to this framework;

Recognising that an improved competitive environment is beneficial to small and medium sized enterprises, and that extensive consultation has occurred with the business community in developing these principles; and

Drawing upon relevant inputs from various APEC fora and the Pacific Economic Cooperation Council's "*Principles for Guiding the Development of a Competition-Driven Policy Framework for APEC Economies*";

APEC endorses the following principles:

#### **Non Discrimination**

- i. Application of competition and regulatory principles in a manner that does not discriminate between or among economic entities in like circumstances, whether these entities are foreign or domestic.

#### **Comprehensiveness**

- ii. Broad application of competition and regulatory principles to economic activity including goods and services, and private and public business activities.
- iii. The recognition of the competition dimension of policy development and reform which affects the efficient functioning of markets.
- iv. The protection of the competitive process and the creation and maintenance of an environment for free and fair competition.
- v. The recognition that competitive markets require a good overall legal framework, clear property rights, and non discriminatory, efficient and effective enforcement.

#### **Transparency**

- vi. Transparency in policies and rules, and their implementation.

#### **Accountability**

- vii. Clear responsibility within domestic administrations for the implementation of the competition and efficiency dimension in the development of policies and rules, and their administration.

#### **Implementation**

To achieve this\* , APEC Member Economies will make efforts to:

1. Identify and/or review regulations and measures that impede the ability and opportunity of businesses (including SMEs) to compete on the basis of efficiency and innovation.

2. Ensure that measures to achieve desired objectives are adopted and/or maintained with the minimum distortion to competition.
3. Address anti-competitive behaviour by implementing competition policy to protect the competitive process.
4. Consider issues of timing and sequencing involved in introducing competition mechanisms and reform measures, taking into account the circumstances of individual economies.
5. Take practical steps to:
  - Promote consistent application of policies and rules;
  - Eliminate unnecessary rules and regulatory procedures; and
  - Improve the transparency of policy objectives and the way rules are administered.
6. Foster confidence and build capability in the application of competition and regulatory policy. This will be achieved, inter alia, by:
  - Promoting advocacy of competition policy and regulatory reform;
  - Building expertise in competition and regulatory authorities, the courts and the private sector; and
  - Adequately resourcing regulatory institutions, including competition institutions.
7. Provide economic and technical co-operation and assistance and build capability in developing economies by better utilising the accumulated APEC knowledge and expertise on competition policy and regulatory reform, including by developing closer links with non APEC sources of technical expertise.
8. Build on existing efforts in APEC to help specify approaches to regulatory reform and ensure that such approaches are consistent with these principles.
9. Develop programmes, including capacity building and technical assistance, to support the voluntary implementation of the approaches to regulatory reform developed by relevant APEC fora.
10. Develop effective means of co-operation between APEC economy regulatory agencies, including competition authorities, and ensure that these are adequately resourced.



## Leaders' Declaration - Blake Island

[ Initiatives from the Meeting ]

### APEC LEADERS ECONOMIC VISION STATEMENT Blake Island, Seattle November 20, 1993

We have held an unprecedented meeting of the economic leaders of the Asia-Pacific Economic Cooperation forum. In this post Cold War era, we have an opportunity to build a new economic foundation for the Asia Pacific that harnesses the energy of our diverse economies, strengthens cooperation and promotes prosperity.

Our meeting reflects the emergence of a new voice for the Asia Pacific in world affairs. As we prepare to enter the twenty-first century, we believe our dynamic region, representing forty percent of the world's population and fifty percent of its GNP, will play an important role in the global economy, leading the way in economic growth and trade expansion.

The foundation of our economic growth has been the open multilateral trading system. Therefore, we pledge our utmost efforts to bring the Uruguay Round to a successful conclusion by December 15. We are determined the Asia Pacific region will lead the way in taking concrete steps to produce the strongest possible outcome in Geneva. Increased participation by APEC economies in a strengthened GATT system also will facilitate greater regional cooperation.

Our success has been the result of the ability of our societies to adapt to changing circumstances. Our economies are moving toward interdependence and there is a growing sense of community among us. We are united in our commitment to create a stable and prosperous future for our people.

Recognizing our economic interdependence as well as our economic diversity, we envision a community of Asia Pacific economies in which:

The spirit of openness and partnership deepens, enabling us to find cooperative solutions to the challenges of our rapidly changing regional and global economy;

We are a vast Asia Pacific market of two billion people where dynamic economic growth continues, contributing to an expanding world economy and supporting an open international trading system;

We continue to reduce trade and investment barriers so that our trade expands within the region and with the world and goods, services, capital and investment flow freely among our economies;

Our people share the benefits of economic growth through higher incomes, high skilled and high paying jobs and increased mobility;

Improved education and training produce rising literacy rates, provide the skills for maintaining economic growth and encourage the sharing of ideas that contribute to the arts and sciences;

Advances in telecommunications and transportation shrink time and distance barriers in our region and link our economies so that goods and people move quickly and efficiently;

Our environment is improved as we protect the quality of our air, water and green spaces and manage our energy sources and renewable resources to ensure sustainable growth and provide a more secure future for our people.

We recognize this vision will become a reality only if we work together actively to secure it. We are convinced we can succeed. We intend to use our shared vision as a guide for developing the future of our region.

We reaffirm our support for the continued development of APEC as a forum dedicated to producing tangible economic benefits to the region. We urge APEC to expand its economic dialogue and advance its specific work projects. The entrepreneurial spirit and market-oriented policies that have driven our economic dynamism will continue to be fostered within APEC.

We welcome the challenge presented to us in the report of the APEC Eminent Persons Group to achieve free trade in the Asia Pacific, advance global trade liberalization and launch concrete programs to move us toward those long-term goals. We ask APEC to undertake work aimed at deepening and broadening the outcome of the Uruguay Round, strengthening trade and investment liberalization in the region, and facilitating regional cooperation, including in such areas as standards.

We agree to convene a meeting of APEC Finance Ministers to consult on broad economic issues including macroeconomic developments and capital flows. We believe such discussions will help us address some of the challenges facing the region, including ensuring non-inflationary regional growth, financing investment and infrastructure development, and promoting capital market development.

We ask business leaders to establish a Pacific Business Forum to identify issues APEC should address to facilitate regional trade and investment and encourage the further development of business networks throughout the region. We also ask APEC to strengthen its policy dialogue on small and medium size business enterprises.

We agree to make an investment in our future generations by establishing an APEC Education Program to develop regional cooperation in higher education, study key regional economic issues, improve worker skills, facilitate cultural and intellectual exchanges, enhance labor mobility and foster understanding of the diversity of our region. We agree to establish an APEC Business Volunteer Program to promote cooperation among us in the areas of human resource development and the exchange of management skills and techniques.

As members of APEC, we are committed to deepening our spirit of community based on our shared vision of achieving stability, security and prosperity for our peoples.

**APEC Economic Leaders**  
**Seattle, Washington**  
**November 20, 1993**

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## **APEC LEADERS MEETING**

**20 November 1993**

### **INITIATIVES**

*Finance Ministers meeting* - convene a meeting of APEC finance ministers to discuss broad economic issues including macroeconomic developments and capital flows.

*Pacific Business Forum* - establish a forum comprised of two private sector representatives (including one representing small and medium business) from each APEC member to identify issues APEC should address to facilitate trade and investment in the region. The forum should present its report in 1994.

*APEC Education Program* - establish an APEC program to develop regional cooperation in higher education.

*APEC Business Volunteer Program* - establish a volunteer exchange program to promote human resource development.

*Small and Medium Business Enterprise Ministers Meeting* - convene a meeting of APEC ministers involved with small and medium business enterprises to discuss ways to improve the environment for the operation of these enterprises.

*Investment Code* - develop a non-binding code of principles covering investment issues.

*Energy, Environment and Economic Growth* - develop APEC's policy dialogue and action plan for conserving energy, improving the environment and sustaining economic growth.

*Technology Transfer Exchange Center* - establish a center to facilitate the exchange of technology and technology management skills among APEC members.



## Leaders' Declaration - Bogor

### APEC ECONOMIC LEADERS' DECLARATION OF COMMON RESOLVE Bogor, Indonesia November 15, 1994

1. We, the economic leaders of APEC, came together at Bogor, Indonesia today to chart the future course of our economic cooperation which will enhance the prospects of an accelerated, balanced and equitable economic growth not only in the Asia-Pacific region, but throughout the world as well.

2. A year ago on Blake Island in Seattle, USA, we recognized that our diverse economies are becoming more interdependent and are moving toward a community of Asia-Pacific economies. We have issued a vision statement in which we pledged:

- to find cooperative solutions to the challenges of our rapidly changing regional and global economy;
- to support an expanding world economy and an open multilateral trading system;
- to continue to reduce barriers to trade and investment to enable goods, services and capital to flow freely among our economies;
- to ensure that our people share the benefits of economic growth, improve education and training, link our economies through advances in telecommunications and transportation, and use our resources sustainably.

3. We set our vision for the community of Asia-Pacific economies based on a recognition of the growing interdependence of our economically diverse region, which comprises developed, newly industrializing and developing economies. The Asia-Pacific industrialized economies will provide opportunities for developing economies to increase further their economic growth and their level of development. At the same time developing economies will strive to maintain high growth rates with the aim of attaining the level of prosperity now enjoyed by the newly industrializing economies. The approach will be coherent and comprehensive, embracing the three pillars of sustainable growth, equitable development and national stability. The narrowing gap in the stages of development among the Asia-Pacific economies will benefit all members and promote the attainment of Asia-Pacific economic progress as a whole.

4. As we approach the twenty-first century, APEC needs to reinforce economic cooperation in the Asia-Pacific region on the basis on equal partnership, shared responsibility, mutual respect, common interest, and common benefit, with the objective of APEC leading the way in:

- strengthening the open multilateral trading system;
- enhancing trade and investment liberalization in the Asia-Pacific; and
- intensifying Asia-Pacific development cooperation.

5. As the foundation of our market-driven economic growth has been the open multilateral trading system, it is fitting that APEC builds on the momentum generated by the outcome of the Uruguay Round of Multilateral Trade Negotiations and takes the lead in strengthening the open multilateral trading system.

We are pleased to note the significant contribution APEC made in bringing about a successful

conclusion of the Uruguay Round. We agree to carry out our Uruguay Round commitments fully and without delay and call on all participants in the Uruguay Round to do the same.

To strengthen the open multilateral trading system we decide to accelerate the implementation of our Uruguay Round commitments and to undertake work aimed at deepening and broadening the outcome of the Uruguay Round. We also commit ourselves to our continuing process of unilateral trade and investment liberalization. As evidence of our commitment to the open multilateral trading system we further agree to a standstill under which we will endeavor to refrain from using measures which would have the effect of increasing levels of protection.

We call for the successful launching of the World Trade Organization (WTO). Full and active participation in and support of the WTO by all APEC economies is key to our ability to lead the way in strengthening the multilateral trading system. We call on all non-APEC members of the WTO to work together with APEC economies toward further multilateral liberalization.

6. With respect to our objective of enhancing trade and investment in the Asia-Pacific, we agree to adopt the long-term goal of free and open trade and investment in the Asia-Pacific. This goal will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among our economies. We will achieve this goal in a GATT-consistent manner and believe our actions will be a powerful impetus for further liberalization at the multilateral level to which we remain fully committed.

We further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. The pace of implementation will take into account differing levels of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020.

We wish to emphasize our strong opposition to the creation of an inward-looking trading bloc that would divert from the pursuit of global free trade. We are determined to pursue free and open trade and investment in the Asia-Pacific in a manner that will encourage and strengthen trade and investment liberalization in the world as a whole. Thus, the outcome of trade and investment liberalization in the Asia-Pacific will not only be the actual reduction of barriers among APEC economies but also between APEC economies and non-APEC economies. In this respect we will give particular attention to our trade with non-APEC developing countries to ensure that they will also benefit from our trade and investment liberalization, in conformity with GATT/WTO provisions.

7. To complement and support this substantial process of liberalization, we decide to expand and accelerate APEC'S trade and investment facilitation programs. This will promote further the flow of goods, services, and capital among APEC economies by eliminating administrative and other impediments to trade and investment.

We emphasize the importance of trade facilitation because trade liberalization efforts alone are insufficient to generate trade expansion. Efforts at facilitating trade are important if the benefits of trade are to be truly enjoyed by both business and consumers. Trade facilitation has also a pertinent role in furthering our goal of achieving the fullest liberalization within the global context.

In particular we ask our ministers and officials to submit proposals on APEC arrangements on customs, standards, investment principles and administrative barriers to market access.

To facilitate regional investment flows and to strengthen APEC's dialogue on economic policy issues, we agree to continue the valuable consultations on economic growth strategies, regional capital flows and other macro-economic issues.

8. Our objective to intensify development cooperation among the community of Asia-Pacific economies will enable us to develop more effectively the human and natural resources of the

Asia-Pacific region so as to attain sustainable growth and equitable development of APEC economies, while reducing economic disparities among them, and improving the economic and social well-being of our people. Such efforts will also facilitate the growth of trade and investment in the Asia-Pacific region.

Cooperative programs in this area cover expanded human resource development (such as education and training and especially improving management and technical skills), the development of APEC study centers, cooperation in science and technology (including technology transfer), measures aimed at promoting small and medium scale enterprises and steps to improve economic infrastructure, such as energy, transportation, information, telecommunications and tourism, with the aim of contributing to sustainable development.

Economic growth and development of the Asia-Pacific region has mainly been market-driven, based on the growing interlinkages between our business sectors in the region to support Asia-Pacific economic cooperation. Recognizing the role of the business sector in economic development, we agree to integrate the business sector in our programs and to create an ongoing mechanism for that purpose.

9. In order to facilitate and accelerate our cooperation, we agree that APEC economies that are ready to initiate and implement a cooperative arrangement may proceed to do so while those that are not yet ready to participate may join at a later date.

Trade and other economic disputes among APEC economies have negative implications for the implementation of agreed cooperative arrangements as well as for the spirit of cooperating. To assist in resolving such disputes and in avoiding its recurrent, we agree to examine the possibility of a voluntary consultative dispute mediation service, to supplement the WTO dispute settlement mechanism, which should continue to be the primary channel for resolving disputes.

10. Our goal is an ambitious one. But we are determined to demonstrate APEC's leadership in fostering further global trade and investment liberalization. Our goal entails a multiple year effort. We will start our concerted liberalization process from the very date of this statement.

We direct our ministers and officials to immediately begin preparing detailed proposals for implementing our present decisions. The proposals are to be submitted soon to the APEC economic leaders for their consideration and subsequent decisions. Such proposals should also address all impediments to achieving our goal. We ask ministers and officials to give serious consideration in their deliberations to the important recommendations contained in the reports of the Eminent Persons Group and the Pacific Business Forum.

11. We express our appreciation for the important and thoughtful recommendations contained in the reports of the Eminent Persons Groups and the Pacific Business Forum. The reports will be used as valuable points of reference in formulating policies in the cooperative framework of the community of Asia-Pacific economies. We agree to ask the two groups to continue with their activities to provide the APEC economic leaders with assessments of the progress of APEC and further recommendations for stepping up our cooperation.

We also ask the Eminent Persons Group and the Pacific Business Forum to review the interrelationships between APEC and the existing sub-regional arrangements (AFTA, ANZERTA and NAFTA) and to examine possible options to prevent obstacles to each other and to promote consistency in their relations.

**APEC Economic Leaders  
Bogor, Indonesia  
November 15, 1994**





## Leaders' Declaration - Osaka

### APEC ECONOMIC LEADERS' DECLARATION OF COMMON RESOLVE Osaka, Japan November 19, 1995

1. We have gathered in Osaka to further advance the Asia-Pacific economic dynamism and sense of community. The Asia-Pacific is experiencing the most striking economic growth in the world and ever-increasing interdependence. It is a major contributor to global prosperity and stability.

We believe our economic reforms based on market-oriented mechanisms have unleashed our peoples' creativity and energy and enhanced the prosperity and living standards of our citizens in the region and the world as a whole. In the current climate in our vast and diverse Asia-Pacific region, APEC presents us with a golden opportunity for the 21st century. Through APEC we can harness, coordinate, and channel dynamic economic trends to our collective advantage.

2. At Blake Island we established the vision of a community of Asia-Pacific economies, and at Bogor we set a number of specific goals and objectives, including:

- free and open trade and investment in the Asia-Pacific no later than 2010 in the case of industrialized economies and 2020 in the case of developing economies,
- expansion and acceleration of trade and investment facilitation programs, and
- intensified development cooperation to attain sustainable growth, equitable development, and national stability.

We have, with Osaka, entered the action phase in translating this vision and these goals into reality. Today we adopt the Osaka Action Agenda, the embodiment of our political will, to carry through our commitment at Bogor. We will implement the Action Agenda with unwavering resolve.

3. The Osaka Action Agenda is the template for future APEC work toward our common goals. It represents the three pillars of trade and investment liberalization, their facilitation, and economic and technical cooperation. Achieving sustained economic development throughout the APEC region depends on pursuing actions in each of these areas vigorously.

Reflecting the diverse character of APEC and the broad scope of our activities, we will achieve the long-term goal of free and open trade and investment in several ways. We will:

- encourage and concert the evolving efforts of voluntary liberalization in the region,
- take collective actions to advance our liberalization and facilitation objectives, and
- stimulate and contribute to further momentum for global liberalization.

4. We emphasize our resolute opposition to an inward-looking trading bloc that would divert from the pursuit of global free trade, and we commit ourselves to firmly maintaining open regional cooperation. We reaffirm our determination to see APEC take the lead in strengthening the open multilateral trading system. We trust that enlarged participation by APEC economies in the WTO would facilitate greater regional cooperation. We will explore joint initiatives under the WTO, including preparations for the Ministerial Meeting in Singapore. Ensuring that APEC remains consistent with the WTO Agreement, we will achieve trade and investment liberalization steadily

and progressively.

Desiring that trade and economic tensions among APEC economies be resolved in a non-confrontational manner, we are committed to finding ways of ameliorating trade friction. We agree on the desirability of an APEC dispute mediation service, without prejudice to rights and obligations under the WTO Agreement and other international agreements.

5. In the Action Agenda we have agreed to a set of fundamental principles to guide the achievement of our liberalization and facilitation: comprehensiveness; WTO consistency; comparability; non-discrimination; transparency; standstill; simultaneous start, continuous process, and differentiated time tables; flexibility; and cooperation. We direct our ministers and officials to immediately begin the preparation of concrete and substantive Action Plans to be submitted to the 1996 Ministerial Meeting in the Philippines for assessment. Overall implementation of the Action Plans will begin in January 1997 and will be reviewed annually.

To assist in this process, we instruct our ministers and officials to engage in consultation in a collective effort of a confidence-building nature to facilitate exchanges of information, to ensure transparency, and to contribute toward attaining the comparability of respective Action Plans.

The Action Agenda may be revised and improved as necessary in response to changing circumstances. While we have chosen the unique approach of concerted liberalization grounded in voluntarism and collective initiatives by the member economies as the key means for implementing the Action Agenda, its success hinges upon our own continuing efforts, strong self-discipline, and close consultation.

6. Governed by the Osaka Action Agenda's principles of mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership, and consensus building, we will promote action-oriented economic and technical cooperation in a wide range of areas. With the Action Agenda, APEC has gained renewed momentum and broader perspective for economic and technical cooperation.

Economic and technical cooperation implemented through various means including Partners for Progress serves to promote trade and investment liberalization and facilitation, to narrow the disparities within the region, and to achieve growth and prosperity for the region as a whole. We will thus work through policy dialogue and joint activities to broaden and deepen intra-regional cooperation in all areas of our interest. At the ministerial level, valuable consultations have been held on macroeconomic, financial, exchange rate, and other policies regarding capital flows, capital market development, and infrastructure financing. We also commend the valuable contribution at the ministerial level in such fields as telecommunications and information industry, transportation, small and medium enterprises, and science and technology. We hope that they will continue their good efforts.

7. We are pleased to announce that each of us has brought a package of initial actions demonstrating our firm commitment to achieving liberalization and facilitation. These voluntary actions will spur and inspire APEC liberalization. They also represent the first wide-ranging initiatives to accelerate the implementation of our Uruguay Round commitments and to deepen and broaden the outcome of the Uruguay Round through, for example, acceleration of tariff reductions, early implementation of WTO agreements, and pursuance of deregulation. Together with these measures, our collective actions including harmonizing and enhancing the efficiency of customs procedures and promoting mutual recognition and improving conformity assessment capabilities will yield immediate and tangible benefits for business. We urge non-APEC economies to follow suit and help advance global trade and investment liberalization.

8. The Eminent Persons Group and the Pacific Business Forum have made important contributions to the formulation of the Osaka Action Agenda. Highly appreciative of the dedication and wisdom of the people who took part in the process, we congratulate them on the successful completion of their task.

Recognizing that business is the source of vitality for the Asia-Pacific and the driving force for regional economic development, we will appoint the members of the APEC Business Advisory Council to provide insights and counsel for our APEC activities.

9. Our ambitious attempt to promote wide-ranging regional cooperation and foster the spirit of community in the Asia-Pacific will doubtless encounter numerous new challenges and incur new responsibilities despite, or perhaps because of, our economic growth. The Asia-Pacific region's fast-expanding population and rapid economic growth are forecast to sharply increase the demand for food and energy and the pressures on the environment. We are agreed on the need to put these inter-related, wide-ranging issues on our long-term agenda and consult further on ways to initiate joint action so as to ensure the region's economic prosperity is sustainable.

Through our actions, we affirm the vital importance of expanding and strengthening the shared interests which are the foundation of APEC and of forging relationships of trust among our peoples. We pledge to go forward together to meet the challenges ahead.



## Leaders' Declaration - Subic

### APEC ECONOMIC LEADERS DECLARATION: FROM VISION TO ACTION

**Subic, The Philippines  
November 25, 1996**

1. We, the Economic Leaders of the Asia-Pacific Economic Cooperation forum, met today in Subic, the Philippines, for our fourth annual meeting. Our collective achievements of sustained economic growth, increased employment, and regional stability are the result of our shared commitment to growth-oriented policies, the broadest participation in the regional and global economy, and an environment of stability and security. We came to Subic to strengthen this commitment and to reaffirm that the ultimate objective of our individual and collective endeavors is to enrich the lives and to improve the standards of living of all our citizens on a substantial basis.

2. At Blake Island three years ago, we committed ourselves to "deepening our spirit of community based on our shared vision of achieving stability, security and prosperity for our peoples". In Bogor a year after, we began the process of realizing this vision by committing ourselves to the goals of free and open trade and investment in the region. Last year in Osaka, we agreed on the framework of our future work to reach our common goals built through trade and investment liberalization, trade and investment facilitation, and economic and technical cooperation.

3. Today in Subic, we have deepened the spirit of community in the Asia-Pacific region and have affirmed our commitment to sustainable growth and equitable development.

4. We have:

- launched the implementation phase of our free and open trade and investment agenda,
- delivered business facilitation measures,
- agreed to advance common goals in the World Trade Organization,
- developed ways to strengthen economic and technical cooperation, and
- engaged the business sector as a full partner in the APEC process.

#### **Manila Action Plan for APEC**

5. We have brought to Subic our individual and collective initiatives in fulfillment of our voluntary commitment to implement the Osaka Action Agenda. We shall implement these initiatives, presented as the Manila Action Plan for APEC (MAPA), beginning 1 January 1997:

6. MAPA contains the first steps of an evolutionary process of progressive and comprehensive trade and investment liberalization toward achieving our Bogor goals by 2010/2020, in accordance with the Osaka Agenda. We are determined to sustain the dynamism of our plans through a continuous process of review and consultations. We are committed to build on MAPA, and to improve our individual action plans, including their comparability and comprehensiveness.

7. To this end, we welcome the decision of ministers to meet in 1997 to review the individual action plans, taking into account the views of the private sector. We ask that they report the results to us when we meet next year.

8. We further instruct our ministers to identify sectors where early voluntary liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit to us their recommendations on how this can be achieved.

9. We also commend to our citizens the results of APEC's work on collective actions which are the first harvest of seeds sown at Bogor and Osaka and which will facilitate the conduct of business in and between APEC economies, increasing competitiveness and reducing transaction costs. This year, we have made our tariff regimes more transparent. WE have agreed to harmonize our tariff nomenclature by the end of this year and our customs clearance procedures by 1998. WE have agreed to align our national standards with international standards and to recognize each other's national standards.

10. We direct our ministers to intensify work in 1997 on simplification of customs clearance procedures, effective implementation of intellectual property rights commitments, harmonization of customs valuation, facilitation of comprehensive trade in services, and enhancing the environment for investments.

### **Multilateral Trading System**

11. We reaffirm the primacy of an open, multilateral trading system based on the WTO. We consider it essential that regional and multilateral trade and investment should support and reinforce each other. We applaud the efforts of APEC members which extend to all economies the benefits derived from sub-regional arrangements. We are determined that the far reaching liberalization measures to which we have voluntarily committed ourselves in APEC, and the significant opening already underway in all our economies, will serve as a catalyst for further liberalization of the multilateral trading system. We call on WTO members to build on the process of progressive liberalization and enhanced transparency which we have initiated in APEC.

12. We affirm our determination to ensure that the first WTO Ministerial Conference, which is being held in an APEC member economy, generates the dynamism and purpose necessary for strengthening the multilateral rules-based Uruguay Round commitments by each WTO member. We urge all members to make determined efforts to complete outstanding negotiations in the telecommunications and financial services sectors, and to establish a substantive and balanced program of further work that will move WTO forward.

13. We endorse initiatives for freer and non-discriminatory trade in goods and services. Recognizing the importance of information technology in the 21st century, APEC Leaders call for the conclusion of an information technology agreement by the WTO Ministerial Conference that would substantially eliminate tariffs by the year 2000, recognizing need for flexibility as negotiations in Geneva proceed.

14. We encourage the acceleration of substantive negotiations on protocol issues and market access with a view to achieving universality of WTO membership.

### **Economic and Technical Cooperation**

15. We recognize that our vision of community can be strengthened only if our efforts benefit all citizens. As an essential complement to our trade and investment liberalization agenda, economic and technical cooperation helps APEC members to participate more fully in and benefit from an open global trading environment, thus ensuring that liberalized trade contributes to sustainable growth and equitable development and to a reduction in economic disparities.

16. This year, we have advanced our work on economic and technical cooperation significantly. To give it further impetus, we endorse the declaration of a framework of principles for economic cooperation and development in APEC adopted by ministers. We instruct our ministers to apply

these principles to the activities of relevant APEC fora, giving a human face to development and thereby assigning high priority to the following themes: developing human capital; fostering safe, efficient capital markets; strengthening economic infrastructure; harnessing technologies of the future; promoting environmentally sustainable growth; and encouraging the growth of small and medium enterprises.

17. The implementation of our economic cooperation agenda is based on a genuine partnership to which all APEC economies contribute. We direct our ministers, working in partnership with the private sector, to identify ways to encourage such participation by all APEC economies. In addition, we ask that they put special emphasis on the full participation of women and the youth.

18. Promoting rapid economic growth that ensures a healthy environment and improves the quality of life of our citizens is a fundamental challenge. In this regard, we welcome the work undertaken in various APEC fora, including the Meeting of Ministers in charge of Human Resources Development, Small and Medium Enterprises, Industrial Science and Technology, Telecommunications, Energy, and Sustainable Development.

19. We direct ministers, in coordination with the private sector, to develop specific initiatives to implement an initial work program for sustainable development in APEC that includes the themes of the sustainability of the marine environment, clean technology and clean production, and sustainable cities. We call on ministers to intensify work on sustainable growth and to report on their progress at our meeting in Vancouver in 1997. We note the work already underway on the interrelated issues of food, energy, environment, economic growth, and population. We agree to push for further progress on these important issues, in light of the various international fora being convened next year to address these issues.

20. We endorse the findings of our finance ministers, reaffirming the importance of sound macroeconomic policies in maintaining stable capital flows and exchange rates, accelerating the development of domestic financial and capital markets in the region, and stimulating private sector participation in infrastructure development. We call on them to pursue concrete and practical measures to achieve these objectives.

21. Lack of infrastructure severely contains sustained growth. Since public finance cannot fully meet the enormous requirements of the region, private sector investment must be mobilized. Providing the appropriate financial, economic, commercial and regulatory environment is the key to stimulating such investments. We direct the relevant ministers to work together with private sector representatives and with national/international financial institutions, including export credit agencies, and develop a framework for this purpose.

### **Role of the Business Sector**

22. We affirm the central role of the business sector in the APEC process. This year, the APEC Business Advisory Council (ABAC) was organized and convened at our request. We thank ABAC for its valuable work and ask our ministers to work closely with the business sector next year to examine ways of implementing ABAC recommendations.

23. We ask in particular that they consider ABAC's call to facilitate the movement of business people, enhance investment flows, strengthen investment protection in terms of transparency, predictability, arbitration and enforcement of contracts, align professional standards in the region, involve the private sector in infrastructure planning, develop policies supportive of small and medium enterprises, and encourage greater business sector participation in economic and technical cooperation.

24. We welcome the opportunity to dialogue with the business sector and note with appreciation the Philippine initiative to convene the APEC Business Forum.

### **A Shared Vision**

25. We recognize that the strength of APEC is derived from its diversity and that we are bound by a shared vision of community. Thus, deepening the spirit of community in accordance with the APEC approach is critical in exerting a positive influence on the region and on the world. This vision of community requires that all sectors of society develop a stake in the success of APEC. We therefore commit ourselves to foster greater public-private sector partnership in APEC. We also place great value on promoting more people-to-people linkages, particularly those in education and business.

26. Finally, we express full confidence that the APEC process will produce substantial, concrete, measurable and sustainable results which will tangibly improve the lives of all our citizens by the turn of the century.



## Leaders' Declaration - Vancouver

### APEC ECONOMIC LEADERS DECLARATION: CONNECTING THE APEC COMMUNITY Vancouver, Canada November 25, 1997

1. We, APEC's Economic Leaders, met today in Vancouver, Canada, to reaffirm our commitment to work together to meet the challenge of sustaining regional prosperity and stability. Certain of the dynamism and resilience of the region, we underline our resolve to achieve sustainable growth and equitable development and to unlock the full potential of the people who live here. We agree that the prospects for economic growth in the region are strong, and that Asia-Pacific will continue to play a leading role in the global economy. The goals we have set, including the achievement of free and open trade and investment in the region by the dates set out in the Bogor Declaration, are ambitious and unequivocal.

2. We take note of the rapid expansion of APEC's activities in recent years, and the increasing leadership role it plays in global economic affairs. Flowing from commitments embodied in the Osaka Action Agenda and the Manila Action Plan for APEC, we welcome the designation of 1997 as APEC's Year of Action. We have reflected on the concrete results that APEC cooperation has generated throughout the year, and set out a vision of how we may build upon these achievements in the years ahead. As the year draws to a close, we note with satisfaction that we have met and surpassed all the tasks we set for ourselves at our last meeting in Subic.

3. APEC -- Addressing shared challenges: We have had a thorough discussion of recent financial developments in the region. Our economies and the international community as a whole have a strong interest in seeing a quick and enduring restoration of financial stability and healthy and sustainable growth. These events reflect new challenges in the international financial system that require new responses. The global dimensions of these problems suggest the need for a global response, with regional initiatives to complement and support these efforts. We are resolved to work together to address these shared challenges.

There is no doubt that the fundamentals for long-term growth and prospects for the region are exceptionally strong. We remain convinced that open markets bring significant benefits and we will continue to pursue trade and investment liberalization that fosters further growth. Prudent and transparent policies, particularly sound macroeconomic and structural policies, human resource development strategies, and effective financial sector regulation are key to restoring financial stability and realizing this growth potential.

But we need to go further. We believe it is critically important that we move quickly to enhance the capacity of the international system to prevent or, if necessary, to respond to financial crises of this kind. On a global level, the role of the IMF remains central. Therefore, we welcome and strongly endorse the framework agreed to in Manila as a constructive step to enhance cooperation to promote financial stability: enhanced regional surveillance; intensified economic and technical cooperation to improve domestic financial systems and regulatory capacities; adoption of new IMF mechanisms on appropriate terms in support of strong adjustment programs; and a cooperative financing arrangement to supplement, when necessary, IMF resources. We urge rapid implementation of the Manila Framework. We also look forward to the conclusions of the IMF study already underway on the role of market participants in the recent crises.



We recognize that as the region's most comprehensive economic forum, APEC is particularly well suited to play a pivotal role in fostering the kind of dialogue and cooperation on a range of policies and develop initiatives to support and supplement these efforts. We ask our Finance Ministers, working closely with their Central Bank colleagues, to accelerate their work launched in Cebu in April on the collaborative initiatives to promote the development of our financial and capital markets, and to support freer and stable capital flows in the region. APEC can play a particularly valuable role in exploring ways, in cooperation with the World Bank, the IMF, and the Asian Development Bank, of intensifying its economic and technical cooperation, giving priority to upgrading financial systems, enhancing cooperation among market regulators and supervisors and other measures to help improve the integrity and functioning of financial markets. A good example of private-public partnership in these areas is the recently-announced Toronto Centre for Executive Development of Financial Sector Supervisors.

We look to our Finance Ministers to report on progress on all of these initiatives early in the new year and to concrete outcomes at their next meeting.

4. APEC must play an increasing role in addressing such challenges. We are resolved to work together to achieve concrete results through dialogue and problem-solving. Recognizing the diverse interests and circumstances of its membership, APEC has given rise to entirely new approaches to international economic cooperation. Based on three mutually supportive pillars -- trade and investment liberalization, business facilitation, and economic and technical cooperation -- the APEC approach addresses regional challenges and opportunities in an integrated fashion so that all members develop the capacity to participate fully in and benefit from this cooperation. By connecting the community APEC has helped us to build relationships and share knowledge to improve the well-being of our citizens. These partnerships enhance our prosperity and progress, enrich our lives and foster the spirit of the APEC community.

#### **A Year of Action -- Key Results**

5. We welcome the concrete results achieved this year in implementing the trade and investment liberalization commitments we set out at Subic Bay. We recognize efforts made by members to improve the commitments in their Individual Action Plans. APEC's collective achievement in enhancing the comparability and transparency of these plans is important in ensuring that our undertakings are well understood in the marketplace. The views of the private sector are critical to ensuring that APEC's efforts remain focused and on target. In this regard, we welcome the review of the Manila Action Plan for APEC which was carried out by the APEC Business Advisory Council, and instruct our ministers to take ABAC's views into consideration in the preparation of future plans. As Individual Action Plans remain the core mechanism for APEC's trade and investment liberalization activity, we reaffirm our commitment to their annual improvement.

6. APEC's liberalization proceeds on a voluntary basis, propelled by commitments taken at the highest level. In this regard, we welcome the action taken to accelerate by two years the time table for the identification of sectors for early voluntary liberalization, a decision that underlines our determination to advance the pace of liberalization in the region and globally. We endorse the agreement of our Ministers that action should be taken with respect to early voluntary liberalization in 15 sectors, with nine to be advanced throughout 1998 with a view to implementation beginning in 1999. We find this package to be mutually beneficial and to represent a balance of interests. We instruct Ministers responsible for trade to finalize detailed targets and timelines by their next meeting in June 1998. To sustain this momentum, we further instruct that the additional sectors nominated by members this year to be brought forward for consideration of additional action next year. We underline our commitment to comprehensive liberalization, as stated in the Osaka Action Agenda.

7. Among multilateral and regional fora, APEC is a pioneer in the area of trade and investment

facilitation. Our business community tells us that this is the area of APEC activity of most immediate relevance to them. Lowering costs, eliminating red-tape and delay, promoting regulatory reform, developing mutual recognition arrangements on standards and conformance, and increasing predictability are clear benefits, especially to operators of small and medium-sized enterprises. The Blueprint for APEC Customs Modernization, which puts forward a comprehensive program to harmonize and simplify customs clearances by the year 2000, provides a model. We urge the acceleration of trade and investment facilitation through APEC's Collective Action Plans and direct Ministers to use APEC's economic and technical cooperation activities to build capacity, adapt procedures and incorporate new technologies.

8. On the eve of the 50th anniversary of the GATT we reflected on the rich legacy it has conferred through the encouragement of open trade regimes. We reaffirm the primacy of the open, rules-based multilateral trading system under the WTO and reiterate our commitment to APEC's activity proceeding on the basis of open regionalism. We invite trading partners outside APEC to follow suit.

Full and active participation in and support of the WTO by all APEC economies is key to our ability to continue to strengthen the global trading system. We encourage the acceleration of substantive negotiations on protocol issues and market access with a view to achieving universality of WTO membership. We reaffirm our undertaking to implement fully all existing WTO commitments and the built-in agenda of the WTO according to agreed timetables. We also challenge the WTO to build on APEC's efforts towards further broad-based multilateral liberalization. We note with pleasure the leadership that APEC has demonstrated in advancing in the WTO the conclusion of Agreements on Information Technology and Basic Telecommunications. We undertake to work in a determined fashion to achieve a successful conclusion to WTO negotiations on financial services by the agreed deadline of December 12, 1997. As agreed by our finance and trade Ministers, a successful conclusion would include an MFN agreement based on significantly improved commitments. This result will enhance competition within our financial systems, foster development of regional capital markets, promote financial integration, improve the regional capacity to intermediate savings and strengthen our economies' resilience in the face of external shocks.

9. We are pleased with the progress that has been made in implementing the 1996 Framework for Strengthening Economic Cooperation and Development in APEC, and call on Ministers and officials to focus on addressing the key challenges identified therein. We direct Ministers to give all elements of the Framework equal weight and attention, and to be mindful of its indivisibility as an integrated set of objectives requiring coordination and communication across the APEC agenda. We applaud the effort in 1997 to apply this Framework approach to APEC's work on two key challenges in the region -- infrastructure and sustainable development. We direct Ministers to focus further efforts on capacity-building in 1998 through work on developing human resources and harnessing technologies of the future to enable all members of the APEC community to benefit more fully from trade liberalization.

10. Meetings of Ministers responsible for finance and trade provided early impetus for APEC's work in 1997. We commend their activities as a direct contribution to our goal for sustainable growth and equitable development. We are also gratified by the substantial contributions that Ministers responsible for environment, transportation, energy, small and medium-sized enterprises, and human resource development have made in 1997 to APEC's work. We welcome the progress of APEC fora in involving business, academics and other experts, women and youth in 1997 activities, and encourage them to continue these efforts.

11. APEC members share a belief in the contribution of free markets to achieving our growth and employment objectives. While they have a clear role in managing the impacts of economic transition, governments alone cannot solve the complex questions posed by our interconnected world. We are pleased to note a leap in business involvement in all levels of APEC activity this year. As Leaders, we have profited from our dialogue with the APEC Business Advisory Council. We commend their initiative in increasing their exchanges with Ministers and Senior Officials. We

will reflect on recommendations set out in ABAC's 1997 Call to Action. We also welcome ABAC's intention to establish a Partnership for Equitable Growth, and express appreciation for recommendations on diverse and important issues such as standards, business mobility and capital market development. We stress the need for APEC to broaden its outreach to a wider segment of the business community.

Noteworthy in 1997 has been the wealth of APEC activities and initiatives in support of small and medium-sized enterprises (SMEs). Although ours is a region of traders, many SMEs encounter obstacles to their full participation. We stress the importance of strengthening our SME sectors, to allow them to take advantage of linkages into regional trade and investment opportunities by promoting a business environment that stimulates creation of new enterprises. We commend the fact that many specialized APEC fora have developed programs to address the needs of SMEs. We take note of the priorities and approaches set out in APEC's 1997 Framework for SMEs, and instruct Ministers to ensure they are applied.

### A Vision for the 21st Century

12. Connecting APEC's instruments -- Intense growth in the economies of Asia-Pacific over the past decade has had far reaching impacts on our societies. Growth and employment, as well as improved incomes and quality of life, are welcome benefits. In all of our societies these positive outcomes have been accompanied by structural and environmental pressures. Globalization has emerged as a reality. Rapid urbanization and advances in information technology are transforming our cityscapes, as well as the way in which we interact. Our ability to adapt to new developments will determine our success in achieving sustainable and equitable development among and within societies in the region. We applaud the efforts made this year to integrate APEC's instruments -- liberalization, facilitation and economic and technical cooperation -- in addressing emerging challenges.

13. Connecting with our constituents: We stress our common belief that ongoing and ambitious trade and investment liberalization remains indispensable to the health of our economies. To underpin our efforts, support among the people of the region for continuing trade and investment liberalization is essential. We welcome the decision by Ministers to develop an APEC-wide work program to assess the full impacts of trade liberalization, including its positive effects on growth and employment, and to assist members in managing associated adjustments.

14. Connecting our economies: Our discussions today have focussed on regional infrastructure requirements in support of economic and social development. We endorse the work that has been carried out this year on infrastructure applications to make city life more sustainable, in particular the Sustainable Cities Program of Action. The rapid growth of urban centres poses daunting challenges such as bottlenecks, supply constraints, as well as health and environmental concerns. Governments must strive to ensure adequate access to infrastructure for people in all walks of life, urban or rural. Capacity building through economic and technical cooperation is essential to ensure the ability of all economies to address these critical challenges.

Infrastructure is inextricably linked to the questions of financial stability that we have addressed. In addressing regional infrastructure decisions, governments and business must work together to ensure that long-term financial sustainability is adequately considered. Cooperation with business and international financial institutions and development banks can be critical to achieving optimal project planning. We endorse the attached Vancouver Framework for Enhanced Public-Private Partnerships for Infrastructure Development. We also are pleased by the agreement to enhance cooperation among Export Credit Agencies and Export Financing Institutions in support of regional infrastructure development, as well as agreement to undertake a feasibility study on a Network of Infrastructure Facilitation Centres to encourage information sharing and transparency. Recognizing the importance of telecommunications and information technology for building an Asia-Pacific information society, we agree that the Asia-Pacific Information Infrastructure is an

development. We welcome the offer of the Philippines to host a Ministerial Meeting on Women in 1998 in Manila, to take stock of progress to date in involving women in APEC's agenda and to determine next steps to integrate women into the mainstream of APEC's activities.

21. Spanning twelve time zones from St. John's to Sumatra, APEC bridges both distance and diversity. Through a combination of concrete results and renewed vision, the spirit of community which unites us has been strengthened and broadened this year. The people of the region remain its greatest asset. As Leaders, we are accountable for safeguarding and improving their economic and social well-being. Our people are the foundation on which the APEC community is built. We commit ourselves to ensuring that APEC remains responsive to their concerns.

**Apec Economic Leaders' Meeting**  
**The Vancouver Framework**  
*for Enhanced Public-Private Partnerships*  
*in Infrastructure Development*

Strengthened partnerships between the public and private sectors are needed to put in place and manage the infrastructure required by the APEC region to meet its economic, environmental and social goals. To this end, we declare the following:

*Voluntary Principles*

We reaffirm the Voluntary Principles for Facilitating Private Sector Participation in Infrastructure developed by Finance Ministers, namely:

- (i) To establish and maintain a sound macroeconomic environment.
- (ii) To establish stable and transparent legal frameworks and regulatory systems to provide a high level of investor protection.
- (iii) To adopt sectoral policies that promote, where applicable, competitive and efficient provision of infrastructure services.
- (iv) To increase the availability of long-term capital required for infrastructure investments by accelerating efforts to broaden and deepen domestic financial and capital markets.

*Financing and Investment*

- (v) We reaffirm Finance Ministers' call on multilateral financial institutions to catalyze and support member economies' own efforts in infrastructure development, including by promoting sound framework policies through technical assistance, facilitating flows of private capital while continuing to provide direct financial support for infrastructure development, and developing innovative financing mechanisms to address the long-term financing requirements of infrastructure projects.
- (vi) We encourage Finance Ministers to continue to implement the specific initiatives launched in Cebu to facilitate, in collaboration with multilateral financial institutions and the private sector, the development of domestic financial and capital markets. In this regard, we ask them to continue to work with private sector financiers and providers of risk coverage and investment ratings to promote the development of robust and liquid domestic bond markets, including markets for asset-backed securities which, as noted by ABAC, will enhance private investment in large-scale infrastructure projects.

## APEC MINISTERIAL MEETINGS: JOINT STATEMENT

November 6-7, 1989	First Ministerial, Canberra, Australia
July 29-31, 1990	Second Ministerial, Singapore, Singapore
November 12-14, 1991	Third Ministerial, Seoul, Korea
September 10-11, 1992	Fourth Ministerial, Bangkok, Thailand
November 17-19, 1993	Fifth Ministerial, Seattle, USA
November 11-12, 1994	Sixth Ministerial, Jakarta, Indonesia
November 16-17, 1995	Seventh Ministerial, Osaka, Japan
November 22-23, 1996	Eighth Ministerial, Manila, Philippines
November 21-22, 1997	Ninth Ministerial, Vancouver, Canada
November 14-15, 1998	Tenth Ministerial, Kuala Lumpur, Malaysia
September 9-10, 1999	Eleventh Ministerial, Auckland, New Zealand
November 12-13, 2000	Twelfth Ministerial, Brunei
October 2001	Thirteenth Ministerial, Shanghai, China

## TWELFTH APEC MINISTERIAL MEETING

**Bandar Seri Begawan, Brunei Darussalam**  
**12 -13 November 2000**

### JOINT STATEMENT

#### *Introduction*

1. Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Peru; the Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States of America; and Viet Nam participated in the Twelfth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting in Bandar Seri Begawan on 12-13 November 2000. The APEC Secretariat was present. The Association of South-East Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council and the Pacific Island Forum attended as observers.
2. The meeting was Chaired by the Honourable Abdul Rahman Taib, Minister of Industry and Primary Resources, of Brunei Darussalam, and Her Royal Highness Princess Masna, Acting Minister of Foreign Affairs, of Brunei Darussalam. The main theme for APEC 2000, *Delivering to the Community*, signified the need for sustaining economic growth to raise incomes and reduce poverty in the region. Thus, the agenda of the meeting was organised in accordance with the three themes:
  - Theme 1: Building Stronger Foundations,
  - Theme 2: Creating New Opportunities, and
  - Theme 3: Making APEC Matter More
3. Global and regional macroeconomic conditions have boosted the confidence for better prospects and economic outlook for the APEC region. However, economies should continue to reform and restructure in enhancing the sustainability of growth. The full realisation of the potential of economic growth depends on close cooperation between government and business, as well as among economies in harnessing vast opportunities presented by globalisation and APEC's commitment towards the open trading system. This potential for a huge increase in prosperity would require continuous efforts in strengthening the APEC cooperation agenda that would enable developing economies to participate more meaningfully in the globalised economy. In spite of the many achievements by APEC, much remains to be done. Against this backdrop of new opportunities and challenges, APEC Ministers met to discuss and advance regional economic cooperation for common prosperity in the APEC region.

#### *Building Stronger Foundations*

4. Ministers reaffirmed their commitments to the Bogor goal of free and open trade and investment. After a decade of progress, Ministers considered that the years ahead offered APEC economies wide ranging opportunities for further growth that must be seized. However, there would be many challenges and APEC needed to explore more



creative and efficient ways to prepare each of its members as they move towards the Bogor goal. APEC's shared goal of economic prosperity and social improvement would be made possible through building upon the solid foundations which APEC economies had laid over the last decade and through continued cooperation in building capacity. Such efforts would help economies realise their growth potential and transform that into higher living standards. It would also enhance APEC's ability to play a stronger leadership role in international fora and act as a force for growth in international markets.

### **Trade and Investment Liberalisation and Facilitation (TILF)**

#### *Individual Action Plans*

5. Ministers reaffirmed APEC's unique approach in advancing liberalisation and facilitation goals through the process of individual and collective actions.
6. Ministers commended the e-IAP initiative as an effective response to calls by business to make Individual Action Plans (IAPs) more transparent, specific and comprehensive. Ministers welcomed the work undertaken to improve the IAP mechanism through its transformation into an electronic medium to improve their usefulness and accessibility for the business community and policy makers. Ministers endorsed these landmark developments including the proposed 2000 IAP Format Guidelines for the new e-IAPs and concluded that the new format made the IAP system a more effective mechanism to reflect and encourage progress towards the Bogor Goals. Ministers expressed their appreciation for Microsoft Corporation's sponsorship of and contribution to the e-IAP system. This development together with the streamlining of the reporting requirements would enable the business community to plan with more certainty and benefit more quickly from the liberalisation, facilitation and deregulation processes which APEC economies were undertaking to improve the business environment. Ministers recognised that the e-IAP system could be further refined based on experience with using the system and requested officials to report its progress to the Ministers Responsible for Trade (MRT) Meeting in 2001.
7. Ministers were encouraged by the improvements in IAPs submitted by economies in 2000 and by the firm commitment demonstrated by economies to progressively and continuously improve their individual plans to reach Bogor goals. Ministers commended those economies that had made use of the new electronic format this year and agreed for all members to use the new e-IAP system for their 2001 IAP submissions.
8. Ministers reiterated their support for the on-going process of peer reviews by which economies demonstrate their commitments to further improve their individual plans and provided an additional opportunity for members to conduct close consultations on how this would be done. Guided by the Osaka Action Agenda (OAA) principles, Ministers endorsed a set of recommendations to improve the rigour and profile of the peer review process which called for regular, focused and manageable peer reviews without compromising their voluntary nature. Ministers commended China, Indonesia, Mexico, Peru, Singapore, Chinese Taipei and Thailand for submitting their IAPs for peer reviews this year and welcomed the offer from Canada and Russia to do

so in 2001. Ministers also took note of the participation of business in some of these peer reviews and welcomed this invitation on a voluntary basis in the peer review process.

9. Ministers acknowledged the importance of strengthening the foundation of APEC and of forging closer relationships with business and the community at large in their effort to achieve economic growth and equitable development through trade and economic cooperation. They agreed it was imperative for APEC to continually build upon its successes and ensure that its work remained relevant in order to face the emerging global challenges and take up new opportunities in the coming century. Ministers reaffirmed the decision made at the MRT Meeting in Darwin to adopt a comprehensive approach in reviewing and building upon the OAA guidelines. Ministers acknowledged the initial work undertaken thus far and instructed officials to finalise the work, taking into account the views of ABAC, and submit their recommendations to the MRT Meeting in 2001.

*Collective Action Plans, including Early Voluntary Sectoral Liberalisation and Trade Facilitation*

10. Ministers approved and endorsed the annual report of the Committee on Trade and Investment (CTI) and its recommendations. They noted the enhancement of Collective Action Plans (CAPs) and considered that the increased transparency of trade and investment policies would provide greater certainty and predictability for the business community and would result in lower transaction costs for business. Ministers endorsed and highlighted some key outcomes in 2000 which include:
  - Expansion of the CAPs to intensify work on non-tariff measures (NTMs),
  - Principles and Features of Good Practice for Technical Regulations and Information Notes, and
  - Broadening of the CAPs to include "paperless trading" for customs procedures; and
  - Completion of the APEC Policy Framework for work on services.
11. Ministers approved the priority areas proposed by the CTI for 2001 and called on officials to explore new ways of enhancing the effectiveness of the work programs. Ministers stressed the importance of working closely with the business community, including ABAC, in this process to ensure that APEC's work remained dynamic and relevant.
12. Taking into account the importance of ensuring stable investment flows into APEC region, Ministers welcomed Russia's offer to host the Third Investment Mart and Seventh Investment Symposium in Vladivostok in 2002.

*Early Voluntary Sectoral Liberalisation*

13. Ministers noted the many activities under the EVSL initiative, including a wide range of surveys and sectoral seminars/workshops to progress the work on non-tariff measures (NTMs), facilitation and ECOTECH. In particular, Ministers welcomed the



consolidation of the NTMs work programme and tasked the CTI to further develop additional collective actions on NTMs by the next Ministerial Meeting. Ministers also called on the relevant APEC fora to consider appropriate ECOTECH programmes to assist in this process.

14. Ministers also welcomed progress made in 2000 in the APEC Auto Dialogue, and encouraged further such progress at the next Dialogue in Thailand. Ministers welcomed the initiative to establish a Chemical Dialogue comprising government and industry representatives. Such public-private sector dialogues were important for improving the mutual understanding of key imperatives for the development of future policy and for enhancing the competitiveness of the industry.

#### *Trade Facilitation*

15. Ministers reviewed recent APEC advances in improving trade and investment facilitation and agreed that this had immediate benefits for business and was taking APEC economies toward the goal of free and open trade and investment. Ministers noted the accomplishments in the work on the rapid exchange of information and increased transparency in testing and certification requirements in the region, APEC Business Travel Card, launch of the *BizAPEC.com* website, *APEC: Getting Results for Business* and the *2000 SCCP Blueprint: Meeting the Challenges of Modern Business Environment*. Ministers requested APEC fora to continue this work and explore new areas and ways of taking it forward because of the direct benefit it has in reducing transactions costs for business and consumers.
16. Ministers agreed that trade facilitation must remain a priority issue. They welcomed initial work on developing a set of non-binding principles on trade facilitation and instructed officials to complete this work and report it for the consideration of Ministers Responsible for Trade in June 2001. Ministers noted that the work on the non-binding principles on trade facilitation could also be a useful contribution to the WTO. Ministers recognised the outcome of an APEC Workshop on Trade Facilitation in the Asia-Pacific and instructed officials to consider Canada's proposals on trade facilitation in the next year's process.

#### *Strengthening the Multilateral Trading System*

17. Ministers expressed their firm commitment to open regionalism and strong support for the primacy of the multilateral trading system. They agreed that the system should respond to the needs of the globalised economy of the 21<sup>st</sup> Century and that trade liberalisation under WTO rules is a dynamic force for accelerating growth and development. Ministers also agreed that better communication of the importance of the WTO in fostering growth in the global economy would broaden support for further trade liberalisation.
18. Ministers reiterated their commitment to building the capacity of developing economies to implement WTO agreements and to more fully participate in the multilateral trading system. They endorsed the strategic APEC plan as a basis for concerted action to enhance capacity for full participation in the WTO and agreed on the importance of implementation as early as possible. They welcomed the fact that

this strategic plan was tailored to offer specific programmes to respond to individual needs. They also decided that both developed and developing members would prioritize as appropriate the plan in the developmental programmes, and that priority should be given in allocating the APEC TILF fund to finance possible programmes in accordance with the established TILF approval process. Ministers also decided that members would pursue collaboration with relevant international organizations such as the World Bank and the Asian Development Bank in implementing this plan.

19. Ministers reaffirmed their strong commitment to the launch of a new round of multilateral trade negotiations at the earliest opportunity. They agreed that the successful and expeditious launch of a new round requires an agenda that is balanced and sufficiently broad-based to respond to the interests and concerns of all WTO members. With this in mind, they called on delegations in Geneva to agree on an agenda in 2001 and urged all WTO members to muster the political will and exercise flexibility. Ministers also commended the confidence-building measures adopted in the WTO, including those on market access for least-developed countries and those addressing concerns over aspects of the implementation of WTO agreements. They committed to seriously address all issues relating to implementation.
20. Ministers reaffirmed that the concerns of developing economies should be addressed through enhanced attention to the effective implementation of special and differential treatment and ongoing support for capacity building and technical assistance, so as to facilitate their ability to participate fully in the WTO.
21. Ministers welcomed the commencement in Geneva of the mandated negotiations on agriculture and services. Acknowledging the agreement reached by Ministers in Auckland last year concerning the negotiations on agriculture and services, they encouraged meaningful progress in these areas.
22. Ministers noted APEC's expertise in the areas of services and supported efforts to use that expertise to add impetus to the negotiations. They agreed on the importance to business of continuing to advance trade facilitation measures, including through the work of WTO services bodies. Ministers also recognized the contribution economic and technical cooperation could make to the WTO services negotiations.
23. Ministers urged all WTO members to contribute positively to the WTO preparatory work on industrial tariffs and other related areas, as part of the preparation for a new round, without prejudice to the overall agenda for negotiations.
24. Ministers reaffirmed their commitment to the APEC-wide moratorium on the imposition of customs duties on electronic transmissions until the next WTO Ministerial Conference. They acknowledged the importance of avoiding unnecessary measures restricting the use and development of electronic commerce and called for the establishment of an *ad hoc* analytical taskforce in the WTO that would examine how WTO rules are relevant to the evolution of electronic commerce.
25. Ministers noted the outcomes of the seminar that has been held in Peru to aid mutual understanding of investment and competition policy and welcomed the seminar to be

held in the Philippines in November. They also noted APEC's existing analytical work on these issues.

26. Ministers also welcomed the offer by China to host a seminar on the implementation of TRIMS in September 2001.
27. Ministers welcomed the substantial progress that had been made in the WTO accession negotiations for China and urged the rapid completion of its accession negotiations. They also reiterated support for rapid accession to the WTO by Chinese Taipei and the advancement of the accession processes for Russia and Vietnam. Ministers supported an agreement that all acceding economies will participate in some capacity in a new round of WTO negotiations.
28. Ministers noted the progress that has been made in compiling a database on existing sub-regional trade agreements and bilateral investment treaties.
29. Ministers agreed that sub-regional and bilateral trade agreements should serve as building blocks for multilateral liberalisation in the WTO. They considered it essential that the existing and emerging sub-regional and bilateral trade agreements be consistent with WTO rules and disciplines. They believed that these agreements should be in line with APEC architecture and supportive of APEC goals and principles.

*Open Economies Delivering to People: APEC's Decade of Progress*

30. Ministers endorsed the report *Open Economies Delivering to People: APEC's Decade of Progress* prepared by Australia for the APEC Economic Leaders Meeting. The report concluded that by adopting open economic policies, combined with measures to improve international competitiveness and strengthen economic governance, APEC economies had achieved not only strong economic growth, but also substantial improvements in the lives of the people of the region. Ministers took particular note of the substantial inroads in alleviating poverty and creating large number of jobs during the past decade of open economic policies in the APEC region. Ministers also acknowledged that managing economic change required structural adjustment strategies including, where appropriate, the development of social safety nets.
31. Ministers concluded that the continued pursuit of open economic policies was essential to meet the aspirations of the people of the region and that APEC was well placed to help its members pursue open economic policies. Ministers therefore instructed officials to intensify work in relevant fora to assist economies pursue open economic policies, including with respect to institutional capacitybuilding and adopting strategies to manage change.

*Strengthening the Functioning of Markets*

32. Ministers welcomed the significant contribution that APEC was making towards strengthening the functioning of markets in the region. They recognised that strong markets were a necessary complement to trade and investment liberalisation and facilitation in the pursuit of sustained economic growth. They also noted that the

advent of the new economy had only served to underscore the importance of efficient, competitive and dynamic markets.

33. Ministers commended the progress report on the *APEC Road Map on Strengthening Markets*. The report was able to bring into focus APEC's substantial collective and individual efforts in addressing important market fundamentals. Further to these efforts and the elements of the *Road Map* that were identified in Auckland, Ministers endorsed:
- the *Cooperative Initiative on Regulatory Reform* being organised jointly with the OECD and aimed at building the capacities of economies to implement the *APEC Principles to Enhance Competition and Regulatory Reform*.
  - the *Cooperation Framework for Strengthening Economic Legal Infrastructure*, which will initially focus on the areas of corporate law, competition policy as well as capacity and institutional building to develop good regulatory systems. The *APEC Symposium on Strengthening Economic Legal Infrastructure* held in Jakarta in July 2000 and co-organised by Indonesia, Japan and Australia provided the genesis for the Framework.
  - the *Cooperation Program* in the area of *SME and New Business Support* based on the Evolving Cooperation Initiative, following two workshops held in Tokyo and Taipei in September 2000.
  - the proposal to invite the Pacific Economic Cooperation Council (PECC) to develop ideas which APEC may consider furthering its work on improving economic and corporate governance in the region. In doing so Ministers commended the progress in the APEC Finance Ministers' *Initiative on Corporate Governance* and noted that future proposals should take into account the ongoing work in that forum.
34. Ministers also commended the progress APEC had made in implementing specific elements of the Road Map. Of particular note were the efforts being made to develop seamless and safe transportation systems, which were of importance for trade and the provision of basic services in the region. As such, Ministers welcomed the progress in implementing the recommendations for more competitive air services on a voluntary basis, including the proposals on widening and deepening the measures within APEC as well as a plurilateral arrangement among five like-minded economies to liberalise air services. Other initiatives included the seminar on *Strengthening Human Resources Development for Structural Reform* held in September 2000, hosted jointly by Japan and Brunei Darussalam on the issue of *Aligning Human Resources Development with Advancing Industrial Structure* and the *APEC Workshop on Public Sector Management*, organised by New Zealand and held in Singapore in May 2000, which provided a useful forum to exchange views and experiences on improving public sector effectiveness.
35. Ministers noted that increasingly APEC's work on strengthening markets needs to address the challenges of building relevant market infrastructure and institutions as well as strengthening human capacity. Ministers therefore instructed officials to report

further progress on the Road Map in 2001, concentrating on these challenges and taking into account the new initiatives and proposals.

### Economic and ECOTECH issues

#### *SOM Sub-Committee on Economic and Technical Cooperation (ESC)*

36. Ministers endorsed the SOM report on ECOTECH and its recommendations and conclusions. In advancing the APEC ECOTECH Agenda, Ministers stressed that ECOTECH projects should be more focused and properly prioritised. Ministers instructed the ESC in 2001 to develop further the Joint Activities/Dialogue sections of the OAA guidelines, building upon the review of the implementation of such guidelines. In re-affirming the importance of ECOTECH in achieving the Bogor Goals, Ministers called for a more focused and intensified action agenda. In this regard, Ministers instructed officials to consider the possibility of establishing IAPs on ECOTECH.
37. Recognising the need to improve project coordination, Ministers welcomed the establishment of the *ECOTECH Clearing House* and endorsed the revision to the *ECOTECH Weighting Matrix*. Ministers encouraged APEC fora to use the Clearing House electronic notice board facility to coordinate ECOTECH projects. Ministers also called for widening the participation in the ECOTECH projects and emphasised that the ESC should assume a more important role in APEC. In this regard, they instructed officials and APEC fora to communicate and publicise the benefits that APEC projects have brought to the quality of life of the people in the region, citing the publication on *Making APEC Matter More to People Through ECOTECH* as an example.
38. Ministers welcomed a report on the Regional Integration for Sustainable Economies (RISE), and committed to seek greater private sector involvement, as it would continue in China and Indonesia, and expand to cities in other economies.
39. Ministers welcomed the efforts to revitalise the *APEC Education Foundation* and urged economies to participate actively in the Foundation.

#### *Economic Committee (EC)*

40. Ministers endorsed the *Economic Committee's Report to Ministers for 2000* and noted the outcomes from the symposia organised by the EC for its research projects. They also welcomed the EC's report on the *Impacts of Higher Oil Prices on APEC Economies* and instructed the EC to continue to study this issue and to include the findings in the *2001 APEC Economic Outlook*.
41. Ministers endorsed the *2000 APEC Economic Outlook*. The report confirmed that the Asian crisis has been contained and that economic recovery was more prevalent in the APEC region. Ministers also endorsed the *APEC Economies beyond the Asian Crisis* report, which highlighted the major challenges of the new economy. Ministers further endorsed the *Towards Knowledge-Based Economies in APEC* report and its

recommendations to establish a *Knowledge Clearing House*, to produce a menu of *Igniting Policies* for triggering the transition to KBE, and to include *KBE Status Indicators* in the *APEC Economic Outlook*. Ministers instructed the EC to identify recommendations that can be implemented through collective action and develop detailed plans of implementation in cooperation with APEC Secretariat and report to Ministers in their next meeting.

#### *New Initiative on Human Capacity Building*

42. The emergence of the new economy has created a new dimension for human capacity building. In this regard, Ministers reaffirmed the importance of human capacity building and instructed senior officials to prepare a human capacity building strategy that would define the objectives, priorities and principles for APEC to respond to the challenges of the new environment.
43. To support this process Ministers agreed that a special coordinating group of HRD representatives led by the ESC be established to share information towards improving the coordination and efficacy of APEC's human capacity building efforts as recommended by SOM. In particular, Ministers endorsed the recommendation to improve the reporting and public outreach of APEC's efforts in human capacity building by tasking the Coordinating Group to prepare annually a report on Human Capacity Building to Leaders and Ministers. Ministers welcome Brunei's offer to provide assistance for the publication of the first annual report.
44. Ministers acknowledge the significance of accelerating the adoption of information and communication technology (ICT) across the APEC fora in order to take advantage of the new opportunities and contributions it brings to delivery of education and training as well as in other aspects of capacity building. The work on human capacity building in the APEC region can be strengthened and be made more effective through the development of mechanisms to enhance partnerships among all stakeholders including business and workers. In this regard, Ministers encouraged APEC working groups to engage relevant non-government representatives and instructed officials to seek appropriate ways to engage them. Ministers welcomed the efforts by Brunei Darussalam and China to advance this initiative.

#### *APEC Forum on Shared Prosperity and Harmony*

45. Ministers welcomed the successful hosting of the *APEC Forum on Shared Prosperity and Harmony* held in Korea in 31 March – 1 April 2000. Among others, the Forum discussed measures to avoid recurrence of economic crisis and to bridge the economic and social disparity among economies. Ministers also welcomed the initiatives arising from the Forum and instructed officials and relevant fora to review them for implementation, as appropriate.

#### *Sectoral Ministerial Meetings*

46. Ministers welcomed the outcomes from the 2<sup>nd</sup> APEC Education Ministers Meeting (AEM) held in Singapore in April 2000. They agreed that economies should consider the key strategies recommended by the AEM in the development of education

systems. Namely, the strategies identified were: (a) importance of IT as a core competency for learning and teaching in the future, (b) enhancement of the quality of teaching and teacher development, (c) cultivation of sound education management and exchanges in education within APEC, and (d) to promote a culture of active engagement among APEC economies in education to forge deeper understanding within the Asia-Pacific community and energise and enrich their continuing efforts for improving education at local and regional levels. Ministers instructed officials to develop an overall workplan in these strategic areas and that the Education Network of the HRDWG would coordinate implementation of the workplan. Ministers noted the decision of the AEM to meet once in every five years. Ministers also noted the progress on the initiative by Australia and New Zealand to identify measures affecting trade and investment in education services in the Asia Pacific region, and instructed officials to finalise the initiative this year including identifying potential areas for cooperation and to report to the MRT Meeting in 2001.

47. Ministers welcomed the outcomes from the Meeting of Ministers of Telecommunication and Information Industry (TELMIN) held in Cancun, Mexico in May 2000, in particular the adoption of the *Cancun Declaration*. Ministers noted the commitments on advancing the Asia Pacific Information Infrastructure (APII), Asia Pacific Information Society (APIS) and on implementation of the Reference Framework for Action in E-Commerce. Ministers also noted the role of TELMIN in promoting pro-competitive environment and cooperation with the business sector in broad areas.
48. Ministers acknowledged that SMEs were important for sustaining economic recovery and that APEC should respond to their needs in supporting the foundations for growth and creating new opportunities. They welcomed the outcomes from the SME Ministers Meeting held in Bandar Seri Begawan, Brunei Darussalam in June 2000 and encouraged APEC fora to advance the interests of SMEs in the areas of HRD, ICT, financing, and strategic alliances. In this context, Ministers instructed officials and relevant fora to develop work programme in these specified areas, and joint with private sector in enhancing SMEs development. Ministers encouraged economies to consider opening up some of their domestic training programmes to participants from APEC economies on a voluntary basis and to include a list of trainers that are available for conducting training across the APEC region. Ministers acknowledged the New Business Partnership Initiative that facilitates commercial linkages between American SMEs and qualified business partners from interested APEC economies, and requested the US further develop the programme during 2001 and report to the SME Ministerial in Shanghai.
49. Ministers noted the outcomes from the first Tourism Ministerial Meeting in Seoul in July 2000 including the adoption of the *Seoul Declaration on APEC Tourism Charter*. In this respect, Ministers instructed officials to develop collective commitment for promoting tourism in the APEC region and report progress in 2001. Ministers also welcomed the deliverables on *Environmentally Sustainable Tourism, Establishment of a Tourism Information Network*, and *Tourism Satellite Account*, and instructed the Tourism Working Group to take actions to implement them.

50. Ministers welcomed the message from APEC Energy Ministers in the *Declaration* from their San Diego meeting on the central importance of energy to sustainable development and welcomed their commitment to a new implementation strategy. Ministers also noted the risks posed by oil market volatility to economic development and called for appropriate measures to promote greater long-term market stability in the mutual interests of consumers and producers. In this regard Ministers welcomed efforts by member economies this year to balance oil markets.
51. Ministers noted the report of the Senior Officials and in view of the importance of strengthening energy security in member economies, including achieving greater equilibrium between supply and demand, directed the Energy Working Group to continue its programs to improve the functioning of energy markets; energy efficiency and conservation; diversification of energy resources; renewable energy development and deployment; and explore the potential for alternative transport fuels, to alleviate pressure on the oil market. Ministers also noted the new initiative to develop and share information, on a voluntary basis, on the role that stocks could play as an option to respond to oil market disruptions.
52. In ensuring overall effectiveness of the APEC process, Ministers requested officials to undertake a review on the implementation of initiatives that were endorsed in APEC Sectoral Ministerial Meetings.

### *Creating New Opportunities*

53. The revolution in ICT has transformed the ways of doing business in the region. This new economy presents both developed and developing APEC economies with many new and exciting opportunities for increasing economic growth. APEC has an important and expanding role as a catalyst for the necessary policy frameworks that would enable all APEC economies to maximize the potential benefits of these new opportunities.

#### *New Economy:*

54. The world economy is experiencing a trade and technological revolution with rapid growth in the Internet, thriving e-commerce and many other changes that are transforming the way business and trade is conducted. The efficiencies from the ICT revolution present many opportunities for both developed and developing economies to achieve higher growth and realise better standards of living without igniting inflation. However, as discussed in the two EC's reports, *Towards Knowledge-Based Economies in APEC* and *APEC Economies beyond the Asian Crisis*, to fulfill much of these potential benefits would require an appropriate policy framework that encourages: strengthening the functioning of markets; openness to trade and investment; innovation and new enterprises; sound macroeconomic policy; education and lifelong learning; and the enabling role of information and telecommunications infrastructure. Ministers recognised the importance to the new economy of innovation in the software industry. In this context, they agreed that APEC should promote strong asset management practices to ensure legal and proper use of software and other IP assets by users. Ministers also requested officials to examine ways to enhance interaction among IT professionals, using existing APEC fora.



55. Ministers acknowledged that a digital divide could further widen social and economic disparities across the APEC region, and underlined the importance of ensuring that everyone in the APEC region has access to the opportunities presented by ICT networks. Ministers therefore called for improvement in access to affordable technology. The new economy is primarily driven by the business sector, therefore APEC needs to strengthen its relationship with the business community in ensuring that APEC's work remains relevant. In this regard, Ministers called for a public-private partnership to create digital opportunities and spread the benefits of the new economy throughout all segments of society. Ministers reaffirmed the vital linkages between education and maximisation of the potential of the new economy, stressing that as the region moves ahead no person should be left behind. As part of the efforts to reduce the digital divide, Ministers also reaffirmed the importance for all children in the region to have access to basic education.
56. Ministers welcomed the conclusions reached at the two APEC symposia on venture capital, which were the follow-ups of the endorsed proposal on *Economic Revitalisation through Start-Up Companies and Venture Capital*, held in Chinese Taipei this year and encouraged further work in this area. Ministers instructed officials to coordinate and package the various APEC initiatives that concerned with the new economy for the benefit of synergy. The following initiatives were endorsed by Ministers:
- the US proposal on *Readiness Evaluation Action Partnership*,
  - Chinese Taipei's proposal on *Transforming the Digital Divide into a Digital Opportunity*, of which the phase I will be implemented in 2001
  - Viet Nam's proposal to develop an *APEC Guide to Enact Legal Framework for Electronic Commerce*,
  - Korea's proposal on *Cyber Education Cooperation*,
  - Brunei's proposal on *Human Capacity Building in APEC- Meeting the needs of the 21<sup>st</sup> Century*,
  - Singapore's proposal on *Use of Information Technology in a Learning Society*,
  - Malaysia's proposal on a *Network of Skills Development Centers*, and
  - the EC's project on KBE.

#### *Electronic Commerce (e-commerce)*

57. E-Commerce is an important element for creating new opportunities that would benefit the communities in the APEC region. In welcoming the ongoing work on e-Commerce, Ministers emphasized the need to make progress in various other aspects such as capacity building, consumer protection, network security, favourable and compatible legal framework, and in the role of e-commerce in trade facilitation to gain full benefit from e-commerce.
58. In pursuing capacity building and helping SMEs to adopt e-commerce, Ministers endorsed a proposal on *APEC-Wide Action Plan to Support Use of Electronic Commerce by SMEs*. They also endorsed a symposium on *APEC High-level Symposium on E-Commerce and Paperless Trading* by China and Australia. Ministers commended the progress made in the *APEC E-Commerce Readiness Initiative* and

acknowledged that 20 economies are participating in the initiative using the *APEC Electronic Commerce Readiness Guide*. Ministers encouraged all economies to make use of the results of Readiness Assessments to guide future policies and plan further work to enhance e-commerce readiness in their respective economies. Ministers also commended the efforts by the PECC in bringing together all interested parties to develop a comprehensive approach for training and education needs in e-commerce.

59. Recognizing the need to improve consumers' trust and confidence in e-commerce, Ministers endorsed a work programme leading to favourable as well as compatible legal and regulatory frameworks for consumer protection, electronic transactions documents and signatures across APEC. In this regard, Ministers welcomed work on legal framework for e-commerce and further workshops on e-government, authentication and network security, and current business models.
60. As e-commerce is becoming a mainstream activity across many sub-fora, Ministers urged the need for better coordination and collaboration. In this regard, Ministers instructed officials to work together with the Secretariat in updating the inventory on e-commerce activities and consider widening the scope of APEC's e-commerce work programme taking into account the relevant recommendations by the Electronic Commerce Steering Group (ECSG). Ministers also urged economies to promote participation of private sector in establishing interconnection and interoperation among the existing Electronic-Data-Interchange (EDI) systems respectively in each economy.

### *Making APEC Matter More*

61. Ministers welcomed the efforts in 2000 to provide focus on the tangible benefits that were accruing to the people of the region. Through the overall theme *Delivering to the Community*, APEC has ensured that its work program is more relevant and meaningful to its stakeholders.

### *Interaction with the Community*

#### *APEC Public Outreach/Communicating the Benefits of Trade Liberalisation*

62. Communicating the role of APEC and the benefits of trade liberalisation remains a key collective and individual task. Conscious of wider public interest in the work of APEC, Ministers also endorsed the establishment of an Ad-Hoc Study Group of Officials on APEC Interaction to consider how best to benefit from the interests, expertise and insight of our communities and requested Brunei Darussalam to lead the group. Recognising the importance of outreach activities, Ministers also noted the SOM's recommendations to Ministers for APEC to develop effective communication and outreach strategy with the assistance of an independent expert.
63. Recognising that close liaison with the private sector and other groups remains an important tool for achieving outcomes that are meaningful to our communities, particularly to business, Ministers instructed officials to enhance interaction of APEC with the business community and other relevant stakeholders, where appropriate, as

exemplified by the hosting of the *SME Business Forum* and *E-Trade Fair* parallel to the SME Ministerial in Bandar Seri Begawan.

*BizAPEC.com*

64. In view of the vast potential of E-commerce to promote and facilitate trade in the APEC region, Ministers welcomed and commended the development of the *bizAPEC.com* website, under the initiative of the *Improved APEC Internet Services for Business* and instructed officials and economies to publicise, maintain and update the website.

*Dialogue with APEC Business Advisory Council (ABAC)*

65. Ministers welcomed the ABAC Report to Leaders, *Facing Globalisation the APEC Way*, and its two major themes stressing the need to stay on track with the Trade and Investment Liberalisation and Facilitation agenda and the importance to be placed on giving substance to capacity building. Ministers also noted ABAC's emphasis on building stronger financial systems at the regional as well as national levels and agreed on the importance of sectoral government-business dialogue, as exemplified by the APEC Automotive Dialogue and the newly launched Chemical Dialogue. Ministers welcomed ABAC's overall emphasis on outreach. Ministers appreciated ABAC's continued support and encouragement, and instructed officials to review the implementation of ABAC's recommendations including the submissions this year.

*Social Impact of the Crisis*

66. Ministers reiterated the importance of supporting the poor and vulnerable segments of the communities that were affected by the crisis and by the process of economic restructuring. In this respect, Ministers endorsed a proposal on the *Revitalisation of Social Safety Net Activities in APEC* by Korea and Thailand. They also agreed to establish an Ad-hoc Task Force on Strengthening APEC Social Safety Net for reviewing APEC's activities on social safety and forward recommendations to Ministers in 2001.
67. Ministers noted the further work by various APEC fora to strengthen social safety nets and to reduce the adverse impacts of the Asian crisis. This includes the establishment of the Australian-Thailand *Social Protection Facility* that focuses on providing capacity building assistance for the development of social policy and programme delivery. Ministers also noted the successful hosting of the *Third Regional Forum on Pension Fund Reform* held in Thailand in March 2000. The forum deliberated on the integration of social security, pension and provident funds as well as supervisory and regulatory matters. Ministers also welcomed the synthesis, submitted by Canada, of the report *The Poor at Risk's Economic Crisis in Southeast Asia*.

*Framework for Integration of Women*

68. Ministers also recognised the significant contribution of women to economic development in the APEC region, particularly in the SME sector and endorsed the

first SOM report on *Implementation of Framework for the Integration of Women in APEC* noting the significant progress in the implementation of the Framework. Ministers commended the *Gender Information Sessions* held in several APEC fora and instructed other APEC fora that have not held a Session to request one. In view of the fact that further work was needed to enhance women's participation in the APEC process, Ministers tasked APEC fora and encouraged economies to fully implement all the recommendations of the SOM and more broadly to implement the *Framework*.

### Youth

69. Ministers recognised the importance of youth as stakeholders in APEC and encouraged further promotion of their involvement by networking and strengthening their relationship through APEC activities. Ministers noted the *Bangkok APEC Youth Statement*, a key outcome from the forum *APEC Youth Networking: Youth Preparation for the APEC Society in the Next Millennium*, held in Bangkok in July 2000. Ministers noted the outcomes of the *APEC Conference on Eliminating the Worst Forms of Child Labor and Providing Educational Opportunities for Youth* held in Bangkok in October 2000, which included the recognition that child labour limited access to basic education. Ministers also noted the success of the *2<sup>nd</sup> APEC Youth Science Festival* and welcomed the *APEC Youth Festival* that would be held in China in mid 2001. Ministers welcomed the successful hosting of the First APEC Youth Skills Camp in September 2000 in Ulsan, Korea. They also welcomed the *Town Hall Session with APEC Young Entrepreneurs*, held in Bandar Seri Begawan in June 2000 and a similar *Session* that would be held during the Leaders' Meeting in November. Ministers further welcomed the first *APEC Young Artists' Exhibition* that would be held during the APEC Business Summit and Canada's initiative to develop the *APEC Site for Kids - A Youth Outreach Initiative*.

### APEC Food System (AFS)

70. Ministers welcomed and endorsed the SOM report on the implementation of the AFS. They reaffirmed the importance of addressing the three areas of the AFS on rural infrastructure development, promotion of trade in food products, and dissemination of technological advances in food production and processing. Ministers encouraged economies and tasked fora to give priority to implementing the AFS recommendations through intensified activities in their areas of responsibility, and to provide reports annually on progress in implementation of the AFS recommendations.

### Biotechnology

71. In recognition of the huge potential of biotechnology to contribute to food security through increased production, and to the development of sustainable farming practices, Ministers stressed the continuing importance of transparent and science-based approaches to risk assessments and risk management in the introduction and use of biotechnology products. Ministers recognised the importance of safe introduction and use of biotechnology products, and agreed that the development and application of biotechnology should take into consideration WTO rules, as well as consumers' interests in food safety and environmental quality. Ministers instructed the Agricultural Technical Cooperation Experts Group (ATCEG) to implement further

technical cooperation programmes in biotechnology, including capacity building and exchange of information and to report on progress at the MRT Meeting in 2001. Ministers also encouraged close cooperation with other international fora and voluntary bodies, as appropriate, to enhance consumers' awareness on the benefits and risks of biotechnology products to facilitate the realisation of the potential benefits of this technology.

## Other Issues

### Management Issues

#### *Management Review*

72. Ministers endorsed the SOM Chair's Report on the Review of APEC's Management Process and all its recommendations, particularly the *Criteria for the Establishment of New APEC Fora*, the *Mechanism for Delivering for Developing Greater Links Among APEC Fora* and their work programmes. Ministers also noted the achievement of the 3-year management review process, led by Brunei Darussalam, New Zealand and Malaysia, including implementation of measures endorsed during the process. Ministers also noted the conclusion of the three-year management review process. They further noted the SOM's decisions to improve the management process and requested the SOM to continue streamlining APEC process on an ongoing basis.
73. Ministers noted the renaming of the Infrastructure Workshop (IWS) as Group on Economic Infrastructure (GEI). They also agreed to rename the ATCEG as Agricultural Technical Cooperation Working Group (ATCWG), and the PLGSME as Small & Medium Enterprises Working Group (SMEWG).

#### *2001 Budget*

74. Ministers endorsed the SOM Chair's Report on Budget Issues and approved the 2001 budget of US\$7,661,920 and contribution of US\$ 3,338,000 from member economies to the APEC Central Fund.
75. Ministers delegated authority to the Budget and Management Committee (BMC) to approve for immediate implementation of, but subject to satisfying the usual criteria and bearing in mind the need to maintain long-term budget sustainability, urgent projects that have not been submitted to Ministers/Officials for inclusion in the annual operational budget, and to make use of the uncommitted reserves accrued after June/July for urgent projects under the Operational Account.

#### *APEC Secretariat*

76. Ministers endorsed the report of the Executive Director of the APEC Secretariat and welcomed the Secretariat's offer to work with the BMC on the APEC budget cycle, and appreciated the work and assistance of the Executive Director, Ambassador Serbini Ali and his staff.

Statement by Observers

77. Ministers noted the statements by the ASEAN Secretariat, PECC and Pacific Island Forum.

APEC 2001

78. Ministers thanked China for the briefing on preparations for the 13<sup>th</sup> APEC Ministerial Meeting and the Ninth APEC Economic Leaders Meeting in China on October 2001.

Future Meetings

79. Ministers thanked Mexico for the update on preparations for the 14<sup>th</sup> Ministerial Meeting in 2002. Thailand will host the Ministerial Meeting in 2003, to be followed by Chile in 2004 and Korea in 2005.



# ELEVENTH APEC MINISTERIAL MEETING

(AUCKLAND, NEW ZEALAND 9 - 10 SEPTEMBER 1999)

## JOINT STATEMENT

1 Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States of America; and Viet Nam participated in the Eleventh Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting in Auckland, New Zealand on 9-10 September 1999. The APEC Secretariat was present. The Association of South-east Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum attended as observers.

2 The meeting was chaired by the Rt Hon Don McKinnon, Minister of Foreign Affairs and Trade, and the Hon Dr Lockwood Smith, Minister of International Trade, of New Zealand. The agenda of the meeting was structured to reflect the three themes of APEC 99:

- expanding opportunities for business around the region;
- strengthening the functioning of markets; and
- broadening support for APEC.

### *Theme 1: Expanding Opportunities for Business around the Region*

#### *Individual Action Plans*

3 Ministers reaffirmed the central role of Individual Action Plans (IAPs) in delivering liberalisation, facilitation and reform under the APEC process. In 1999, both APEC members individually and the Pacific Economic Cooperation Council reviewed Individual Action Plans to gauge progress made since 1996 towards achieving the Bogor goals of free and open trade and investment. Both reviews showed that progress was occurring under the IAP mechanism in terms of each of the areas covered by the Osaka Action Agenda (OAA) with little backsliding evident. At the same time, Ministers agreed that the reviews had shown that the IAP mechanism could be improved and directed that a programme of work be carried out in 2000 to:

- improve the transparency of IAPs (including the streamlining of reporting requirements);
- develop improved guidelines for use by member economies to show how they intended to achieve the Bogor Goals;
- develop means by which the OAA guidelines might be better defined in areas where this is required.

4 Ministers directed that the work programme on the IAP mechanism be conducted in conjunction with the review of Collective Action Plans. They agreed that the Committee on Trade and Investment should take a leading role. Ministers emphasised the need for member economies to consult closely with business, including the APEC Business Advisory Council (ABAC) in

developing the work programme. They noted ABAC's view that business is looking to the developed economies to take a lead in the APEC process and show clearly how the Bogor goals are going to be achieved.

5 Ministers welcomed the submission this year by five economies - Australia, Brunei Darussalam, Japan, the Philippines and the United States - of their IAPs to voluntary peer review by other APEC members, and welcomed the offers by a further five members - Indonesia, Mexico, Peru, Singapore and Thailand - to do so next year. Ministers agreed that IAP peer reviews were becoming increasingly useful and valued and that APEC should seek to raise the profile and increase the rigour of the peer review process. Ministers directed officials, as part of next year's work programme, to look at conducting regular peer reviews for member economies on a voluntary basis.

#### *1999 Individual Action Plans*

6 Ministers welcomed the submission of improved 1999 IAPs and commended the efforts which member economies are making to respond to the recommendations of ABAC. Ministers highlighted a number of improvements reported by members which illustrate the real changes underway in many economies: eighteen members have implemented significant tariff reductions; twelve have made improvements in the area of non-tariff measures; seventeen have further liberalised their investment regimes (in some cases drawing on APEC's menu of options for investment liberalisation and business facilitation); eighteen report improvements in the areas of competition policy/deregulation; and there were significant advances reported in the areas of intellectual property rights, services, standards and conformance, customs procedures and the mobility of business people. The 1999 IAPs are available on the APEC Secretariat website.

#### *Collective Action Plans*

7 Ministers endorsed the 1999 Committee on Trade and Investment (CTI) Annual Report and commended the progress the CTI has made this year in implementing APEC's Collective Action Plans (CAPs). Emphasising the importance of the CAPs to boosting trade and investment flows through lowering transaction costs for business, Ministers highlighted the following key achievements:

- *APEC Principles to Enhance Competition and Regulatory Reform* (which are non-binding);
- *Non-binding Principles on Government Procurement*;
- an APEC Mutual Recognition Arrangement on Electrical and Electronic Equipment.

8 Ministers endorsed the priority which will be given in the CTI's 2000 work programme to broadening and deepening APEC's CAPs, for example in services, and to consideration of possible new areas to be included.

9 Ministers expressed their appreciation for the contribution of Ambassador Edsel Custodio of the Philippines as CTI Chair over the past two years, and welcomed the appointment of Mr Joe Damond of the United States as his successor.

#### *Trade and Investment Facilitation*

10 APEC's trade and investment facilitation work has played a critical role in improving conditions for business in the APEC region. It has helped business save time and money. It has responded to business' calls for less paperwork, simplified procedures and easier access to information. Improved facilitation has provided internet access to essential market information and introduced greater consistency and certainty in legal and regulatory frameworks in the region. Highlights of key trade facilitation achievements for APEC to date are included in the attached annex.

11 Noting that APEC's voluntarist and cooperative approach makes it well suited to advancing



facilitation work, Ministers directed that work in this area should be intensified. They instructed officials to consider the proposal by Hong Kong, China on development of APEC principles on trade facilitation. APEC's trade facilitation work is not well known and future outreach efforts will be required in order to improve business and community understanding.

12 Ministers welcomed the success of the first APEC Investment Mart held in Seoul 3-5 June. They agreed that stimulating the flow of investment in the region was critical to long-term recovery. They thanked China for its offer to host the Second APEC Investment Mart in 2001.

#### *APEC Food System*

13 Recalling the instruction of Leaders in Kuala Lumpur that Ministers study ABAC's proposal for an APEC Food System, Ministers welcomed the SOM report and endorsed its recommendations to Leaders. Ministers recognised that building a robust regional food system that efficiently links together food production, food processing and consumption to meet the food needs of our people is an essential part of achieving sustainable growth, equitable development and stability in the APEC region. Ministers emphasised the importance of addressing the three areas of rural infrastructure development, promotion of trade in food products and dissemination of technological advances in food production and processing.

#### *APEC and the WTO*

14 Ministers agreed that their meeting was an historic opportunity for APEC to contribute to the successful launch of a new Round of WTO negotiations. They reaffirmed their commitment to open regionalism and to the multilateral trading system, underlining the critical importance of the forthcoming WTO negotiations in liberalising trade and investment within the region and in encouraging growth in the global economy.

15 Ministers stressed the importance of ensuring full implementation of existing WTO agreements. They encouraged an acceleration in the accession negotiations of non-WTO APEC members in accordance with WTO rules, based on commercially viable market access commitments and a balance of rights and obligations. They supported an agreement that all acceding economies will participate in some capacity in the forthcoming negotiations.

16 Ministers welcomed the agreement reached by APEC Ministers Responsible for Trade in June that the forthcoming WTO negotiations should encompass industrial tariffs, in addition to the already mandated negotiation on the built-in agenda, principally agriculture and services.

17 They agreed in addition that the agenda for the negotiations be balanced and sufficiently broad-based to respond to the interests of all economies; and confirmed the negotiations should conclude within three years.

18 They agreed that negotiations should deliver timely and effective market access for all participating economies, in particular developing economies, as well as provide scope to review and strengthen rules and disciplines consistent with this objective; and that the negotiations on those issues agreed at Seattle for inclusion in the three-year negotiation should be structured so that the outcomes are finalised, bound and fully implemented as a single package.

19 Ministers agreed that the concerns of developing economies should be addressed through enhanced attention to the effective implementation of special and differential treatment and ongoing support for capacity building and technical assistance, so as to facilitate their ability to participate fully in the WTO.

20 They agreed that, consistent with its support for the principle of special and differential treatment in the negotiations, APEC supports development and other dimensions in which the APEC concept of differential timing for the achievement of free trade is one useful means of meeting developing economy concerns.

21 They agreed also on the importance of achieving early progress on improved market access for goods and services from least developed economies in the forthcoming WTO negotiations.

22 Ministers supported an extension to the current moratorium on duties on electronic commerce transactions, to be agreed at Seattle. They also supported efforts to reach an agreement on transparency in government procurement at Seattle. They noted interest in facilitation of trade but that further discussion, including on details of the scope of the work proposed, was required before agreement can be reached on how to proceed.

23 They agreed to continue work on all other areas which have been raised in proposals in Geneva, as outlined in the provisional list attached and any further proposals which may be tabled, in order to determine at Seattle how they should be treated.

24 With regard to the negotiations on agriculture, they agreed, as recommended in the APEC Food System Report to Leaders, that APEC would actively and constructively participate in the forthcoming WTO negotiations on agriculture to consider tariffs and non-tariff measures further in the context of Article 20 of the WTO's Agreement on Agriculture and convey to the WTO membership APEC's support for the abolition of agricultural export subsidies and unjustifiable export prohibitions and restrictions.

25 As a potential contribution to comprehensive services negotiations they noted APEC's demonstrated expertise, including in areas such as transportation, tourism, environmental and energy services.

26 Ministers of participating economies agreed that the APEC Accelerated Tariff Liberalisation initiative was adding impetus to the preparations for the comprehensive WTO negotiation on industrial (non-agricultural) tariffs. They noted progress towards the achievement of a critical mass of support for the initiative in the WTO and agreed that the initiative should continue to be progressed endeavouring to conclude agreement in the WTO in 1999. They further agreed that participating economies should continue to engage with WTO members with the objective of realising the ATL package on the basis of critical mass, based on APEC's EVSL initiative agreed by Ministers in Kuala Lumpur, by the end of next year. They also agreed that implementation should be undertaken on a provisional basis with full and final binding as part of the conclusion of the single package.

27 Ministers agreed that support for and consultation among APEC economies about ongoing WTO negotiations should remain a key area of APEC's work throughout the course of negotiations.

#### *Early Voluntary Sectoral Liberalisation (EVSL)*

28 Ministers welcomed progress on implementing the non-tariff measures, facilitation and Ecotech elements of the EVSL initiative, and agreed a further set of initiatives in 1999, which is attached as Annex B, as part of the regular work of the relevant fora. Ministers requested reports on the outcome of these projects during 2000.

#### ***Theme 2: Strengthening the Functioning of Markets***

29 The pace of globalisation and the scope and depth of the economic crisis have underscored the need for policy responses that provide for efficient, flexible and competitive markets in the APEC region. Trade and investment liberalisation is a central and indispensable element. But the agenda is much broader. As the economic crisis has underlined, reforms in other public sector policies, corporate governance and financial systems are crucial. Business facilitation and capacity building are also required.

30 "Strengthening markets" provides an integrative framework that can bring together APEC's work in key areas such as trade and investment, competition and regulatory reform and capacity building, with a view to generating sustained growth in APEC economies. Ministers endorsed for referral to Leaders *APEC Principles to Enhance Competition and Regulatory Reform* which provide a critical policy underpinning to the strengthening markets framework.

31 In addition, Ministers agreed to a "road map" that sets out future work by APEC to strengthen markets in the region. Specific elements include:

- individual and collective implementation of the *APEC Principles to Enhance Competition and Regulatory Reform*;
- continued work in the areas of economic and corporate governance (including through the APEC Finance Ministers' process);
- application of the strengthening markets framework to APEC's work on economic and technical cooperation (with APEC projects in the area of public sector management and human resource development for structural reform already having been agreed); APEC will seek to develop other such ecotech projects in support of institutional strengthening and capacity-building efforts which are prerequisites for the strengthening of markets;
- work to strengthen market infrastructure, in particular in the area of legal infrastructure and the development of small and medium enterprises and new businesses;
- development of APEC's analytical work to support APEC efforts to strengthen markets;
- an intensification of effort in trade facilitation, with a focus on tangible outcomes for business;
- ensuring the "work programme to improve the IAP mechanism" takes into account the strengthening markets policy framework and in particular the *APEC Principles to Enhance Competition and Regulatory Reform*;
- application of strengthening markets principles by implementing specific areas of APEC's work, including electronic commerce, air services and energy.

32 Ministers welcomed continued progress on the Natural Gas Initiative and the Best Practices for Independent Power Producers as useful strengthening markets initiatives in the energy sector. These measures would help spur economic activity worth tens of billions of dollars and significantly reduce the risks and costs of investment in energy infrastructure. Ministers encouraged continued cooperation with the private sector on this initiative.

#### *Economic and Technical Cooperation*

33 Ministers endorsed the SOM 1999 report on Economic and Technical Cooperation while noting that APEC efforts to build capacity and strengthen institutions were critical to a return to sustainable growth in the region. Such efforts are needed to complement and support the range of other policies required to strengthen markets, and to enhance the capacity for long-term growth and development in APEC.

34 Ministers agreed that efforts to strengthen economic and technical cooperation under the Manila Framework for Strengthening Economic Cooperation and Development should be intensified. In this respect, the appointment of coordinators to review progress under the Manila Framework was a highly welcome development. Ministers endorsed the work programmes put forward by the respective coordinators: China on Harnessing Technologies for the Future; Korea on Encouraging the Growth of Small and Medium Enterprises; and Canada on Developing Human Capital.

35 Ministers also agreed to:

- establish an Ecotech Clearing House to enhance information flows between the identification of ecotech needs and the capacity to provide appropriate expertise to meet those needs. The Clearing House will be implemented from January 2000;
- endorse an Ecotech Weightings Matrix to assist APEC in its evaluation of ecotech project

proposals.

36 Ministers strongly reaffirmed the need for ongoing priority to be accorded to key APEC initiatives: the Kuala Lumpur Action Plan in Skills Development and the Agenda for Science and Technology Cooperation into the 21st Century. They welcomed the activities occurring in both these areas. Ministers restated their commitment to ensuring that development occurred in an environmentally sustainable fashion and welcomed the report on APEC activities on sustainable development that had been provided by the APEC Secretariat. They enclosed the Partnership Marketing Meeting approach to ensure sustainability of the marine environment and promote business opportunities.

37 Ministers welcomed the numerous initiatives being pursued by individual member economies, including: the APEC Centre for Entrepreneurship established in Indonesia; the APEC Youth Skills Camp to be held in Korea in September 2000; Australia's Economic and Financial Management Initiative; China's Science and Technology Industry Cooperation Fund and China's APEC Enterprises Assembly, and agreed that such individual actions contribute usefully to APEC economic and technical cooperation.

38 Ministers thanked Ambassador Lozoya of Mexico and expressed appreciation for his work as Chair of the Ecotech Sub-committee. They welcomed Dr Medhi Krongkaew of Thailand as the new Chair.

39 Ministers agreed that demonstrating the benefits of economic and technical cooperation activities should form a part of APEC's future communications and outreach work programmes. These activities are often of greatest benefit to the poorest sections of society and it was important to increase support for them throughout APEC as a whole.

#### *Economic Committee*

40 Ministers welcomed and endorsed the Economic Committee's Annual Report, noting that the report confirmed the considerable progress made by the Committee in responding to its revised mandate. The *APEC Economic Outlook* confirms that the regional recovery is now underway with economies most affected by the crisis recording a rapid return to growth. This is particularly encouraging. But APEC cooperation on structural reform is critical for consolidating the basis for growth in the 21st century. This is the key message of the Committee's progress report on the 1999-2000 project *APEC Economies Beyond the Asian Crisis*. Opening markets also matters to long term growth as is made clear in the Committee's report *Assessing APEC Trade Liberalisation and Facilitation*. Finally the report highlights valuable work being done by the Economic Committee in the area of Knowledge-Based Industries, with the intention of making its final report on this project a major deliverable for APEC in 2000.

#### *Electronic Commerce*

41 Electronic commerce has the potential to provide an extraordinary stimulus to regional growth and trade. The private sector has the key role in driving change and innovation, and the primary role of the public sector is to ensure a favourable regulatory environment for e-commerce to flourish. Economies should pay particular attention to the needs of consumers and small business. To this end Ministers:

- encouraged economies to take advantage of the self-assessment tool for e-commerce readiness to be developed by officials and the private sector, and tasked officials to further refine the assessment tool and report back next year;
- directed officials to develop effective data and indicators of e-commerce uptake in APEC economies;
- encouraged economies to consider the UNCITRAL model law in developing their regulatory frameworks;
- instructed officials to initiate work on consumer protection, focussing on information

- sharing, benchmarking and best practices;
- directed officials to develop an APEC-wide plan to support use of e-commerce by small and medium enterprises.

42 Ministers accorded high priority to the targets, stipulated in the Blueprint for Action on Electronic Commerce, for achieving paperless trading, where possible, by 2005 for developed economies and 2010 for developing economies, or as soon as possible thereafter, and instructed officials to increase their efforts to achieve these targets, and to report to Ministers Responsible for Trade at their next meeting in 2000. Ministers welcomed proposals from Japan to host an APEC E-commerce Convention and an E-commerce leaders' seminar and by Brunei Darussalam and Japan to co-host a Workshop on e-commerce in June next year.

#### *Y2K Issues*

43 All APEC economies have an important stake in the region's state of Y2K preparedness. With the new millennium just over 100 days away, strengthening cooperation among APEC economies is of the utmost urgency. Ministers recognise the critical importance of improving regional preparations across borders to ensure continuity of economic activity through to 2000. They welcomed ongoing efforts in APEC economies and called on APEC to accelerate activities focused on readiness preparedness, risk assessment and contingency planning. Ministers endorsed the recommendations of Senior Officials to bolster plans to minimise potential disruptions through continued information exchange, public disclosure, confidence building measures, enhanced engagement with business, the public and technical agencies, and cooperation on risk assessment and mitigation. They stressed that the time remaining must be used to plan for responding to potential disruptions emphasising the electricity, maritime shipping and health sectors. APEC economies will continue coordination across sectors and across borders to determine priorities for the remaining 100 days. Ministers emphasised the urgent priority of bolstering global arrangements for responding to potential Y2K failures.

44 Ministers also welcomed the many cooperative activities already being undertaken within APEC, led by Australia, Canada, Japan, Singapore and the United States, in three main areas:

- information exchange and preparedness assessment including: the APEC Y2K Symposium and the APEC Y2K week, both held in April; the establishment of an APEC Y2K website; networks of Y2K contact points; and a questionnaire on readiness in key sectors;
- cross-border contingency planning including Y2K risk assessment tool kit and contingency planning workshops being held in Thailand (September), Peru (October) and Korea (November);
- intensive exchange of knowledge and know-how in critical sectors: an energy sector meeting (Tokyo 27-28 September 1999).

#### *Biotechnology*

45 Recognising the important contribution biotechnology can make in expanding agricultural production and noting the recommendations of the SOM Chair's Report on ABAC's proposal for an APEC Food System, Ministers affirmed the importance of transparent and science-based approaches to the introduction and use of biotechnology products, and of technical cooperation, exchanging information on new technology, and capacity building in this area. Such activity should take into account WTO rules, as well as consumers' interest in food safety, environmental quality, and facilitate the realisation of the potential benefits of this technology. Ministers requested that the Agricultural Technical Cooperation Experts Group (ATC) report on the work already done in this area, along with any plans or recommendations for future work and take into account studies being conducted in other international fora, for review by the SOM next year and discussion by Ministers Responsible for Trade at their June 2000 meeting.

#### ***Theme 3: Broadening Support for APEC***

46 The need for more effective communication and engagement with communities has been an overarching theme in APEC this year. Ministers emphasised the importance of specific outreach activities, both in terms of building greater understanding of APEC's goals, and ensuring that participation by our communities in economic activities is as wide as possible.

#### *Framework for the Integration of Women in APEC*

47 Ministers recognised the continuing impediments to the full participation of women in regional economic activity, and agreed that APEC should address barriers to women's participation in business, the workforce, education and leadership. They acknowledged the unique potential contribution of indigenous women.

48 As a first step in addressing these impediments, and in including women's economic interests in the formulation of APEC goals for growth and development, Ministers welcomed and endorsed for referral to Leaders the *Framework for the Integration of Women in APEC*. They agreed to the recommendations from Senior Officials, including the establishment of an Ad Hoc Advisory Group, and looked forward to a first report on implementation of the Framework at their next meeting. Ministers welcomed parallel efforts to broaden women's involvement in APEC, including the Women Leaders' Network meeting on 21-23 June, and the Indigenous Women in Exporting Business Seminar on 18-20 June, both held in Wellington.

#### *Communicating the Impact of Trade Liberalisation*

49 Ministers committed to expand their efforts to build community understanding of APEC's goals, especially the benefits of a more open and integrated regional economy. They welcomed the report *Making Trade and Investment Liberalisation Relevant: Designing and Implementing Effective Strategies for Communicating with APEC Economies*, and agreed to make use of its research in designing communications strategies in their own economies. They accepted the need for messages to be realistic, free of jargon and relevant to people's individual interests. Ministers asked officials to report at their next meeting on communication initiatives undertaken by individual economies and to consider the possibility of further APEC-wide activities in this area.

#### *Social Impact*

50 The economic crisis has taken a heavy toll on the poorer and more vulnerable sectors of our societies and set back poverty alleviation programmes throughout the region. Ministers welcomed the wide range and scope of activities underway, in APEC and other fora. These activities are directed at three main areas:

- improving members' understanding of the social impacts of the crisis through, research and analysis on the part of APEC officials, the World Bank and the Asian Development Bank; the establishment of the Asia Recovery Information Centre; and Australia's survey on the effect of the crisis on children and implications for social safety nets.
- responding to social needs through technical and capacity-building cooperation, targetting of bilateral development programmes to address social impacts, and significant new multilateral assistance efforts directed to the social sector;
- building the capacity of members in the area of social safety nets and exploring ways of strengthening social safety nets in a framework integrating poverty reduction into growth-oriented macroeconomic policies.

51 Ministers agreed on the high priority of further work in this area. They encouraged greater coordination of activities among APEC fora including by the Human Resource Development Working Group and the Economic Committee. Ministers requested these bodies to report in 2000 on work aimed at strengthening social safety nets in the region and at better understanding the

social impact of the crisis. They urged even closer cooperation between APEC and other appropriate international agencies, and the substantive bilateral assistance programmes of individual economies. Ministers stressed that the success of policies and programmes aimed at addressing the social impact of economic crises depends upon the full involvement of the public, private and voluntary sectors. Ministers noted Thailand's proposal for an APEC Social Infrastructure Facility and welcomed the interest expressed by some economies in pursuing this idea initially on a unilateral basis. They also welcomed Thailand's plan to hold an APEC Seminar on Pension Fund Reform in March 2000 as has been proposed by APEC Finance Ministers.

#### *Business Participation*

52 Ministers recognised the need to liaise increasingly closely with the business community if outcomes useful to business were to be achieved through the APEC process. They welcomed the holding of business events in parallel with Ministerial meetings, such as the Business Forum held alongside the SME Ministerial and the Trade Roundtable held in conjunction with the Meeting of APEC Ministers Responsible for Trade. Ministers also participated in the June Women Leaders Network Meeting. Such events maximised the opportunities for direct contact between Ministers and the business community. Ministers welcomed the deepening of the dialogue with ABAC and urged ABAC to broaden its direct contact with key APEC bodies. They noted with interest ABAC's 1999 recommendations to Leaders.

#### *Management Review*

53 Ministers endorsed the SOM Chair's Report on the second year of the three year review of APEC's management process, led jointly by Malaysia, New Zealand and Brunei Darussalam. Ministers stressed that the purpose of the review is to achieve the increased efficiency and effectiveness of the APEC process, commended the work which all APEC fora put into the management review during 1999, and welcomed the measures which Senior Officials and the Budget and Management Committee have taken to improve management procedures. Ministers welcomed the change in timing of the 2000 APEC Finance Ministers' meeting which will result in better alignment of all the key annual APEC Ministerial meetings, and directed Senior Officials to explore further ways of improving coordination with the work of the APEC Finance Deputies. The expansion of the APEC work programme has resulted in increased financial and personnel burdens for all member economies. The work programme must remain manageable and focussed on productive outcomes. Ministers requested that the final report which Senior Officials submit in November 2000 on the management review process include recommendations on criteria for the establishment of new APEC fora.

#### *Other Issues*

54 Ministers welcomed the outcomes of the sectoral Ministerial Meetings held this year on Finance, Trade, Small and Medium Enterprises and Human Resource Development. They noted that work in the areas of Small and Medium Enterprises and Human Resource Development in particular is likely to continue to be a priority for APEC. Ministers welcomed the follow-up activity underway in the form of the APEC Consumer Education and Protection Initiative and encouraged other economies to follow Thailand's lead to advance consumer protection. Ministers also welcomed Japan's offer to host a Human Resource Development Ministerial Meeting in 2001.

55 Ministers noted with interest the proposal from Asia Pacific Rim Universities (APRU) to cooperate with APEC. They agreed to invite APRU to establish an informal dialogue with the APEC Human Resource Development Working Group and the Industrial Science and Technology Working Group, and to invite the hosts of the respective sectoral Ministerial meetings to consider an informal dialogue with APRU in accordance with guidelines on non-member participation. The objective of the dialogue would be to discuss issues and projects of mutual interest in the areas of science, technology and human resources development.

56 Ministers welcomed Korea's offer to host the first Tourism Ministerial Meeting in Seoul in July 2000. They noted with interest work underway in the Tourism Working Group to develop a draft APEC Tourism Charter which will provide a business plan for economies to realise the extraordinary potential of tourism in the APEC region.

57 Ministers welcomed the proposal from Korea on *Policy Dialogues on Turning Economic Crisis into Opportunity for Sustained Growth*, and Korea's offer to host a forum in Seoul in early 2000 to share experiences on overcoming the crisis and to address disparity issues. Ministers also welcomed the proposal by Chinese Taipei on *Economic Revitalisation through Start-up Companies and Venture Capital*, and looked forward to further work in this area next year. They noted with appreciation Indonesia's offer to host the next APEC International Trade Fair in 2000. Ministers also took note of the report on the APEC Symposium on the Asian economy, organised by Japan and Thailand.

58 Ministers noted the statements by the ASEAN Secretariat, the Pacific Economic Cooperation Council, and the South Pacific Forum and the report of the APEC Study Centres.

59 Ministers endorsed:

- the SOM Chair's Report on Budget Issues and approved the 2000 budget of US\$5,943,026 and contributions from member economies amounting to US\$3,338,000;
- the report of the APEC Secretariat, and expressed appreciation for the work of the Executive Director and his staff.

60 Ministers thanked Brunei Darussalam for its briefing on preparations for the 12th APEC Ministerial Meeting and the Eighth APEC Economic Leaders' Meeting in Brunei Darussalam on 12-13 November 2000 and 15-16 November 2000 respectively, and China for its update on plans for the 13th Ministerial Meeting to be held in China in 2001. The 14th Ministerial Meeting in 2002 will be hosted by Mexico. Ministers welcomed Thailand's offer to host the 15th Ministerial Meeting in 2003, and Chile's offer to host the 16th Ministerial Meeting in 2004.

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## ANNEX A: APEC TRADE FACILITATION ACHIEVEMENTS

- **Faster Customs Clearances**

Faster customs clearances through direct electronic communication with Customs authorities without paperwork

- **More Consistent Customs Valuations**

Standard procedures for more consistent and transparent customs valuations of traded goods.

- **Expanded E-Commerce and Paperless Trading**

Improved electronic access to markets for business and commitment to a goal of paperless trading by 2005 for developed and 2010 for developing economies, or as soon as possible thereafter.

- **Simplified Business Travel**

Simpler business travel with multiple entry visas, internet visa information and visa-free short-term entry via the APEC Business Travel Card.



- **Alignment of Standards for Food, Electrical, Machinery and Rubber Products**

Alignment of domestic standards with international standards for goods such as radios, televisions, videos, refrigerators, air-conditioners, rubber gloves and food labelling, by 2005.

- **Lower Cost of Trade in Electrical Equipment**

Lower cost of trade in electrical goods such as computers, toasters, televisions, radios and power-tools through a single test for conformity assessments.

- **Lower Cost of Trade in Telecommunications Equipment**

Lower cost of trade in telecommunications goods such as phones, faxes, modems, PABXs and radio transmitters, worth an estimated \$US 50 billion per year, through a single test for conformity assessments.

- **Simplified Sales of Telecommunications Services**

Simplified negotiation of telecommunications contracts and easier commercial access to telecommunication networks.

- **Less Risk for Investment in Energy Infrastructure**

Better informed investment decisions in energy infrastructure through the Manual of Best Practice Principles for Independent Power Producers and the Natural Gas Initiative.

- **Market Access Information for Architects, Engineers and Accountants**

Instant market access information for architects, engineers and accountants.

- **Less Waste in Fresh Seafood Trade**

Less wastage and shorter transport times for fresh seafood.

- **Better Y2K Preparedness**

Transparent Y2K preparedness, risk assessment and contingency planning.

- **Market access information**

Internet access to information on tariffs, investment, e-commerce, intellectual property, business travel, government procurement, business opportunities, marine ports and labour markets.

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**ANNEX B: PROJECTS AGREED UNDER THE EARLY VOLUNTARY  
LIBERALISATION INITIATIVE IN 1999**

- **Forest products:** a study on the full range non tariff measures and their impact;
  - research on assessing forest resources by remote sensing;
  - a study on methods to detect and control forest damage caused by insects and diseases with remote sensing, the General Information System and Global Positioning System
  - internet-oriented multimedia database of assessment and utilization of and trade in, the wood of main tree species in APEC member economies
- **Fisheries:** a study on the consistency of global subsidy practices with WTO rules;
  - Workshop on the Development of APEC Mechanism for Integrated Coastal Management;
- **Auto industry:** an Automotive Dialogue involving business and governments to map out strategies for increasing integration and development of the auto sector;
- **Toy sector:** a seminar on implementation of ISO safety standards;
  - a programme of training and development of designers and sample makers;
- **Gems and Jewellery:** implementation of training programmes for Jewellery Testing, Assaying and Hallmarking;
  - an APEC Gems and Jewellery Conference;
  - APEC Gems and Jewelry Trade and Technology Seminar
- **Environmental goods and services:** a survey of these markets in APEC;
  - study on the impact of the financial crisis in Southeast Asia on trade liberalization in environmental goods and services
- **Food:** seminar on reduction of antibiotic residues in the domestic animal products
- **Medical Equipment:** seminar for government regulators/harmonization of regulation
  - establishment of best practices in evaluation of product certification applications and monitoring system
- **Energy:** Seminar/Workshop on "Promoting Trade & Investments in the Energy Sector among APEC Economies through EVSL"
- **Telecommunications:** Mutual Recognition Arrangement

List of Proposals from APEC members and WTO members [Provisional]



Ministerial Meetings



## First Ministerial Meeting

(Canberra, Australia, Nov 6-7, 1989)

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### JOINT STATEMENT

Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand, and the United States gathered in Canberra, Australia on 6-7 November 1989 to discuss how to advance the process of Asia Pacific Economic Cooperation. A full list of Ministers and Observers attending the Meeting is attached.

Discussions covered a variety of topics under four agenda items:

- World and Regional Economic Developments
- Global Trade Liberalisation - The Role of the Asia Pacific Region
- Opportunity for Regional Cooperation in Specific Areas, and
- Future Steps for Asia Pacific Economic Cooperation

At the conclusion of this first meeting, Ministers expressed satisfaction with the discussions, which demonstrated the value of closer regional consultation and economic cooperation on matters of mutual interest.

Ministers also expressed their recognition of the important contribution ASEAN and its dialogue relationships have played in the development to date of APEC, and noted the significant role ASEAN institutional mechanisms can continue to play in supporting the present effort to broaden and strengthen regional economic cooperation.

#### **Multilateral Trade Negotiations**

The discussions on world and regional developments, and on global trade liberalisation, focused particularly on the need to advance the present round of Multilateral Trade Negotiations. Every economy represented in Canberra relies heavily on a strong and open multilateral trading system, and none believes that Asia Pacific Economic Cooperation should be directed to the formation of a trading bloc.

Ministers agreed that the further opening of the multilateral trading system was of substantial and common interest for all countries in the region, and that the Uruguay Round represents the most immediate and practical opportunity to pursue this objective on a broad basis. In particular, Ministers reaffirmed their commitment to open markets and to expand trade through the successful conclusion of the Round by December 1990.

Ministers agreed that continued close consultation within the region should be used wherever possible to promote a positive conclusion to the Round. In this respect, it was agreed that Ministers concerned with trade policy should meet in early September 1990 to discuss the emerging results and consider how to unblock any obstacles to a comprehensive and ambitious MTN result. Ministers would then meet again in Brussels in early December on the eve of the concluding session. In the meantime, senior officials should consult regularly in Geneva to exchange views on MTN progress.

Ministers expressed strong support for the timely and successful completion of the Uruguay Round. They noted that much remained to be done if the December 1990 conclusion was to be achieved. They called on all Contracting Parties to work with them more vigorously to that end.

### **Future Steps**

Ministers agreed that it was premature at this stage to decide upon any particular structure either for a Ministerial-level forum or its necessary support mechanism, but that ¾ while ideas were evolving - it was appropriate for further consultative meetings to take place and for work to be undertaken on matters of common interest and concern.

Accordingly, Ministers welcomed the invitation of Singapore to host a second Ministerial-level Consultative meeting in mid 1990, and they also welcomed the Republic of Korea's offer to host a third such meeting in Seoul during 1991.

Ministers asked their respective senior officials, together with representation from the ASEAN Secretariat, to meet early in 1990 to begin preparations for the next Ministerial-level consultative meeting.

They asked senior officials to undertake or set in train further work on a number of possible topics for regional economic cooperation, on the possible participation of other economies in future meetings, and on other issues related to the future of such cooperation, for consideration by Ministers at their next meeting.

### **Summary Statement**

Attached to this joint statement is Chairman Evans's concluding summary statement which records the substance of discussions during this meeting.

Visiting participating Ministers and their Delegations expressed their deep appreciation to the Government and people of Australia for organising the meeting and for the excellent arrangements made for it, as well as for the warm hospitality extended to them.

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## **CHAIRMAN'S SUMMARY STATEMENT**

### **Introduction**

1. This meeting has brought together in an unprecedented way key decision makers from 12 dynamic economies in the Asia Pacific Region: Brunei Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States and Australia. The presence here of ministers from across this vast region, addressing constructively and with great goodwill and commitment our common economic concerns, has shown that the time is indeed right to advance the process of Asia Pacific Economic Cooperation.

2. The stimulus for this meeting was Australian Prime Minister Hawke's call, in January 1989, for more effective Asia Pacific Economic Cooperation. That proposal stemmed from a recognition that the increasingly interdependence of regional economies indicated a need for effective consultations among regional decision-makers to:

- help strengthen the multilateral trading system and enhance the prospects for success in the Uruguay round;
- provide an opportunity to assess prospects for, and obstacles to, increased trade and investment flows within the Asia Pacific region; and
- identify the range of practical common economic interests.

3. In making and following up this proposal Australia, working closely with ASEAN and other participants, sought to give a sense of direction to a range of earlier proposals for closer regional economic cooperation. The intense process of consultation which has taken place since January, and culminated in this meeting, has succeeded in those terms: for the first time we have had the opportunity to assess collectively, and in some depth, the economic prospect of the region, the factors which can help us to maintain the impressive momentum of growth of recent years as well as the problems which, if not anticipated, could impede future development.

4. A key theme which has run through all our deliberations in the last two days is that the continuing economic success of the region, with all its implications for improved living standards for our people, depends on preserving and improving the multilateral trading system through progressive enhancement of, and adherence to, the GATT framework. By contributing to that effort through the Uruguay Round and beyond, this region can not only help assure its own economic future but improve economic prospects globally. We are all agreed that an open multilateral trading system has been, and remains, critical to rapid regional growth. None of us support the creation of trading blocs.

### **World and Regional Economic Developments**

5. Our exchanges on world and regional economic developments have underlined the extent to which the economic prospects of regional economies are interconnected. Our discussions have highlighted the pace of structural change which has occurred in the region in recent years, and to the opportunities provided by emerging new patterns of regional and international specialisation. They have also underlined the strong contribution which sound macro- and micro-economic policies and market oriented reforms have played in the region's growth, and provided a useful opportunity for us to compare experiences on these matters.

6. Participants noted the changing relative strengths and the growing interdependence of regional economies. Participants noted that the non-inflationary economic expansion of the United States, now nearly 7 years in duration, has played a key role in the economic performance of the region. They also welcomed the extent to which Japan and other Western Pacific economies are acting increasingly as engines of growth for the region as a whole. The increase in living standards in all parts of the region in recent decades was particularly welcome. It was agreed that an important aspect of Asia Pacific Economic Cooperation is to maintain conditions which will lead to accelerated development in the currently less developed parts of the region, including the Pacific Island countries, and that open access to developed country markets is essential for such development.

7. Ministers also noted some potential threats to further growth and to the further productive interdependence of Asia Pacific economies. The positive trends of recent years could be disrupted if, instead of continued willingness to undertake structural change, there were to be increased resort to protectionism and if instead of positive joint international action to further liberalise trade, there were to be increased resort to retaliatory or defensive measures.

### **Trade Liberalisation and The Role of the Asia Pacific Region**

8. There was general recognition that the Uruguay Round represents the principal, and most immediate and practical, opportunity before us to strengthen and further liberalise the multilateral trading system. All Ministers emphasised the importance, both for the region and for the world economy, of a timely and successful outcome to the Uruguay Round. In this regard, Ministers agreed that continued close consultation, and where possible, support for each others' Uruguay Round objectives could contribute significantly to achieving such an outcome.

9. In this respect, it was agreed that Ministers concerned with trade policy should meet in early September 1990 to discuss the emerging results and consider how to unblock any obstacles to a comprehensive and ambitious MTN result. Ministers would then meet again in Brussels in early

(a) Review of data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to:

- identify areas where there is a need to improve the comparability of regional data;
- identify gaps in data and improve country and industry sector coverage; and
- develop new data bases as necessary.

(b) Examination of mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include:

- the establishment of joint sectoral industry groups to identify specific projects, particularly the small and medium scale industry;
- a data base on commercial opportunities;
- the promotion regional confederations of chambers of industry;
- specific joint project investment studies; and
- enterprise to enterprise linkages.

It was agreed that senior officials would settle the detailed arrangements for implementation of these projects at their next meeting.

21. **Support Mechanism.** While some Ministers expressed a preference for moving as soon as possible to servicing the future needs of the APEC process through specifically identified structural arrangements of one kind or another, it was agreed that consideration of the support mechanism would benefit from a further period of reflection and evolution of the cooperation process. Accordingly, Ministers agreed that arrangements for the next one or two Ministerial-level Meetings should be overseen by senior officials from participating economies, joined by representation from the ASEAN Secretariat.

22. It was agreed that this group of Senior Officials should convene at an early date, preferably no later than January 1990, in the first instance to advance a work program in the way outlined above.

23. It was agreed that follow-up work should draw on existing resources for analysis in the Asia Pacific region, including the work of PECC task forces. The Chairman of the Standing Committee of PECC indicated PECC's willingness to assist in this regard.

24. **Participation.** Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region. Taking into account the general principles of cooperation identified above, and recognising that APEC is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider further the involvement of these three economies in the process of Asia Pacific Economic Cooperation.

25. It has been agreed that it would be appropriate for senior officials to undertake further consultations and consider issues related to future participation in the APEC process by these and other economies, including those of the Pacific Islands, and to report back to the next APEC Ministerial-level Meeting.

## **Conclusion**

26. I believe we have made very worthwhile progress during our two days of discussions. We have been able to build on the efforts of those who have sought to promote Asia Pacific Economic Cooperation in the past and are able to look forward to a further positive process of evolution. Such evolution will take place on the basis of further careful consensus building, drawing constructively on existing mechanisms, such as the valuable institutions and processes of ASEAN as well as the analytical capacity of the PECC.

- cooperation should be based on non-formal consultative exchanges of views among Asia Pacific economies;
- cooperation should focus on those economic areas where there is scope to advance common interests and achieve mutual benefits;
- consistent with the interests of Asia Pacific economies, cooperation should be directed at strengthening the open multilateral trading system; it should not involve the formation of a trading bloc;
- cooperation should aim to strengthen the gains from interdependence, both for the region and the world economy, including by encouraging the flow of goods, services, capital and technology;
- cooperation should complement and draw upon, rather than detract from, existing organisations in the region, including formal intergovernmental bodies such as ASEAN and less formal consultative bodies like the Pacific Economic Cooperation Conference (PECC); and
- participation by Asia Pacific economies should be assessed in the light of the strength of economic linkages with the region, and may be extended in future on the basis of consensus on the part of all participants.

### **Carrying Forward Regional Economic Cooperation**

17. Further Consultative Meetings. It is evident that there is a large range of significant issues confronting the region, and affecting each participant's fundamental economic interests. Ministers agreed that it was premature at this stage to decide upon any particular structure for a Ministerial-level forum (or its necessary support mechanism), but that  $\frac{3}{4}$  while ideas were evolving  $\frac{3}{4}$  it was both appropriate and valuable for further consultative meetings to take place and for work to be undertaken on matters of common interest and concern. Accordingly, Ministers welcomed the invitation of Singapore to host a second Ministerial-level Consultative meeting in mid 1990, and they also welcomed the Republic of Korea's offer to host a third such meeting during 1991. It was further agreed that it would be appropriate, in the case of any future such meetings, for at least every other such meeting to be held in an ASEAN member country.

18. Work Program. Ministers agreed that if cooperation is to lead to increasingly tangible benefits, the process of cooperation needs to progress beyond agreements on general principles. This will involve the identification and implementation of specific projects as well as enhancing the capacity for objective professional analysis to allow a more systematic identification of our common interests. In this context, Ministers identified the following broad areas as the basis for the development of a work program:

- Economic studies: including the review and analysis of the economic outlook for the region and its implications for policy, and the improvement of regional economic and trade data;
- Trade liberalisation: with an initial focus on consultations among participants at Ministerial as well as official level to pursue a timely and comprehensive outcome for the Uruguay Round of multilateral trade negotiations;
- Investment, technology transfer and human resource development: including programs for information exchange and training; and
- Sectoral cooperation: in fields such as tourism, energy, trade promotion, environment matters and infrastructure development.

19. Within these categories, Ministers further identified a wide range of specific activities or projects which has significant potential for enhancing the process of regional economic cooperation; these are listed in the Attachment to this Summary Statement. It was agreed that these subjects should be closely considered by senior officials, together with any other proposals that may be made by participants, with a view to setting in train a viable short to medium-term work program. Progress in the implementation of that work program would be reviewed at the next Ministerial-level meeting.

20. Ministers agreed that two particular projects should proceed as soon as possible, viz:

(a) Review of data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to:

- identify areas where there is a need to improve the comparability of regional data;
- identify gaps in data and improve country and industry sector coverage; and
- develop new data bases as necessary.

(b) Examination of mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include:

- the establishment of joint sectoral industry groups to identify specific projects, particularly the small and medium scale industry;
- a data base on commercial opportunities;
- the promotion regional confederations of chambers of industry;
- specific joint project investment studies; and
- enterprise to enterprise linkages.

It was agreed that senior officials would settle the detailed arrangements for implementation of these projects at their next meeting.

21. Support Mechanism. While some Ministers expressed a preference for moving as soon as possible to servicing the future needs of the APEC process through specifically identified structural arrangements of one kind or another, it was agreed that consideration of the support mechanism would benefit from a further period of reflection and evolution of the cooperation process. Accordingly, Ministers agreed that arrangements for the next one or two Ministerial-level Meetings should be overseen by senior officials from participating economies, joined by representation from the ASEAN Secretariat.

22. It was agreed that this group of Senior Officials should convene at an early date, preferably no later than January 1990, in the first instance to advance a work program in the way outlined above.

23. It was agreed that follow-up work should draw on existing resources for analysis in the Asia Pacific region, including the work of PECC task forces. The Chairman of the Standing Committee of PECC indicated PECC's willingness to assist in this regard.

24. Participation. Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region. Taking into account the general principles of cooperation identified above, and recognising that APEC is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider further the involvement of these three economies in the process of Asia Pacific Economic Cooperation.

25. It has been agreed that it would be appropriate for senior officials to undertake further consultations and consider issues related to future participation in the APEC process by these and other economics, including those of the Pacific Islands, and to report back to the next APEC Ministerial-level Meeting.

## Conclusion

26. I believe we have made very worthwhile progress during our two days of discussions. We have been able to build on the efforts of those who have sought to promote Asia Pacific Economic Cooperation in the past and are able to look forward to a further positive process of evolution. Such evolution will take place on the basis of further careful consensus building, drawing constructively on existing mechanisms, such as the valuable institutions and processes of ASEAN as well as the analytical capacity of the PECC.



27. We have all been pleased with the way in which leaders from this diverse and dynamic region have been able to reach consensus on a range of important issues. There is good reason for confidence that, by sustaining the spirit of goodwill and flexibility which has been shown at this meeting, we can develop Asia Pacific Economic Cooperation to benefit not only the region, but to enhance world wide economic prospects.

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## **SPECIFIC ELEMENTS OF A WORK PROGRAM**

### **A) Economic Studies**

Convene regular consultations on the economic outlook for the region and factors influencing economic prospects, drawing on, for example, the work of the Pacific Economic Outlook work of the PECC.

Review data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to

- identify areas where there is a need to improve the comparability of regional data
- identify gaps in data and improve country and industry sector coverage
- develop new data bases as necessary.
  
- Feasibility study as to what kind of analytical capacity might be desirable and affordable in order to project regional growth, investment patterns and trade flows, including for the purpose of anticipating potential infrastructure bottlenecks.

### **B) Trade**

Intensify regional consultations at appropriate levels (both Ministerial and official) to pursue a timely and comprehensive outcome to the Uruguay Round negotiations.

- This would be usefully complemented by a working group of regional officials to support these consultations and other trade matters of regional interest.
- Review the differences in regional customs practices and procedures and the possibilities for harmonisation, including the liberalisation of business visa requirements.
- Form a regional association of trade promotion organisations to promote intra regional trade.
- Explore the scope for developing greater intra-industry trade including the establishment of a regional program of sub-contracting and multi-sourcing for finished products and industrial intermediates.

### **C) Investment, Technology Transfer and Related Aspects of Human Resources Development**

- Examine mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include
  - the establishment of joint sectoral industry groups to identify specific projects; particularly the small and medium scale industry;
  - a data base on commercial opportunities;
  - the promotion of regional confederations of chambers of industry;
  - specific joint project investment studies; and
  - enterprise to enterprise linkages.
- Coordinate regional trade promotion events and regional business seminars including consideration of an Asia Pacific Fair to promote regional trade, investment flows,

technology transfer and human resources development.

- Examine the feasibility of establishing a "clearing house" mechanism (e.g., an Asia Pacific Information Centre for Science and Technology) for the exchange of information on scientific, technological and industrial indicators, policies and developments, including the implications for new skills in the region.
- Establish a comprehensive program for Human Resources development including the identification of critical skills and gaps in know-how; and the establishment of a data base on education and human resources planning and an informal information exchange network to share the expertise of regional countries.
  - Consider programs to establish networks among educational and related institutions, the exchange of managers, scientific and technical personnel throughout the region and the establishment of regional training programs including fellowships and scholarships.
  - Particular attention might be given to the needs of small and medium scale enterprises.
- Consider the concept of industrial/technology parks (centres of technical excellence), their possible contribution to infrastructural development in the Asia Pacific region and associated training programs.
- Undertake a survey of research and development activities and policies of each country in the region and assess the potential for regional R & D cooperation.
- Areas for cooperative R & D might include micro electronics, information technology, genetic engineering, biotechnology, resources, biosphere, ecology and the environment.

#### D) Sectoral Cooperation

- Formation of groups of experts in each of the major infrastructure sectors (electric power, telecommunications) to assess national needs in the region, including technical studies of existing facilities and their development needs, the nature and extent of current bilateral assistance programs, the adequacy of bilateral and multilateral financing facilities to support infrastructure development and the scope for harmonising telecommunications standards in the region.
- Consider cooperative efforts in regional transportation links, including consultations and improved data collection, designed to provide cost effective capacity to meet anticipated growth in demand.
- Examine how to manage fisheries resources in the region in a way which maintains their long term economic viability and ensures a proper economic return to the owners of the resource.
  - recognising the scope for using existing organisations, such as the South Pacific Commission or the Forum
- Fisheries Agency, to build a framework for enhanced fisheries cooperation.
- Consider the scope for cooperative regional efforts to improve the long term economic viability of tropical forests, including research, and improved harvesting and management techniques.
- Examine the scope to improve regional exchanges in relation to the basic energy resource supply and demand outlook, and energy policies and priorities, including the environmental implications of growing energy use.

Examine regional tourism trends and prospects, including the potential for cooperative measures to facilitate regional tourism.

- Improve remote sensing on a global scale, inter alia to provide early warnings of natural disasters and improved climatic change studies.
- Examine the interaction between environmental considerations and economic decision-making, initially in the area of ocean pollutants and other threats to the Pacific environment with a view to strengthening marine resource conservation.



Ministerial Meetings



## Second Ministerial Meeting

(Singapore, July 29-31, 1990)

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### JOINT STATEMENT

Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore, Thailand and the United States met in Singapore on 29-31 Jul 90 to continue their discussions on the process of Asia Pacific Economic Cooperation (APEC). The ASEAN Secretariat, the Pacific Economic Cooperation Conference (PECC) and the South Pacific Forum (SPF) were present as observers. A full list of Ministers and Observers attending the Meeting is attached. (Annex A).

2 The Meeting was co-chaired by Mr Wong Kan Seng, Minister for Foreign Affairs and Minister for Community Development and BG (Res) Lee Hsien Loong, Minister for Trade and Industry and Second Minister for - Defence (Services).

3 Ministers recalled Prime Minister Lee Kuan Yew's keynote address in which he set forth the tone for the next two days' meetings:

"All countries present today have grown faster because of the GATT-IMF multilateral free trade regime. It is in all our interests to keep open the system of free and fair trade. Indeed APEC countries should set themselves up as examples of good GATT abiding citizens of the world and oppose the formation of trading blocs. In that way we will contribute to world economic growth."

4 Ministers also noted that without strong economic performance, democratic institutions cannot flourish, nor can social justice be promoted. Strong economic growth therefore promotes security in the region.

5 Ministers discussed a range of topics including:

- a World and Regional Economic Developments/Regional Economic Outlook
- b Global Trade Liberalisation - GATT Uruguay Round
- c APEC Work Projects
- d Future Participation.

6 Ministers reiterated their appreciation for the important contribution that ASEAN and its dialogue relationships have continued to play in the development of APEC and stressed that the enhancement of Asia Pacific Economic Cooperation would complement and strengthen the constructive role played by ASEAN. Ministers reaffirmed that APEC was outward-looking and did not aim to form a trading bloc, thereby contributing to further development of the world economy.

### WORLD AND REGIONAL ECONOMIC DEVELOPMENTS

7 Ministers exchanged views on world and regional economic developments and noted that those economies following market-oriented policies have been among the most successful in providing their citizens with improving standards of living.

8 Ministers noted that the world economy and international trade would continue to expand in 1990 and 1991, albeit at a slower rate; Ministers also welcomed the concerted efforts made by all trading nations in conducting structural adjustments in their respective countries, for example the Structural Impediments Initiative Talks and the external effects that these would also have on third countries; the increasing awareness of the importance of sound domestic market-oriented policies; and the decrease in the external imbalances among major trading countries. They noted that these positive developments would help to reduce protectionist pressures and help bring about a more vibrant world economy to the benefit of all. Ministers agreed that increased international cooperation would help to ensure further progress in these areas.

9 Ministers examined the newly emerging patterns of trade, investment and specialisation in the Asia Pacific region, and the challenges and opportunities posed by these changes. There were discussions on continuing-inflationary pressures in the light of robust economic growth in the region. Ministers noted that there had been some reduction in such pressures.

10 Ministers agreed that increased domestic capital formation and foreign investments in the Asia Pacific region should be encouraged. Ministers also agreed that increasing financial resource flows were an important requirement for sustained economic growth, as well as a means to address debt-related problems. They also agreed that the transfer of technology was an essential element of economic development and recognised that efforts were needed to improve the access of economies in the Asia Pacific region to productive technologies.

11 Mindful of the need for cooperation in the attainment of the overall objective of accelerating region-wide development, Ministers recognised the urgency of bridging the economic disparities in the Asia Pacific region.

12 Ministers expressed their support for, and looked forward to, the opening of the Central and East European economies to the world. Ministers also discussed the effects of the transition from centrally planned to market economies in these countries, and their implications for the Asia Pacific region. The changes in Europe could lead to increased flows of goods, technology, capital and investment to that region and could provide new export markets for APEC economies.

13 Ministers noted that the increase in global demand for savings could push up world interest rates unless careful macro-economic management was followed. Ministers cautioned that higher interest rates could have negative effects on debtor countries and implications for the world payments mechanism. The developing economies in the Asia Pacific will need to compete actively for scarce resources by following more market oriented policies.

14 Ministers noted that the West European countries would be increasingly preoccupied with developments in Central and Eastern Europe, as well as the advent of the Single European Market. Ministers expressed the hope that the creation of a Single European Market would lead to the emergence of an outward-looking dynamic economy and not a more restrictive trading bloc.

15 Ministers agreed that consultation among policy makers in the region was valuable in their common efforts to sustain growth, promote adjustment, and reduce economic disparities.

## **GATT**

16 Ministers agreed that the primary objective of APEC this year was to ensure a successful conclusion of the Uruguay Round. This was essential to preserve and enhance the open multilateral trading system on which their economies all depended.

17 Ministers reviewed the outcome of the July TNC meeting in Geneva and expressed grave concern that differences remained in key areas of the negotiations. They called for urgent efforts to overcome them and committed themselves to advancing the negotiations in accordance with the deadlines set forth in the TNC. In the light of such commitments, each Minister agreed to conduct

an urgent review of all negotiating positions with a view towards finding increased flexibility and thereby facilitating a breakthrough in the negotiations which would resume on 27 August 1990. Ministers urged all non-APEC participants in the Uruguay Round to conduct similar reviews.

18 Ministers issued the Singapore APEC Declaration on the Uruguay Round (Annex B) and directed that consultations on the Round between APEC representatives should be intensified. They welcomed Canada's decision to convene a meeting of APEC Ministers concerned with trade policy in Vancouver from 11-12 September 1990. They intended that it should lead to a further consolidation of Asia Pacific views.

## **TRADE LIBERALISATION IN THE REGION**

19 Ministers agreed that a continuing central theme of APEC, following the completion of the Uruguay Round, would be the promotion of a more open trading system. They agreed in this respect that it was desirable to reduce barriers to trade in goods and services among participants, so long as any such liberalisation was consistent with GATT principles and was not to the detriment of other parties. They agreed that senior officials should explore possibilities towards this end and that this matter should be further discussed at the Seoul Meeting.

## **WORK PROJECTS**

20 At the Canberra Meeting, Ministers agreed that if Asia Pacific Economic Cooperation was to lead to tangible benefits, there was a need to progress beyond agreement on general principles. The Ministers had identified broad areas of cooperation, including economic studies; trade liberalisation; investment, technology transfer and human resources development; and sectoral cooperation as the basis for the development of a work programme.

21 Ministers expressed satisfaction that their senior officials, at the meetings in Singapore in March and May 1990, had advanced the work programme considerably. Seven potential work projects had been identified, and work had already begun. A number of shepherds' meetings and working group meetings on the work projects have been convened in the various APEC countries. The seven work projects are:

### **a Review of Trade and Investment Data**

To develop reliable and comparable data on trade and investment flows among the 12 APEC economies. The initial emphasis is on improving the comparability of merchandise trade data but preliminary work is also being undertaken on data on trade in services and investment flows.

### **b Trade Promotion: Programmes and Mechanisms For Cooperation**

To facilitate and promote expansion of trade amongst the APEC economies as well as with those outside the region so that the potential accruing from international specialisation and comparative advantage could be fully exploited, five programmes have been proposed at the first meeting. These programmes include exchanging trade and industrial information; trade and economic missions; facilitating promotion seminars, trade fairs and training courses. One coordinating country has been designated to each programme. It was also agreed that the active involvement of the region's private sector was essential to expanding regional trade and that private sector representatives should be closely involved in each work programme.

### **c Expansion of Investment and Technology Transfer in the Asia Pacific Region**

To promote economic growth through expansion of investment and

technology transfer in the Asia Pacific region. Towards this end, two projects will be initially undertaken, namely the establishment of an investment and technology information network for the Asia Pacific region taking into account established sources, and dissemination of experiences in the establishment and management of technoparks which are a potentially effective vehicle for investment expansion and technology transfer. These two projects would include cooperation in the field of research and development.

#### **d Asia Pacific Multilateral Human Resource Development Initiative**

To foster human resource development activities in APEC economies in such areas as development management and planning, business management, and industrial technology and training, particularly taking into account the serious shortage in ASEAN countries of planners and coordinators for national development policy as well as managers and engineers in private sector. In this regard, Ministers took positive note of the US initiative for an APEC partnership for education.

#### **e Regional Energy Cooperation**

To provide the means for exchanges amongst high-level policy decision-makers on the issues and developments affecting the energy sector in the Asia Pacific region. Six specific themes will be developed: information exchanges on energy trends; supply and demand outlook; energy conservation and efficiency; research and development; environmental factors and energy technology transfer. A coordinating country for each theme is being determined and a working meeting of energy experts will be held later this year or early next year.

#### **f Marine Resource Conservation: Problem of Marine Pollution in the APEC Region**

The objective is to establish a dialogue on the Pacific marine environment which recognizes the economic benefits of sustainable development. The initial focus of this dialogue would be the marine transport of hazardous substances, the discharge of marine pollutants, and the problem of marine debris. An experts workshop will be convened in Vancouver in November 1990 for the purpose of developing recommendations for Ministers.

#### **g Telecommunications**

To study a specific prototype project taking into consideration the following areas to be prioritised, namely human resource development, technology transfer and regional cooperation, opportunities for on-site visits/observerships/fellowships and telecommunications standardisation (involving the compatibility of equipment).

22 Ministers reviewed and endorsed the seven work projects as concrete areas for closer cooperation among the APEC economies. Ministers encouraged the senior officials to advance these work projects so as to achieve optimum results. Ministers reconfirmed that wherever possible, the APEC process should make use of existing cooperation mechanisms to avoid duplication of efforts. Ministers recognised the necessity of close collaboration with the private sector throughout the APEC work programme and noted in particular the valuable work done by PECC and the Pacific Basin Economic Council.

23 Ministers noted the Report by the PECC Task Force on the Management of Fisheries Resources and referred it to their senior officials. Ministers also asked their officials to report on the potential benefits of additional work projects in the areas of transportation, tourism and fisheries.

### **VENUE FOR FUTURE APEC MEETINGS**

24 Ministers welcomed the Republic of Korea's offer to convene the Third Ministerial-level Meeting in Seoul in mid-October 1991. They asked their respective senior officials together with representation from the ASEAN Secretariat, PECC and SPF, to meet later this year to begin preparations for their next Meeting.

25 Ministers also welcomed Thailand's offer to host the Fourth Ministerial-level Meeting in 1992 and the United States' offer to host the Fifth Ministerial-level Meeting in 1993.

### **FUTURE PARTICIPATION IN APEC**

26 Recognising that APEC is a non-formal forum for consultations among high-level representatives of economies with strong or increasing economic linkages in the Asia Pacific region, Ministers agreed to keep under review in subsequent meetings the question of additional participation.

27 Ministers acknowledged the particularly significant role in the Asia Pacific region of the three economies of the PRC, Taiwan and Hong Kong; both in terms of present economic activity and their importance for the region's future prosperity. They reaffirmed their view, expressed in Canberra in 1989, that it was desirable for these three economies to participate in future APEC consultative meetings.

28 Ministers agreed that consultations should proceed with the three economies, with a view to reaching arrangements agreeable to those three and to the current members of APEC for all three to participate in APEC at the same time, either at the Seoul meeting or as soon as possible thereafter. The results of these consultations will be conveyed to Ministers.

### **OTHER MATTERS**

29 At the conclusion of this Second Meeting, Ministers expressed satisfaction with the discussions which reaffirmed the value of closer regional consultation and economic cooperation on matters of mutual interest.

30 Ministers and their delegations expressed their appreciation to the Government and people of the Republic of Singapore for organising the meeting, for the excellent arrangements made for it as well as for the warm hospitality extended to them.

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## **Annex B**

### **APEC DECLARATION ON THE URUGUAY ROUND**

#### **SINGAPORE, 30 JULY 1990**

1 Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States met in Singapore on 30-31 July 90 and assessed the progress of the Uruguay Round of Multilateral Trade Negotiations in the light of the recent meeting of the Trade Negotiations Committee. Ministers agreed that a successful conclusion of the Uruguay Round is the single most important issue on the international agenda.



2 Ministers expressed grave concern that greater progress had not been made and reiterated their firm commitment to a timely and successful completion of the Uruguay Round. They agreed that at this juncture of the negotiating process all participants must be prepared urgently to undertake commitments and political decisions to overcome the core difficulties in order that the Uruguay Round would achieve major and substantive results by December 1990. They urged all participants to engage fully and constructively in the intensified work programme accepted at the TNC Meeting.

3 Ministers emphasized that a significant outcome in Agriculture, and in Textiles and Clothing, Services, and each of the market access groups is crucial to a successful outcome in the Uruguay Round. They noted with concern that 4 Ministers emphasized that the trade rules emerging from the Uruguay Round must enhance open and fair competition. They agreed on the need for a strengthened multilateral trading system. They stressed the importance of achieving a more effective GATT Dispute Settlement System, which should lead to a commitment to operate only under the multilateral rules.

5 Ministers shared the belief that the results of negotiations in the new areas should meet the concerns of all participants to ensure full participation.

6 Ministers confirmed their intention to meet in Vancouver, Canada on September 11 and 12, 1990 to further assess developments in the Uruguay Round and to consider ways by which they could unblock any obstacles to a comprehensive and ambitious Uruguay Round result. They reaffirmed their intention at that time to achieve progress in all aspects of the negotiations.

7 Ministers also agreed to convene a special meeting of APEC Ministers concerned with Trade Policy soon after the finish of the Round to assess results.



Ministerial Meetings



## Third Ministerial Meeting

(Seoul, Korea, Nov 12-14, 1991)

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### JOINT STATEMENT

1. Ministers from Australia, Brunei Darussalam, Canada, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand, and the United States met in Seoul from 12-14 November 1991 to continue their discussion on the process of Asia-Pacific Economic Cooperation (APEC). The ASEAN Secretariat, the Pacific Economic Cooperation Conference (PECC) and the South Pacific Forum (SPF) were present as observers.

2. The Meeting was co-chaired by Mr. Lee Sang-Ock, Minister of Foreign Affairs, and Dr. Bong-Suh Lee, Minister of Trade and Industry, of the Republic of Korea.

3. Ministers thanked H.E. Roh Tae Woo, President of the Republic of Korea, for his keynote address in which he emphasised that:

APEC, whose fifteen economies are producing one half of the global output, has reached a stage where an institutional base should be established in order to represent the common economic interests of the region and to promote intraregional trade and economic cooperation;

APEC should set an example of open regionalism under the principles of free trade thereby complementing and strengthening the multilateral free trade system; and APEC, as a region-wide framework for cooperation, should play a central role in promoting a harmonious and balanced development of the trans-Pacific relations by embracing sub-regional economic groups within the Asia-Pacific region.

4. Following the agreement at the Singapore Ministerial Meeting, the Republic of Korea, in its capacity as Chair of APEC, conducted consultations with the People's Republic of China, Hong Kong and Chinese Taipei, and reached an agreement enabling them to participate in APEC at the same time. Ministers approved the recommendation of Senior Officials that the three be invited to participate in the third Ministerial Meeting.

5. Ministers welcomed the participation in APEC of the People's Republic of China, Hong Kong and Chinese Taipei and reaffirmed that the participation of these three important economies would greatly contribute to the process of economic cooperation in the region.

6. Ministers held discussions on a range of topics, including:

- a. Consolidation of APEC's principles and objectives
- b. Regional economic trends and issues
- c. Uruguay Round and trade liberalisation in the region
- d. APEC work program
- e. Future steps for APEC

### APEC'S PRINCIPLES AND OBJECTIVES: SEOUL APEC DECLARATION

7. Ministers noted with satisfaction the development of APEC to date as a region-wide framework for cooperation and agreed that the process had reached a stage where a firm foundation for its future development should be established. They adopted the Seoul APEC Declaration (Annex B).

8. Ministers agreed that the Declaration is a significant step forward for the development of the APEC process. The Declaration represents the principles, objectives and understandings of APEC; endows APEC with a clear international personality; and provides a firm foundation on which to base APEC's work in the years to come.

## **REGIONAL ECONOMIC TRENDS AND ISSUES**

9. Ministers exchanged views on regional economic trends and identified a number of issues of ongoing economic concern to the region. Ministers considered the report prepared by the Ad Hoc Group on Economic Trends and Issues chaired by Canada and Thailand. Ministers identified Asia-Pacific as one of the most dynamic economic regions, with growing interdependencies in trade and investment flows, and recognised the important role that a regional economic dialogue can play.

10. Ministers reviewed the trends in growth, inflation and current account balances in the APEC region. Ministers were of the view that the prospects for APEC economies were generally good. Ministers noted that much of regional growth is based on strong and persistent domestic demand in the APEC economies

11. With respect to inflation, the overall expectation was for improved performance throughout the APEC region in 1991 and 1992, sustained by appropriate economic policies. It was recognised, however, that this issue would require ongoing vigilance. There was discussion of the performance of APEC economies' current accounts over recent years and of the trend to reduction in imbalances. It was also noted that some economies may experience an increase in imbalances in the short term.

12. Ministers discussed a number of issues of ongoing concern including: sustaining non-inflationary growth, labor and capital shortages, regional patterns of trade and investment, the environment and the economy, implications of changes in the Soviet economy, market access and the Uruguay Round outcome, structural adjustment and economic diversification.

13. Ministers welcomed the proposal by Japan to undertake a survey of economic linkages among APEC economies, the results of which will be discussed at the next Ad Hoc Economic Group meeting, along with continuing discussions on the economic outlook and trends.

## **URUGUAY ROUND**

14. Recognising the critical importance of achieving a successful outcome of the Uruguay Round, Ministers issued a separate APEC Declaration on the Uruguay Round (Annex C).

## **TRADE LIBERALISATION IN THE REGION**

15. Ministers considered the report of Senior Officials on the scope for trade liberalisation in the region, mandated at the Singapore Ministerial Meeting. They noted that one of the underlying principles behind APEC has been to exert a strong, positive influence on the future evolution of the global trading system, and that APEC's capacity to do this will be greatly enhanced through setting a positive example. Pursuing trade liberalisation within APEC on a GATT-consistent basis and not to the detriment of others will provide a powerful complement to multilateral trade liberalisation, as well as providing a stronger basis for increasing trade within the region to the mutual benefit of APEC participants.

16. Ministers discussed a number of options for enhancing trade flows within the region and

endorsed the report of Senior Officials. Ministers reaffirmed the desirability of convening a meeting of APEC Ministers concerned with trade policy following conclusion of the Uruguay Round to assess the outcome of the Round for the region. Ministers further instructed Senior Officials to continue their work in this important area and, in particular, to identify options and make recommendations for approaches to trade liberalisation in the region.

17. Ministers also considered the option of inviting a Group of Eminent Persons from among the region to consider the likely shape of trade in the Asia-Pacific over the medium-term, and to identify constraints and issues that would need to be addressed by governments in order to realise the potential for trade in the region. Ministers saw merit in the idea, and considered that it needed to be studied further, particularly in the light of the outcome of the Uruguay Round. Ministers directed Senior Officials to give further consideration to the idea, including whether it would be desirable to be more broad ranging in scope and the possible connections with the study of economic linkages among APEC economies; and report back to Ministers.

18. Ministers noted that there is a broad range of consultations occurring on trade issues within the region. The nature and outcomes of such trade policy consultations have considerable potential for influencing the future of the multilateral trading system. Ministers agreed that any trade policy actions involving APEC participants should be designed to maximise trade creation, should not lead to new barriers to trade or investment, and should be consistent with APEC's overriding objective of an open and free multilateral trading system.

### **APEC WORK PROGRAM**

19. Ministers reviewed the Consolidated Report on the work program prepared by the Chairmen's Group composed of Australia, Singapore, Korea, Thailand and the United States. Ministers expressed satisfaction with the continuing progress made in the activities of the work program, and noted that in several areas substantial benefit to the region had already been derived.

20. Ministers endorsed the recommendation by Senior Officials to adopt three additional work projects, in the areas of fisheries, transportation, and tourism, thereby expanding the work program to ten work projects. Ministers directed officials to pursue vigorously the further development of the work projects and noted the following~:

a. Review of Trade and Investment Data

A preliminary inventory on merchandise trade data has been developed and inventories for investment and service flow data are underway.

b. Trade Promotion: Programs and Mechanisms for Cooperation

The APEC Electronic Information Network (APEC EL~), which connects Singapore's TDB Globalink with the computer system of each APEC member, was established and is ready for the exchange of trade and industrial information.

c. Expansion of Investment and Technology Transfer in the Asia-Pacific Region

A manual and inventory have been finalised to assist in the creation and management of technoparks. Technopark seminars and site visits were held. An Asia-Pacific Investment and Technology Information Network (APITIN) is in preparation.

d. Asia-Pacific Multilateral Human Resource Development Initiative (HRD)

HRD networks in economic development, business management and industrial technology, were established. Formulation seminars were held

in 1991, at which work plans for 1991/1992 were drafted. The APEC partnership for Education has 13 Asia-Pacific university contracts in place.

e. Regional Energy Cooperation

Energy supply and demand data was collected from members for the establishment of a Regional Energy Database. Potential use of clean coal technology will be studied and the merit of establishing an APEC Coal Utilisation Center for the development and introduction of these technologies is under consideration. An expert group will meet to review specific work plans in the field of R~D and discuss technology transfer

f. Marine Resource Conservation: Problem of Marine Pollution in the APEC Region

Land-based pollution was identified as the focus of activity and integrated coastal zone planning was endorsed as a means to address marine environment protection and sustainable development. An experts task force will implement pilot projects in this area.

g. Telecommunications

Data on telecommunication environments in this region was published and distributed to the Ministers. This data will be used to develop recommendations for Ministers on measures that participants may take to promote development and efficient use of infrastructures. APEC's electronic data interchange (EDI) project can lead to total electronic exchange of trade documents within the region by the end of the decade. A teleport seminar was held in cooperation with PECC. Guidelines on "How to approach training within a telecommunication organisation" will be completed by next Ministerial Meeting in Bangkok.

h. Fisheries

Specific work plans are under development, including identification of fish stocks with management problems requiring international cooperation; arrangements that have been implemented to deal with management issues; cooperation in fish harvesting and post-harvesting technologies and; cooperation in product marketing.

i. Transportation

Short term projects identified are surveys of transportation bottlenecks in cooperation with PECC, of existing transportation data, of transportation systems and services, and a review of related transportation work in other international bodies. Medium term projects include a regional transportation system.

j. Tourism

Work plans include the improvement of data collection and statistical reporting; identification and reduction of impediments to tourism; tourism training and education, and; compilation of an inventory on current tourism projects and tourism-related events by APEC participants.

21. Ministers reviewed the description and evaluation of the work program activities provided by

Senior Officials in the Consolidated Report. Discussions focused on the issues of the interrelationship among individual work projects, the administrative and funding requirements of the projects and the desirability of enhancing active private sector involvement in the work program.

22. Ministers recognised that the issues highlighted in the Consolidated Report need to be resolved in order to advance the work program and provide further benefits to the region. Ministers acknowledged that overall coordination and management of the APEC work program depends upon the efforts of all participants.

### **FUTURE STEPS FOR APEC**

23. With a view to further strengthening APEC's role and enhancing its efficiency in promoting regional economic cooperation, Ministers recognised the need to consider, among others, the possibility of establishing a mechanism on a permanent basis to provide support and coordination for APEC activities at various levels; ways to finance APEC activities, including a procedure for apportionment of expenses; and other organisational matters.

24. Ministers agreed that the complexity of the issues required further in-depth study. They entrusted Senior Officials with the task of completing an extensive review of the issues and providing options and recommendations for decision at the fourth Ministerial Meeting. On this issue, Thailand will convene a meeting composed of a Chairmen's Group and other interested participants prior to the next SOM.

### **PARTICIPATION**

25. Ministers took note of the interest expressed by a number of countries and organisations in participating in or associating themselves with APEC. Ministers reaffirmed that APEC is an open and evolving process and requested Senior Officials to further consider the issue of additional participation, taking into account the criteria in the Seoul APEC Declaration, and report back to the fourth Ministerial Meeting in Thailand.

### **VENUES FOR FUTURE APEC MINISTERIAL MEETINGS**

26. The fourth Ministerial Meeting will be held in Thailand in 1992; the fifth Ministerial Meeting will be held in the United States in 1993; and Ministers welcomed Indonesia's offer to host the sixth Ministerial Meeting in 1994.

### **OTHER MATTERS**

27. At the conclusion of this third Meeting, Ministers expressed satisfaction with the discussions which reaffirmed the value of closer regional consultation and economic cooperation on matters of mutual interest.

28. Ministers and their delegations expressed their appreciation to the Government and people of the Republic of Korea for organising the meeting, for the excellent arrangements made for it as well as for the warm hospitality extended to them.

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## **Annex B**

### **SEOUL APEC DECLARATION**

#### **OBJECTIVES**

Representatives of Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong

Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America, meeting in Seoul from 12 to 14 November 1991 at Ministerial level,

**Recognising** that the dynamic growth of economies of the Asia-Pacific region has brought with it growing economic interdependence and strong common interests in maintaining the region's economic dynamism;

**Conscious** of the vital interests shared by the Asia-Pacific economies in the expansion of free trade and investment, both at the regional and global level, and of the dangers inherent in protectionism;

**Recognising** that the healthy and balanced development of economic interdependence within the Asia-Pacific region based upon openness and a spirit of partnership is essential for the prosperity, stability and progress of the entire region;

**Convinced** that closer cooperation is needed to utilize more effectively human and natural resources of the Asia-Pacific region so as to attain sustainable growth of its economies while reducing economic disparities among them and improve the economic and social well-being of its peoples;

**Recalling** the productive outcome of their two previous meetings held in Canberra, 5-7 November 1989 and in Singapore, 29-31 July 1990, the basic principles for Asia-Pacific Economic Cooperation which emerged therefrom, and the process of consultations and cooperation evolving among the participating Asia-Pacific economies;

**Acknowledging** the important contribution made by the Association of South-East Asian Nations (ASEAN) and the pioneer role played by the Pacific Economic Cooperation Conference (PECC) in fostering closer regional links and dialogue;

**Recognising** the important role played by the GATT in fostering a healthy and open multilateral trading system, in reducing barriers to trade and in eliminating discriminatory treatment in international commerce;

**Believing** that Asia-Pacific Economic Cooperation should serve as an exemplary model of open regional cooperation;

Do hereby declare as follows:

1. The objectives of Asia-Pacific Economic Cooperation (hereinafter referred to as APEC) will be:

(a) to sustain the growth and development of the region for the common good of its peoples and, in this way, to contribute to the growth and development of the world economy;

(b) to enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, including by encouraging the flow of goods, services, capital and technology;

(c) to develop and strengthen the open multilateral trading system in the interest of Asia-Pacific and all other economies:

(d) to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.

## SCOPE OF ACTIVITY

2. APEC will focus on those economic areas where there is scope to advance common interests and achieve mutual benefits, including through:

- (a) exchange of information and consultation on policies and developments relevant to the common efforts of APEC economies to sustain growth, promote adjustment and reduce economic disparities;
- (b) development of strategies to reduce impediments to the flow of goods and services and investment world-wide and within the region;
- (c) promotion of regional trade, investment, financial resource flows, human resources development, technology transfer, industrial cooperation and infrastructure development;
- (d) cooperation in specific sectors such as energy, environment, fisheries, tourism, transportation and telecommunications.

3. In each of these fields, APEC will seek-

- (a) to improve the identification and definition of the region's common interests and, where appropriate, to project these interests in multilateral forums such as the GAIT;
- (b) to improve the understanding of the policy concerns, interests and experiences of economic partners, particularly of their international implications, and to help promote consistency in policy making in appropriate areas;
- (c) to develop practical programs of economic cooperation to contribute to economic dynamism and improved living standards throughout the region;
- (d) to enhance and promote the role of the private sector and the application of free market principles in maximising the benefits of regional cooperation.

## MODE OF OPERATION

4. Cooperation will be based on:

- (a) the principle of mutual benefit, taking into account the differences in the stages of economic development and in the socio-political systems, and giving due consideration to the needs of developing economies; and
- (b) a commitment to open dialogue and consensus-building, with equal respect for the views of all participants.

5. APEC will operate through a process of consultation and exchange of views among high-level representatives of APEC economies, drawing upon research, analysis and policy ideas contributed by participating economies and other relevant organisations including the ASEAN and the South Pacific Forum (SPF) Secretariats and the PECC.

6. Recognising the important contribution of the private sector to the dynamism of APEC economies, APEC welcomes and encourages active private sector participation in appropriate APEC activities.

## PARTICIPATION

7. Participation in APEC will be open, in principle, to those economies in the Asia-Pacific region



which:

- (a) have strong economic linkages in the Asia-Pacific region; and
- (b) accept the objectives and principles of APEC as embodied in this Declaration.

8. Decisions regarding future participation in APEC will be made on the basis of a consensus of all existing participants.

9. Non-participant economies or organisations may be invited to the meetings of APEC upon such terms and conditions as may be determined by all existing participants.

## **ORGANISATION**

10. A ministerial meeting of APEC participants will be held annually to determine the direction and nature of APEC activities within the framework of this Declaration and decide on arrangements for implementation. Participants who wish to host ministerial meetings will have the opportunity to do so, with the host in each case providing the chairman of the meeting.

11. Additional ministerial meetings may be convened as necessary to deal with specific issues of common interest.

12. Responsibility for developing the APEC process in accord with the decisions of the ministerial meetings and the work program determined at those meetings will lie with a senior officials' meeting of representatives from each participant. The senior officials' meeting will be chaired by a representative of the host of the subsequent annual ministerial meeting, and will make necessary preparations for that meeting.

13. Each project on the work program will be pursued by a working group composed of representatives from participants, coordinated by one or more participants. The working groups will identify specific areas of cooperation and policy options relating to each project.

## **THE FUTURE OF APEC**

14. Recognising the ongoing and dynamic nature of the APEC process, APEC will retain the flexibility to evolve in line with the changes in regional economic circumstances and the global economic environment and in response to the economic policy challenges facing the Asia-Pacific region.

*Seoul, 14 November 1991.*

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## **Annex C**

### **APEC DECLARATION ON THE URUGUAY ROUND**

1. Ministers from Australia, Brunei Darussalam, Canada, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States met in Seoul on 12-14 November 1991 and addressed, as the number one priority of the APEC Agenda, the current status of the Uruguay Round of Multilateral Trade Negotiations.

2. Ministers declared a successful conclusion of the Uruguay Round to be the most critical economic issue facing the international community.

3. Recalling the Singapore Declaration on the Uruguay Round, Ministers underlined the

significance for each of their economies and to the Asia-Pacific region of an open and strengthened multilateral trading system.

4. Ministers emphasized that a major and significant outcome to the Round is necessary to underpin the growth of world trade, to forestall protectionist pressure, to instill confidence in markets and to facilitate the continuation of economic reform in the region and elsewhere.

5. Ministers welcomed recent signs of movement in key areas of the negotiations and called for further progress in Agriculture, Textiles and Clothing, Services, Market Access, Rule-Making and Intellectual Property, leading to a balanced, comprehensive and substantial result.

6. Ministers declared that a successful Round must include substantial liberalisation of trade in both goods and services, based on strengthened rules and disciplines in the multilateral trading system.

7. Ministers expressed their firm resolve to show the necessary flexibility and to take, as soon as possible, the political decisions needed to assemble a detailed package by the end of this year.

8. To this end, Ministers pledged to instruct their negotiators to return to the negotiating table with renewed vigor, and to work with each other and their trading partners outside the region to produce a bold and forward-looking result.



Ministerial Meetings



## Fourth Ministerial Meeting

(Bangkok, Sept 10-11, 1992)

### JOINT STATEMENT

1. The Fourth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting was convened in Bangkok on 10-11 September 1992. Ministers from Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand, and the United States participated in the Meeting to continue their discussion on the process of APEC. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum (SPF) were present as observers. A complete list of Ministers and observers appears as Annex 1.

2. The Meeting was co-chaired by H.E.Mr. Arsa Sarasin, Minister of Foreign Affairs, and H.E.Mr. Amaret Sila-on, Minister of Commerce, of Thailand.

3. Ministers expressed their appreciation to H.E. Mr. Anand Panyarachun, Prime Minister of Thailand, for his keynote address in which he emphasized that:

- APEC is poised to play a central role in promoting regional growth and prosperity while forming a strong defence against growing protectionism, notwithstanding the climate of rapid change and uncertainty in world events;

- APEC encourages the achievement of balanced results from the Uruguay Round, upon which APEC may then build;

- APEC, as a uniquely diverse and open consultative forum, holds vast untapped potential for cooperation in a broad range of areas, economic and otherwise;

- APEC's prospects as a possible "bridge" between the major subregional free trade areas in the Asia-Pacific region should be carefully explored; and

- APEC, as part of an interlocking net work of complementary sub-regional economic organizations, is an open, evolving process that can further not only regional economic integration, but also balanced development in individual member economies.

4. Ministers held discussions on a range of topics, including:

A. Regional Economic Trends and Issues

B. Uruguay Round and Trade Liberalization In the Region

C. APEC Work Programme

#### D. Future Steps of APEC

#### E. Future Participation

### **REGIONAL ECONOMIC TRENDS AND ISSUES**

5. Ministers considered the report of the meeting of the Ad Hoc Group on Economic Trends and Issues, co-chaired by Canada, Japan and the Republic of Korea In Tokyo on 10-11 August 1992, which discussed a Japanese survey on economic linkages In the region entitled 'Vision for the Economy of the Asia-Pacific Region in the Year 2000 and Tasks Ahead', and a Korean report on the economic outlook and trends in the region entitled "APEC Economies: Recent Developments and Outlook".
6. Ministers noted that these studies provided APEC with original, ground-breaking research that helps quantify key economic flows and indicates the deepening interdependence within the Asia-Pacific region, in particular trans-Pacific interdependence. The Interdependence Is evident In the areas of commodity trade, services trade, direct investment and human exchange. Important factors promoting interdependence and structural change In the region are the linkages between open economic policies and sound economic management, the process of globalization and the role of multinational enterprises (MNEs).
7. Ministers were of the view that the outlook for the APEC region is for continued, dynamic economic growth, and noted the Importance of strengthening the multilateral trading system and promoting the expansion of trans-Pacific trade In maintaining the economic dynamism of the region.
8. Ministers welcomed an Australian proposal that arrangements be considered for the regular circulation among APEC members of key economic statistics, and instructed Senior Officials to explore this proposal further.
9. Ministers noted that a dialogue on economic trends and Issues Is a core element of APEC's work. Ministers thanked Japan and the Republic of Korea for their contributions to the success of the Second Meeting of the Ad Hoc Group, and Instructed Senior Officials to consider the next steps for the Ad Hoc Group, in particular ways in which a dialogue on economic trends and issues could contribute to future Ministerial dialogue and provide a broader context for APEC Work Projects and other activities.
10. To this end, Ministers directed Senior Officials to ensure the preparation of a review of short to medium term economic outlooks for the economies of the region for use at the 1993 Ministerial Meeting, as well as an examination of a priority issue area to be determined by Senior Officials at their next meeting. In considering possible issues, Senior Officials may draw on the range of Issues Identified in the report of the Tokyo Ad Hoc Group meeting; including the implications of open economic policies and trade, investment and technology flows for growth and development, structural change, human resource development, the reduction of income disparities within the region and development of regional integration.

### **URUGUAY ROUND**

11. Recognizing the critical importance of achieving a successful outcome of the Uruguay Round, Ministers issued a separate APEC Statement on the Uruguay Round which appears as Annex 2.

### **TRADE LIBERALIZATION IN THE REGION**

12. Ministers considered and endorsed the report of the Informal Group on Trade Liberalization in the Region, agreed by Senior Officials. They noted the importance of trade policy dialogue in APEC as a means of building consensus and sharing information in relation to trade policy issues relevant to the region,- including the process of globalization and subregional trade arrangements

such as the North American Free Trade Agreement and the ASEAN Free Trade Area. Ministers endorsed the view of the Informal Group that APEC economies should encourage investment linkages, regional and sub-regional trade arrangements to be outward-looking, GATT-consistent, and support the processes of broader trade liberalization, and that an active dialogue on such issues should continue. Ministers reaffirmed their intention to convene a meeting of Ministers concerned with trade policy when the outcome of the Uruguay Round becomes clearer.

13. Ministers discussed the practical measures identified by the Informal Group to carry forward the mandate from the Seoul Ministerial Meeting to "identify options and make recommendations for approaches to trade liberalization in the region". Ministers asked the Informal Group to look ahead to emerging trade issues and endorsed the view that both longer term measures and a shorter term action programme should be pursued.

14. To advance regional trade liberalization over the next decade, Ministers agreed that a small Eminent Persons Group should be established to enunciate a vision for trade in the Asia Pacific region to the year 2000, identify constraints and issues which should be considered by APEC, and report initially to the next Ministerial Meeting in the United States in 1993. Ministers endorsed the proposed structure and indicative terms of reference for the EPG, set out in the report.

15. In the more immediate period, Ministers agreed that the implementation of four proposals recommended by the Informal Group would provide significant benefits for business.

Ministers directed Senior Officials to implement the four proposals to:

(1) establish, subject to a feasibility study, an electronic tariff data base for APEC members to facilitate regional trade through better information flows;

(2) survey current regional activity designed to harmonize and facilitate customs procedures and practices and recommend additional steps that could be taken within APEC to enhance or complement that work, taking into account regional CCC activities;

(3) identify and discuss the administrative aspects of market access and submit to the Fifth APEC Ministerial Meeting a report with recommendations for reducing the impediments and costs of these measures, and a process for reviewing them on an ongoing basis; and

(4) survey APEC members and prepare a detailed guidebook on investment regulatory procedures which should be submitted to Ministers desirably in 1993, with the possibility for future ongoing maintenance and updating of the guidebook electronically.

16. Ministers agreed that implementation of these measures would provide a sound basis for further work on regional trade liberalization, and that trade liberalization and trade policy issues should form a central focus of the Fifth APEC Ministerial Meeting in the United States in the coming year.

## **APEC WORK PROGRAMME**

17. Ministers reviewed the Consolidated Report on APEC Work Programme and noted with satisfaction that many Working Groups are producing substantial progress and providing tangible benefits to the region.

18. Ministers agreed that officials concerned should intensify their coordinated efforts to further develop the Work Projects to attain the full potential and noted the following:

**a. Review of Trade and Investment Data**

Inventories for services trade data and investment flows data continue to be developed. Also, efforts to obtain near comparable merchandise trade data among APEC economies will be undertaken.

**b. Trade Promotion: Programmes and Mechanisms for Cooperation**

The APEC Electronic Information Network which connects the computer system of each member and provides for the exchange of trade, industrial and business information is operating. Preparations are underway to hold the First Asia-Pacific International Trade Fair in Japan in 1994.

**c. Expansion of Investment and Technology Transfer in the Asia-Pacific Region**

Various options in the establishment of an Asia-Pacific Investment and Technology Information Network are going to be discussed by an experts' group meeting. Japan will compile an "Industrial Parks Development Handbook" in cooperation with all APEC members.

**d. Asia-Pacific Multilateral Human Resources Development Initiative (HRD)**

Many useful activities of HRD networks on economic development management, business management, and industrial technology have been implemented. Other activities relating to education and training have also been carried out, such as US-APEC partnership, Japan-ApEC partnership, HRD outlook by PECC, and University Mobility in Asia-Pacific by Australia. The APEC Education Ministerial Meeting was held in August 1992 in Washington, D.C., and the proposal to establish an APEC Education Forum to discuss education-related issues was endorsed.

**e. Regional Energy Cooperation**

A format has been developed for APEC energy database and information from the database which will facilitate further discussion of energy policy Issues, will be available in March 1993. Recommendations on the use of clean coal technologies have been developed and will be circulated to all APEC members before November 1992. A compendium on energy efficiency practices in APEC members will be circulated before October 1992. A handbook on regional energy technology co-operation, a network to share information on natural gas vehicle fuel technologies, a programme of exchange to share information on photovoltaic and other solar energy technologies, and a compendium of regional renewable energy programmes are being developed.

**f. Marine Resources Conservation: Problem of Marine Pollution in the APEC Region**

Recommendations were developed for practical action on the red tide/toxic algae Issue. It was proposed that task teams be formed to develop detailed programme proposals and cost estimates for projects related to (1) Information exchange, (2) human resource development, and (3) technical exchange. Reports are to be completed before the next Working Group meeting, expected around the middle of 1993, at which time the proposals will be evaluated and programme operations initiated. Participants were asked to submit proposals for additional topics to be addressed, particularly those related to land-based pollution.

**g. Telecommunications**

A supplementary edition containing telecommunications environment data of Hong Kong and Chinese Taipei, a training manual presenting guidelines on "How to Approach Training within a Telecommunications Organization" and a report on "Issues to be Resolved in Realizing Teleports" were published. Several Electronic Data Interchange (EDI) pilot projects are being implemented in order to broaden public awareness of EDI's utility in the region and to facilitate trade among APEC economies.

#### **h. Fisheries**

Work programmes underway are a survey of species requiring international cooperation in management arrangements; an overview paper combining information of fish stocks, existing management arrangements and scientific supporting arrangements; an inventory of existing facilities and opportunities for the technical transfer of harvesting and post harvesting technologies between APEC participants; and a periodic compilation of trends and projections in global and domestic markets for seafood products originating in the APEC region.

#### **i. Transportation**

Short term activities have been undertaken, namely surveys of transportation bottlenecks, of existing data, of transportation systems and services, and of related work in other international bodies. An outline of a document outlining a medium term vision for transportation in the region is also being prepared.

#### **j. Tourism**

Specific work plans are being developed, including the examinations on the interrelation of tourism and aviation and on the relation of the Working Group to other international organizations, the study on tourism environment, the improvement of data collection and statistical reporting, the identification of barriers to tourism, the improvement of tourism training and the compilation of an inventory on current tourism projects.

19. Ministers welcomed the active contributions the three new members, namely the People's Republic of China, Hong Kong and Chinese Taipei, made to the APEC work programme. Ministers noted in particular that the PRC has offered to host a Seminar on Promoting the Expansion of Export of Medium and Small Enterprises in Shenzhen in May 1993, an Asia Pacific Trade Promotion Seminar in 1994 and an APEC Trade Promotion Training Course, that Hong Kong has made financial contribution to publish the addendum of the study on "The State of Telecommunications Infrastructure and Regulatory Environment of APEC Economies," and that the Chinese Taipei's Project Proposal on Promoting Development of Medium and Small Enterprises through Cooperation was incorporated into the Work Project on Trade Promotion and was considered by the Working Groups on Telecommunications and Fisheries.

20. Ministers took note of the general problems of the APEC work programme and agreed with the policy recommendations contained in the Consolidated Report. In order to enhance further progress of the ten Work Projects, Ministers instructed Senior Officials to provide guidance to the Working Groups on how to coordinate Working Group activities, avoid duplication and identify complementarities.

21. Ministers directed Senior Officials to play an active role in overall coordination and management of the Working Groups, with a view to improving their focus in terms of objectives of APEC as set forth in the Seoul Declaration.

22. Ministers reaffirmed that APEC is an open process. Participation by non-members from the Asia-Pacific region in APEC Work Projects, including seminars, symposia and workshops, can be

beneficial to members as well as non-members.

## **FUTURE STEPS OF APEC**

23. Ministers expressed their appreciation to Senior Officials for carrying out, as specified in the Ministerial Joint Statement in Seoul, an in-depth study on the subject based on the Thai Secretariat's Working Paper entitled Future Steps of APEC. Ministers recognized that APEC has reached that stage in its evolution where institutionalization could further strengthen APEC's role and enhance its efficiency in promoting regional economic cooperation. After thorough consideration, Ministers agreed to the recommendations of Senior Officials that it is timely and appropriate for APEC to set up a Secretariat as an effective support mechanism and an APEC Fund to finance the implementation of APEC activities. In this connection, they endorsed the Consolidated Report on the Future Steps of APEC and adopted the Bangkok Declaration on APEC Institutional Arrangements which appears as Annex 3.

24. Ministers agreed that the APEC Secretariat will have its seat in Singapore.

25. Ministers agreed that to cover APEC administrative and operational costs, APEC members shall make annual contributions to the APEC Fund on a proportional basis. Ministers were of the view that consensus was necessary on the utilization of the APEC Fund for each activity and mandated Senior Officials to work out details of the guidelines for allocation of the Fund as soon as possible. Ministers instructed the shepherds of Work Projects and Chairmen of other groups to meet and develop detailed budget requests in advance of the next SOM. The SOM should prepare a detailed budget proposal for the fiscal year 1993 within the upper limit of US\$ 2 million for Ministers' approval.

26. Ministers discussed the issue of private sector participation in the APEC process. They reaffirmed the importance of the private sector's role in enhancing the relevance of the work programme and expressed appreciation for the positive contribution in such Work Projects as Trade Promotion and Telecommunications. Ministers stressed the need to further encourage direct private sector involvement so that the Work Projects would benefit from their technical expertise and funding. Ministers entrusted Senior Officials to identify ways to engage the private sector more fully in APEC Work Projects and report back to the Fifth Ministerial Meeting in 1993.

## **FUTURE PARTICIPATION**

27. Ministers took note of the continuing interest expressed by a number of countries and organizations in participating in some capacity in the APEC process. Ministers reaffirmed that APEC is an open and evolving process and recalled the criteria for participation set forth in the Seoul APEC Declaration; namely, that decisions regarding participation be made on the basis of a consensus of all existing participants, and that participation in APEC be open, in principle, to those economies in the Asia-Pacific region which:

(A) have strong economic linkages in the Asia-Pacific region; and

(B) accept the objectives and principles of APEC as embodied in the Seoul APEC Declaration.

28. Ministers also expressed the view that APEC was entering a phase when consolidation and effectiveness should be the primary considerations, and that decisions on further participation required careful consideration in regard to the mutual benefits to both APEC and prospective participants.

29. Taking note of the emerging reality of an integrated North American economy and the growing economic linkages between that North American economy and the rest of the Asia-Pacific region, Ministers requested Senior Officials to examine the case for Mexico's membership in APEC and report their findings to the Fifth Ministerial Meeting in the United States. Ministers



also requested Senior Officials to review the broader question of the participation of others in APEC.

## **VENUES FOR FUTURE APEC MINISTERIAL MEETINGS**

30. The Fifth Ministerial Meeting will be held in the United States in 1993, the Sixth Ministerial Meeting will be held in Indonesia in 1994; and Ministers welcomed the offers from Japan, the Philippines and Canada to host the Seventh, Eighth and Ninth Ministerial Meetings in 1995, 1996 and 1997 respectively.

## **OTHER MATTERS**

31. Ministers and their delegations expressed their deep appreciation to the Government and people of the Kingdom of Thailand for the warm and generous hospitality extended to them, and the excellent facilities and arrangements made available for the Meeting.

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## **APEC STATEMENT ON THE URUGUAY ROUND**

1. Ministers from Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States met in Bangkok on 10-11 September 1992, and issued the following statement on the Uruguay Round of Multilateral Trade Negotiations.

2. Ministers renewed APEC's unwavering commitment to achieving the strengthened international trading system that will result from the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations. Ministers noted that the benefits from the Round would be in serious jeopardy if the Round continues to languish. Accordingly, they called for leadership by all the major trading countries as well as immediate and decisive action by all participants to conclude the negotiations by year end. In the meantime, participants reaffirmed commitments undertaken at Punta Del Este regarding modification during the course of the Uruguay Round of trade policies and practices which have an effect on the negotiations.

3. APEC Ministers reaffirmed their belief that a major and significant outcome to the Round is necessary to underpin the growth of world trade, to forestall protectionist pressure, to instill confidence in markets and to facilitate the continuation of economic reform in the region and elsewhere.

4. APEC economies supported a rapid conclusion of the negotiations and recalled the expectation of G-7 leaders meeting in Munich that final agreement can be achieved before the end of the year. In light of the extensive work remaining, substantive progress in all areas could not be delayed.

5. APEC Ministers expressed their profound regret that despite the expressions of political will for an early and successful conclusion of the negotiations, these commitments have yet to be translated into action at the negotiating table. Ministers voiced their concern over the delays in agriculture, where agreement on multilateral agricultural reform remains a necessary element in achieving the comprehensive result that is required. Delays in market access and services negotiations are also of concern to APEC Ministers.

6. Accordingly, the APEC Ministers reaffirmed their commitment to push the negotiations forward and overcome the last remaining hurdles to bring the Uruguay Round to an early and successful conclusion. Ministers urged all participants in the Uruguay Round to return to Geneva ready to complete these far-reaching negotiations. They recognized that for all governments, this would require difficult decisions. APEC Ministers intend to devote all the resources necessary, in capitals and in Geneva, to realize the agreement before the end of the year.

7. Ministers called on GATT Director General Dunkel, as Chairman of the Trade Negotiations Committee (INC), to continue his effective leadership over the negotiating process in all areas. In this regard, Ministers recalled the draft "Final Act" tabled in December 1991 and reaffirmed its importance as the key document in reaching a comprehensive agreement on the Uruguay Round. They agreed that a balanced, comprehensive and substantive agreement also required the successful completion of negotiations to liberalize market access in goods and services.

8. APEC Ministers reaffirmed their strong support for Mr. Dunkel's leadership over the negotiating process in Geneva and pledged to make the additional efforts needed in all areas to translate their political determination into actions to achieve an early, successful conclusion to the Round. APEC support will be visible in Geneva, by the active participation of negotiators and in APEC capitals.

9. APEC economies look forward to a rapid conclusion of the negotiations in order to implement the results of the Round as soon as possible. This should strengthen the initiatives underway in APEC aimed at trade liberalization within the region.

## **BANGKOK DECLARATION**

### **ON ASIA-PACIFIC ECONOMIC COOPERATION (APEC)**

#### **INSTITUTIONAL ARRANGEMENTS**

The Representatives of Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America, meeting in Bangkok on 10-11 September 1992 at Ministerial level,

**REAFFIRMING** the basic principles adopted by Ministers in Canberra on 6-7 November 1989, in Singapore on 30-31 July 1990 and in Seoul on 12-14 November 1991;

**DETERMINED TO PURSUE** the objectives of APEC as stated in the Seoul APEC Declaration to

- (a) sustain the growth and development of the region for the common good of its peoples and, in this way, to contribute to the growth and development of the world economy;
- (b) enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, including by encouraging the flow of goods, services, capital and technology;
- (c) develop and strengthen the open multilateral trading system;
- (d) reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies: and

**RECOGNIZING THAT** the rapidly growing activities of APEC since its inception have increased the need for an effective support mechanism to facilitate and coordinate APEC activities in order to strengthen APEC's role and enhance its efficiency in promoting regional economic cooperation, hence the need to establish an APEC Secretariat and an APEC Fund;

**DO HEREBY DECLARE** as follows:

## **A. SECRETARIAT**

### **1. ESTABLISHMENT OF THE APEC SECRETARIAT**

a. An APEC Secretariat is established as a support mechanism to facilitate and coordinate APEC activities, provide logistical and technical services as well as administer APEC financial affairs under the direction of the APEC Senior Officials' Meeting (APEC SOM).

b. The APEC Secretariat will be empowered to act on behalf of APEC Members under the direction of Ministers as communicated through the APEC SOM.

### **2. STRUCTURE OF THE APEC SECRETARIAT**

The APEC Secretariat will report directly to the APEC SOM. It will be composed of three elements: an Executive Director, Professional Staff, and Support Staff.

### **3. LINKAGES BETWEEN THE APEC SECRETARIAT AND APEC MEMBERS**

For better coordination, direct and regular communications will be established between the APEC Secretariat and APEC Members, Shepherds of Work Projects and Heads Or other APEC **committees and groups.**

### **4. LOCATION/LEGAL CAPACITY**

The APEC Secretariat will have its seat in Singapore and will be constituted as a legal entity enjoying such legal capacity as is necessary for the exercise of its functions.

## **B. BUDGETARY ARRANGEMENTS**

### **5. ESTABLISHMENT OF THE APEC FUND**

a. The APEC Secretariat will, under the direction of the APEC SOM establish and

administer a fund to cover APEC administrative and operational costs.

b. Ministers will consider and approve the budget at each annual APEC Ministerial Meeting.

### **6. SOURCES AND ALLOCATIONS OF APEC FUND**

To cover APEC administrative and operational costs, APEC Members will make contributions to the APEC Fund on a proportional basis in accordance with a scale determined by Ministers. Additional contributions from the public or private sectors of any APEC Member(s) and other sources may also be made directly to APEC activities on a voluntary basis.

## 7. FINANCIAL MONITORING AND AUDITING

- a. The APEC SOM will oversee financial administration, monitor contributions and expenditures, and make recommendations on financial operations.
- b. An auditor approved by the APEC SOM will audit on an annual basis the APEC Secretariat accounts.
- c. The annual accounts together with the report of the auditor will be submitted to each annual APEC Ministerial Meeting through the APEC SOM.

*Bangkok, 10 September 1992.*



Ministerial Meetings



## Fifth Ministerial Meeting

(Seattle, Washington, USA, Nov 17-19,1993)

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### JOINT STATEMENT

1. Ministers from Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand, and the United States of America participated in the Fifth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Seattle, Washington November 17-19, 1993. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum (SPF) attended as observers. Members of the APEC Secretariat also were present.
2. The meeting was chaired by the Honorable Warren Christopher, Secretary of State of the United States.
3. In his opening remarks, Secretary Christopher stated trade and investment within Asia and the Pacific are weaving a new web of human and commercial relationships. He indicated APEC can play a crucial role in developing these Asia-Pacific networks. The Secretary also stressed APEC's development depends on its ability to promote more open trade and investment in the region, increase cooperation on issues that require regional solutions, and improve regional infrastructure.
4. The Ministers noted with great anticipation the meeting of APEC leaders to be held in Seattle, November 20, 1993. The Ministers agreed this meeting offers a unique opportunity for leaders to articulate a shared vision for the region into the next century and further develop economic ties in the region.
5. Ministers held discussions on a range of topics, including:
  - The Report of the Eminent Persons Group
  - Economic Trends and Issues
  - Trade and Investment Issues
  - The APEC Work Program
  - Participation Issues
  - Organizational Issues
6. As the former Chairman of APEC and the current Chairman of the ASEAN Standing Committee, H.E. Foreign Minister Prasong Soonsiri of Thailand expressed satisfaction with the progress made since the Bangkok Ministerial meeting. He stated APEC's priority tasks are to push for the successful conclusion of the Uruguay Round by the target date and to further enhance technical cooperation and trade facilitation in APEC. The Foreign Minister stressed the achievement of regional trade liberalization must be made through consultation in a manner consistent with the principles of GATT and open regionalism, with full recognition of members' differences in levels of economic development. APEC must retain its consensual and flexible character, which continues to be its fundamental strength.

## **REPORT OF THE EMINENT PERSONS GROUP**

7. Ministers expressed their great appreciation for the initial Report of the Eminent Persons Group, which assessed the current position and outlook of the APEC region, developed a long term vision for open trade in the APEC region and proposed a program of initiatives to implement the vision. The EPG chair, Dr. C. Fred Bergsten, presented the Group's unanimous Report which emphasized that APEC must accelerate and expand cooperation in order to respond to three threats to the continued vitality of the region: erosion of the multilateral global trading system; evolution of inward looking regionalism; and risk of fragmentation within the Asia Pacific region. The EPG recommended APEC undertake initiatives in four areas: regional and global trade liberalization; trade facilitation programs; technical cooperation; and institutionalizing APEC.

8. Ministers warmly welcomed the Report's broad thrust and direction, pointing out the Report's bold vision of open trade, investment and economic development in the region provides an important foundation and catalyst for future regional cooperation. In a wide-ranging discussion Ministers noted the contribution of the EPG in promoting vigorous debate on the economic challenges facing the Asia-Pacific region, reaffirmed the central value of a strengthened open multilateral trading system to continued growth in APEC economies, urged acceleration and extension of APEC's trade and investment facilitation and technical cooperation, and expressed their desire to enhance APEC's role as a vehicle for regional and global trade and investment liberalization. They also noted the EPG vision reflected the strengthening of economic relationships and a growing sense of cohesion and community in the Asia-Pacific region, reflecting APEC's commitment to consultation and consensus building. Ministers directed the APEC Secretariat to give broad distribution to the Report. They also suggested EPG members might wish to discuss the Report with the business community, academia, and the general public, and APEC members might wish to encourage this process.

9. Ministers discussed several approaches to addressing the EPG recommendations, noting in particular that those recommendations closely linked to ongoing work should be implemented promptly; those recommendations related to the outcome of the Uruguay Round would require additional study and consideration; and those recommendations related to longer term trade liberalization would require further elaboration by the EPG, on the advice of Senior Officials.

10. In light of the above, Ministers instructed Senior Officials to develop pragmatic programs to implement the EPG recommendations on trade liberalization and facilitation, technical cooperation, and the development of the APEC structure and decision-making process. Ministers further requested Senior Officials prepare a strategy and program to advance regional and global open trade, identify mechanisms to achieve that goal, and report to Ministers at the next ministerial meeting.

11. Ministers asked the Eminent Persons Group, on the advice of Senior Officials, to present further more specific proposals on how the recommended long-term vision might be realized. Ministers wish to consider these proposals at their meeting in Indonesia in 1994.

## **ECONOMIC TRENDS AND ISSUES**

12. Ministers emphasized the central role which sound economic analysis plays in developing both national policies and regional cooperative initiatives. The growing interdependence within the region is producing shared goals and aspirations and fostering a spirit of common purpose and of community among APEC members. The work of the Ad Hoc Group on Economic Trends and Issues is, therefore, crucial to promoting open trade and investment throughout the region and increasing the economic well-being of all our peoples. Ministers directed the Group to strengthen further its capability to prepare assessments of long-term economic trends and studies of specific sectoral issues. Ministers directed Senior Officials to explore the possibility of transforming the Group into the APEC Economic Committee before the next ministerial meeting.

13. Ministers thanked Thailand for the excellent economic outlook paper prepared for Ministers' review. Ministers discussed the key issues analyzed in the report, including the prospects for continued economic growth in the region and the near-term outlook for inflation. Ministers also considered several emerging economic issues the paper identified, including the growth of infrastructure bottlenecks in some member economies and changes in the labor markets of several member economies.

14. Ministers welcomed the valuable analysis contained in Japan's paper on a vision of the region in the year 2000. They noted the importance of continued analysis of the major topics in the report, including trade and investment liberalization, developing human resources and meeting environmental and energy resource challenges.

15. Ministers endorsed the proposal to initiate regular exchange among APEC members of key economic statistics. Such exchange will facilitate policy formulation and enhance future Ministerial discussion of economic developments in the region.

16. Ministers endorsed the Group's mission statement and instructed Senior Officials to advance work on one or more of the proposals to: assess the study on investment flows throughout the region; examine the interrelation of trade liberalization and privatization; study the means of sustaining economic growth in the context of sound energy and environmental policies; and over the longer term, explore the feasibility of producing in-depth analysis of international industrial linkages. Ministers also directed Senior Officials to prepare short- to medium-term economic outlooks for economies of the region for use at the 1994 ministerial meeting.

#### **TRADE AND INVESTMENT ISSUES**

17. Ministers confirmed trade and investment liberalization as the cornerstone of APEC's identity and activity. Strengthening the multilateral trading system, expanding regional and global trade and improving investment rules and procedures in a GATT-consistent manner are, therefore, central APEC objectives. The Uruguay Round must conclude by December 15. Ministers accordingly resolved to exercise the political will required to achieve this goal. To that end, Ministers agreed to a resolute statement urging an early and successful conclusion to the Uruguay Round and demonstrated their commitment to this goal by expressing their preparedness to take additional specific trade liberalizing measures [Annex 1]. APEC challenges other Uruguay Round participants to enhance their own contributions to the Round's successful conclusion.

18. Ministers expressed strong support to non-GATT members of APEC in their efforts to become GATT contracting parties, thus making additional contributions to the strengthening of the multilateral trading system.

19. Ministers welcomed the Report of the Informal Group on Regional Trade Liberalization (RTL), as agreed by Senior Officials, and endorsed its recommendations on the continuation of a dialogue within APEC on important multilateral and regional trade policy issues and the further development of APEC's action agenda on trade and investment. On the trade policy dialogue, Ministers noted in particular the effective role played by APEC in maintaining the momentum for a satisfactory outcome to the Uruguay Round and in fostering better understanding of subregional trade arrangements and the contribution of such arrangements to APEC's overall goals.

20. Ministers emphasized the imperative that APEC members give effective support to the market-driven dynamism of the region. In this respect, they endorsed the RTL Group's recommendations aimed at improving access to tariff data, reducing administrative barriers to trade, streamlining customs procedures, harmonizing the diverse approaches to standards and conformance issues and encouraging the flow of investment. Ministers welcomed the extensive progress on customs facilitation, publication of an APEC Investment Guidebook and a private sector survey of attitudes toward investment in the region, publication of the APEC Customs Manual and hosting of the APEC Customs Symposium. APEC's important work in this area will be further developed by the new Committee on Trade and Investment which will replace the RTL

## Group.

21. Ministers wholeheartedly adopted the "Declaration on an APEC Trade and Investment Framework" and the accompanying initial work program for the newly established Committee on Trade and Investment [Annex 2]. The Declaration significantly advances APEC's role in trade and investment by engaging APEC members in both policy and facilitation matters. The Declaration serves as an important instrument within which to further define APEC's identity, expand economic activity and facilitate the flow of goods, services, capital, investment and technology throughout the region.

22. Ministers called for a meeting of ministers concerned with trade policy to review the results of the Uruguay Round and its implications for the region. Ministers urged this post Uruguay Round meeting to consider next steps for regional and global trade liberalization.

## **WORK PROGRAM ISSUES**

23. APEC's role in sustaining regional growth and development derives from growing intraregional economic interdependence. The activities of the ten Working Groups are an essential part of APEC's efforts to contribute to the region's development and prosperity. Recognizing the critical importance of modern telecommunications and information technologies to regional integration and cooperation; the unique role of tourism as the largest industry in the region; and the urgent need to work with other organizations on marine resources conservation to strengthen regional cooperation in response to UNCED, Ministers issued separate declarations on those issues [Annexes 3-5].

24. Ministers commended and approved the vision and policy issues statements and asked the Working Groups to direct their efforts to realizing the objectives in those statements. Ministers approved the Consolidated Report on the APEC Work Program.

25. Ministers welcomed Korea's proposals on the establishment of an "APEC Vocational Training Program" and the creation of an "APEC Technomart" and directed the Senior Officials to explore the possibility of implementing them within the framework of the Human Resource Development and Investment and Industrial Science and Technology Working Groups.

## **Trade and Investment Data**

26. Ministers welcomed the progress made on developing a near comparable merchandise trade data base for APEC economies and directed that priority attention be devoted to efforts to adjust published merchandise trade data according to agreed principles and standards. The Group should also strengthen efforts to improve the collection and sharing of services trade and investment data.

## **Trade Promotion: Programs and Mechanisms for Cooperation**

27. Ministers noted the Working Group can play an important role in strengthening interaction with the business/private sector. Ministers anticipate the first Asia-Pacific International Trade Fair to be held in Osaka, Japan in October 1994 will be a significant step to accelerate trade promotion and increase commercial transactions in the region.

## **Investment and Industrial Science and Technology**

28. Ministers noted the broadening of the mandate for the Investment and Industrial Science and Technology Working Group and endorsed its efforts to develop a work program that increases cooperation in these important fields.

## **Human Resources Development**

29. The people of the Asia Pacific region are its single most important asset. The dynamism of the



region is reflected in changing human resources needs. Ministers expressed satisfaction with the progress achieved in APEC's human resource development activities, but urged that continued priority attention be devoted to this work -- with particular emphasis on the training and adjustment needs necessitated by changing trade patterns, industrial restructuring and other economic changes associated with rapid growth and technological progress.

### **Energy Cooperation**

30. Ministers noted the vital importance of secure and balanced energy supplies and rational energy use for sustained economic development and protection of the environment. They welcomed technology and policy exchanges on energy efficiency, clean coal technology and renewable energy, and in particular were encouraged by active business/private sector participation in APEC technical energy workshops and seminars.

### **Marine Resource Conservation**

31. Ministers Confirmed the unique contribution APEC can make to marine resources conservation and the importance of APEC cooperation with other marine resources conservation organizations in response to UNCED .

### **Telecommunications**

32. Modern and compatible telecommunications networks are vital components linking and drawing closer the APEC economies. Ministers praised the completion of the second edition of The State of Telecommunications Infrastructure and Regulatory Environments of APEC Economies, the Working Group's stress on human resources development, and its important contribution to the consideration of coordinating APEC's electronic data interchange activities.

### **Fisheries**

33. Ministers noted the important role of fisheries to the region's economies and endorsed the Working Group's projects on fisheries management, survey of training needs, health and quality rules for fisheries products, improved marketing Information on seafood trade in the region, and the possible role of APEC in respect to aquaculture.

### **Transportation**

34. Ministers emphasized the importance of efficient transportation systems in promoting regional growth and integration. They expressed appreciation for the Working Group's efforts in developing information on regional transportation and encouraged the Group to accelerate its work on identifying infrastructural needs and facilitating movement of passengers and goods in the region.

### **Tourism**

35. Ministers welcomed the progress made by the Working Group in addressing the issues of sustainable development of the tourism sector and addressing the relationship between tourism and the environment.

### **PARTICIPATION ISSUES**

36. Ministers noted the continuing interest expressed by a number of economies and organizations in participating in some capacity in the APEC process. Ministers reaffirmed APEC is an open and evolving process and recalled the view expressed in Bangkok that consolidation and effectiveness should be the primary considerations at this stage of APEC's development. Ministers also recognized, however, that APEC should develop more systematic means of addressing the issue of new members in a manner which is responsive to APEC's needs while promoting constructive

interaction with other economies and organizations in the region.

37. Ministers welcomed the admission of Mexico and Papua New Guinea to APEC. They also decided to admit Chile to APEC and looked forward to its membership at the ministerial meeting in 1994. In the interim, Ministers encourage Chile to participate in the Working Group activities. Noting the importance of increasing APEC's effectiveness, Ministers agreed to defer consideration of additional members for three years, during which time Senior Officials would study APEC's membership policies and provide recommendations to Ministers on an ongoing basis.

38. Ministers reaffirmed that participation by non-members from the Asia-Pacific region in APEC work projects can be beneficial to members as well as non-members. In order to facilitate cooperation with non-members and address issues arising from increased economic interdependence, Ministers approved the proposed guidelines for non-member participation in APEC working group activities which appear as Annex 6, and asked Senior Officials to identify other potential means to promote mutually beneficial interaction. With respect to organizations, Senior Officials should identify considerations to guide APEC in fostering appropriate ties and report their findings to the Sixth Ministerial.

### **Private Sector Participation**

39. The business/private sector has played a major role in facilitating the dynamic growth of the region. Engagement with the business/private sector, particularly through Working Group activities, ensures APEC's efforts are relevant to real world challenges and opportunities. Ministers commended the progress made this year in increasing business/private sector engagement with APEC and directed each Working Group to enhance its outreach to the business/private sector. Ministers pledged to solicit the advice of the business/private sector on issues relevant to APEC's work, especially through the PECC, and instructed Senior Officials to explore other ways of broadening and deepening cooperation with the business/private sector including the work of the new Committee on Trade and Investment.

## **ORGANIZATION ISSUES**

### **APEC Secretariat**

40. Ministers noted with satisfaction the successful establishment of the APEC Secretariat, and expressed deep appreciation to Singapore for its extraordinary generosity in assisting the Secretariat and to Executive Director Ambassador Bodde and the Secretariat staff for their outstanding efforts during the first year of operation. Ministers highlighted the Secretariat's crucial role in facilitating cooperative links with members and the work program. Ministers stressed the Secretariat should serve as a central coordinating point for disseminating information including informing Working Groups of Senior Officials' decisions, coordinating requests by non-members to participate in APEC activities, and publishing and distributing APEC documents. The Secretariat should continue to place high priority on careful management of the APEC budget, disbursement of central funds, and maintenance of effective financial controls to ensure accountability of APEC funds.

### **Budget**

41. Ministers endorsed efforts by Senior Officials, assisted by Working Group Shepherds and the APEC Secretariat, to develop and implement a series of measures related to financial operations and administration. Ministers approved an APEC 1994 Central Fund of \$2 million and stipulated that unspent 1993 funds may be carried over to 1994 for expenditures approved by Senior Officials. Ministers asked the Budget and Administrative Committee to address the issue of contributions from new members.

### **APEC Structure**

42. Ministers praised work by Korea and Canada in developing a comprehensive Vision Statement containing proposals designed to ensure efficient management of APEC's scarce resources. Similarly, Ministers directed that a Budget and Administrative Committee be established to advise Senior Officials on operational and administrative budget issues, financial management, and project management of the APEC work program. For the first year, committee membership will be open to all APEC members. The Working Groups will continue to report directly to Senior Officials. Ministers directed Senior Officials to use the Vision Statement as a basis for developing proposals related to APEC's structure and to provide recommendations at the 1994 ministerial meeting on restructuring APEC to improve its effectiveness and decision making process.

### **VENUES FOR FUTURE APEC MINISTERIAL MEETINGS**

43. As decided at the Fourth Ministerial Meeting in Bangkok, the Sixth Ministerial Meeting will be held in Indonesia in 1994, the Seventh Ministerial Meeting will be held in Japan in 1995, Philippines and Canada will host the Eighth and Ninth Ministerial Meetings in 1996 and 1997 respectively.

### **OTHER MATTERS**

44. Ministers also welcomed Canada's offer to host a meeting of APEC ministers concerned with the environment in Vancouver on March 25-26, 1994 in connection with the Globe '94 conference and environmental exhibition.

45. Ministers and their delegations expressed their deep appreciation to the United States for the warm and generous hospitality extended to them and the excellent facilities and arrangements made available for the Meeting.

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### **Declaration of APEC Ministers**

#### **on the Uruguay Round**

APEC Ministers call for urgent action to complete successfully the Uruguay Round by December 15 because of its vital contribution to global growth and prosperity. APEC members believe that a strengthened multilateral trading system will serve as the foundation for trade expansion initiatives within APEC.

The time for pledges and commitments is long past. Concrete steps are required to assure a substantial result in market access in industrial and agricultural goods, and in services, and a strengthened system of rules and disciplines resulting from a completed draft "Final Act." APEC members are ready to do their part to meet this challenge in the remaining few days. The nature of our contributions should reflect specific economic interests and our varied levels of development.

As the most economically powerful and dynamic region in the world representing nearly 40% of the world's population and 40% of world trade, we collectively are determined to assure that the Round succeeds by helping to forge the necessary consensus in Geneva. Accordingly,

1. We challenge Uruguay Round participants to improve their market access offers in Geneva. Subject to comparable commitments from our trading partners, and in the context of a global and balanced result in all areas, members engaged in the negotiations are prepared to participate to the maximum extent possible by:

a. offering to eliminate, reduce or harmonize tariffs and non-tariff barriers in sectors previously agreed by the Quad;

b. offering to eliminate, reduce, or harmonize tariff and non-tariff barriers in additional sectors of particular importance to APEC economies; and

c. accelerating the work in our respective bilateral negotiations to expand and secure market access opportunities in goods and services of particular interest to APEC economies.

2. We confirm that agriculture remains an essential element of a global and balanced result. The Blair House Agreement already dilutes the draft "Final Act" agriculture text and any further efforts to weaken that outcome would jeopardize the ability to secure an overall acceptable result on agriculture. A successful result will also require the strongest possible package of agricultural trade liberalization, including for processed products.

3. We agree to review and improve our respective services offers in key sectors to the maximum extent possible, keeping MFN derogations to a minimum in order to begin the process of progressive liberalization that will accompany the strong framework of rules already negotiated.

4. We agree that the draft "Final Act" must provide the basis for the final agreement with any agreed changes kept to a minimum. This should result in a strengthening of the multilateral framework of rules and disciplines and an effective mechanism for resolving disputes.



Ministerial Meetings



## Sixth Ministerial Meeting

(Jakarta, Indonesia, Nov 11-12, 1994)

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### JOINT STATEMENT

1. Ministers from Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand, and the United States of America participated in the Sixth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Jakarta, Indonesia, November 11-12, 1994. Members of the APEC Secretariat were also present. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum (SPF) attended as observers.

2. The President of the Republic of Indonesia, His Excellency, Mr. Soeharto, opened the Meeting by extending the warmest welcome to all delegates attending the Sixth APEC Ministerial Meeting. He stated that the world situation now provides opportunities to all nations to work together in developing a new world order that is more equitable, stable, secure, and peaceful, in order to enhance the prosperity and welfare of the peoples. In this regard, the Asia Pacific region has achieved remarkable progress due to appropriate economic policies.

3. In his remarks, he expressed the view that APEC cooperation should be further developed in the future. He stated that the Asia Pacific region should continue to promote and facilitate the flow of investment and trade, as well as strengthen consultation in the field of macro economic policies, enhance the quality of economic infrastructure, human resources development, quality and quantity of small and medium enterprises, and the acquisition and development of appropriate technology.

4. The meeting was chaired by H.E. Mr. Hartarto, Coordinating Minister for Industry and Trade of the Republic of Indonesia. In his speech, Mr. Hartarto underlined that the Sixth APEC Ministerial Meeting in Indonesia was geared towards the promotion of greater trade and investment. He further stated that the Meeting was to support economic cooperation on development of human resources, improvement of small and medium enterprises, improvement of infrastructure, involvement of private/business sector, so that cooperation in APEC will eventually bring about prosperity to the people of the Asia Pacific Region. U.S. Secretary of State Warren Christopher, speaking as chairman of the Fifth APEC Ministerial Meeting, expressed his deep appreciation for Indonesia's chairmanship of APEC in 1994 and for hosting the Sixth Ministerial Meeting. He congratulated President Soeharto, Minister Alatas, Minister Hartarto, and their colleagues for their leadership in sustaining the momentum achieved in APEC and for giving APEC a vitality that reflects and reinforces the dynamic qualities of the Asia-Pacific region.

5. Ministers looked forward to the meeting of APEC Economic Leaders to be held in Bogor, Indonesia, on November 15, 1994. The Meeting offered a unique opportunity for leaders to give substance to the vision enunciated at the Blake Island meeting in order to achieve the objective of sustainable growth and common prosperity of the region.

6. Ministers held discussions on a range of topics, including:

- Economic Trends and Issues
- Trade and Investment Issues
- The Second Report of the Eminent Persons Group
- The Report of the Pacific Business Forum
- Human Resources Development
- Cooperation in Improving Public and Commercial Infrastructure
- Small and Medium Enterprises
- Implementation of Leaders' Vision and Initiatives
- The APEC Work Program
- Organizational Issues
- Other Matters

## **ECONOMIC TRENDS AND ISSUES**

7. Ministers welcomed the Report of the Ad Hoc Group on Economic Trends and Issues (ETI) and appreciated its useful work during the past four years. They reaffirmed the Group's important role in promoting economic dialogue throughout the region and encouraging economic growth and increasing the economic well-being of all peoples. Ministers emphasized the necessity for the strengthening of APEC's capability in the analysis of long-term macro-economic trends and studies of micro-economic issues. Ministers agreed to transform the group into an Economic Committee and endorsed the Terms of Reference of the new Committee.

8. Ministers thanked Chinese Taipei for its valuable work on the economic outlook prepared for the Ministers' review. They agreed that in-depth analyses of the current situation of the three areas - trade, investment and technology transfer - provide a good basis to contribute to further APEC discussions on each of the three areas.

9. Ministers discussed the 1995 work plan for the Economic Committee which, from the outset, will be based on the following ongoing activities:

- preparation of the 1995 APEC Economic Outlook
- circulation of key economic information
- analysis of the 3Es project - Economic Growth, Energy and the Environment
- examination of the linkages between privatization and trade liberalization
- analysis of industrial and technological linkages in the region.
- study of the effect of excessive exchange rate movement on trade and investment in the region

10. Ministers welcomed Japan's presentation on "Partners for Progress" on the promotion of further economic cooperation and development in the Asia Pacific region by reinforcing all the members' ability to effectively mobilize their human and other resources. Ministers recognised that cooperation to sustain the growth and development of the region for the common good of its peoples is one of the primary objectives in the APEC activities, and noted that the proposal will be further elaborated for consideration by Senior Officials.

## **SECOND REPORT OF THE EMINENT PERSONS GROUP**

11. Ministers expressed their deep appreciation to the Eminent Persons Group (EPG) for its second report and commended the successful fulfilment of its mandate to recommend proposals on how to realize a long term vision for APEC. Ministers welcomed that report of the EPG which sets out a number of fundamental and important principles for APEC in three important directions: trade and investment facilitation, trade liberalisation, and technical cooperation. Ministers noted that the EPG Report would serve as a valuable reference document for future deliberations including at the APEC Economic Leaders Meeting in Bogor.

## **REPORT OF THE PACIFIC BUSINESS FORUM**

12. Ministers welcomed the report presented by the co-chairs of the Pacific Business Forum (PBF), and commended PBF members for their valuable input of business/private sector views. Ministers expressed their appreciation for the many concrete proposals put forward in the PBF report, and noted that these would serve as valuable reference points for future deliberations. Ministers further noted that the PBF Report would be considered by APEC Economic Leaders at their Bogor Meeting.

13. Ministers reaffirmed the critical role of the private sector in APEC. They endorsed the US proposal to create of an ongoing business/private sector advisory body as recommended unanimously by the PBF.

## **TRADE AND INVESTMENT ISSUES**

14. Ministers welcomed the substantial progress achieved by the CTI in the works related to trade and investment throughout the year. They reconfirmed trade and investment liberalization as a cornerstone of APEC's identity and activity. Ministers agreed to adopt the CTI Annual Report to Ministers, and approved its recommendations for the work program for 1995.

15. Ministers endorsed the establishment of the two sub-committees under CTI, namely the Sub-Committee on Standards and Conformance and the Sub-Committee on Customs Procedures.

16. Ministers recognised the need to support trade and investment programs with appropriate technical assistance to maximise the effectiveness of APEC activities.

## **THE MEETING OF MINISTERS IN CHARGE OF TRADE**

17. Ministers welcomed the outcomes of the Meeting of APEC Ministers in Charge of Trade which was held in Jakarta on October 6, 1994. As mandated by the Fifth Ministerial Meeting in Seattle last year, the main purpose of this Meeting was to review the results of the Uruguay Round and its implications for the region and consider next steps for regional and global trade liberalization.

18. Ministers reaffirmed their determination to achieve full implementation of the results of the Uruguay Round and to demonstrate leadership by making maximum efforts in each of their economies to ensure the early ratification of the agreement establishing the World Trade Organization so that it is operational as of January 1, 1995. In this regard, Ministers expressed their strong support to non-GATT members of APEC to complete the negotiations as soon as possible to enable them to become original members of the WTO. Ministers affirmed that these negotiations should be based on substantive and commercially meaningful commitments.

19. Ministers further welcomed other initiatives reached by the Meeting, inter alia in developing a series of APEC seminars or workshop designed to exchange views on and explore scope for common regional approaches on the implementation of the results of the Uruguay Round; and in conducting programs that will be particularly valuable in helping to implement Uruguay Round results in the area of among others, anti dumping, services, intellectual property rights, customs and rules of origin. In this respect, Ministers took note the recognition of the Meeting to the importance of APEC's contribution to global trade, investment and economic growth and the emphasized the importance of maintaining momentum of trade liberalization. Ministers appreciated the support of the Meeting to the efforts in facilitating trade and investment liberalization in the Asia Pacific region.

25. Ministers affirmed the importance of both public and private sector training in small and medium enterprises, in industrial and infrastructural technology, and a sustainable development which can mitigate and prevent negative impacts on current growth on future prosperity.

26. Ministers welcomed the US proposal for establishing a private sector funded APEC Education Foundation. Such a Foundation could track all APEC human resources development/educational activities, and could provide back-up and serve as a resource to the Human Resources Development Working Group, the associated Partnership for Education and Education Forum, and the APEC Leaders Education Initiatives. The US offered to develop a detailed concept paper on this proposal for the consideration of Senior Officials and other relevant APEC bodies.

## **COOPERATION IN IMPROVING PUBLIC AND COMMERCIAL INFRASTRUCTURE**

27. Ministers noted the importance of the infrastructure issue for APEC and its bearing on future economic development. They commended Indonesia for raising important issues in its useful paper on Cooperation in the Improvement of Commercial and Public Infrastructure. They took note with interest of the outcome of the World Infrastructure Forum held in Jakarta in October 1994, particularly in encouraging business sector involvement in infrastructure development.

28. Ministers endorsed the recommendations contained in the paper submitted by Indonesia which constitute a basis for further work in this area, especially in the area of bilateral projects with region-wide impact.

29. Recognizing the importance of an adequate, efficient and safe transportation system and the need for accelerated development of transportation infrastructure, as well as for better use of existing facilities, Ministers welcomed a proposal by the United States to host a meeting of APEC Ministers in-charge of Transportation in mid-1995. Ministers agreed to ask the Working Group on Transportation to assist Ministers in elaborating this proposal.

30. Information and communication will play a major role in economic growth and development in APEC economies. The development of international and domestic information infrastructure is a priority for all APEC economies. Ministers noted the interest of the Working Group on Telecommunications in the development of an APEC information infrastructure. Ministers further noted the Global Information Infrastructure concept introduced at the ITU World Telecommunications Development Conference. Ministers encouraged the Working Group on Telecommunications and other relevant APEC fora to study the GII concept in their future work.

## **THE APEC WORK PROGRAM**

31. Recognizing the importance of the ten APEC Working Groups to the process of APEC, Ministers stressed that activities undertaken by the ten Working Groups were an integral part of APEC's efforts to contribute to the region's development and prosperity in specific fields. Ministers noted that in 1994 the Working Groups had made greater efforts to realizing the objectives contained in the vision and policy issues statements approved last year. Ministers approved the consolidated report of the APEC Working Groups.

### **Trade and Investment Data**

32. Ministers welcomed a substantial progress made toward obtaining a near comparable merchandise trade database for APEC economies. Ministers also noted the steady efforts of the Working Group to make consistent the published data of service trade and foreign direct investment flows and directed the Group to speed up those efforts.

### **Trade Promotion**

33. Ministers noted with satisfaction that the Working Group has been active in engaging the business/private sector in their activities: the Working Group held successfully the 4th Seminar/3rd Training Course on trade promotion and the first APEC Trade Fair with the full-scale participation of business people; the Group assisted in the formation of the Asia-Pacific Business Network (APB-Net); and the Group has been engaged in collecting information and data to be used by the business sector.



### **Industrial Science and Technology**

34. Ministers noted the initiative of the Group to focus more on the issue of industrial science and technology, having the name changed to the "Working Group on Industrial Science and Technology". Ministers were also encouraged by a variety of work projects such as APEC Technomart, to facilitate technology transfer and to promote information flows of industrial science and technology among members.

### **Human Resources Development**

35. Ministers, noting the impressive number of projects completed by the Working Group in 1994, and 20 new activities - eight of them entirely self-funded - planned for 1995, expressed satisfaction that an increasing number of these projects directly addressed topics of their concern. They also expressed their confidence that the new planning mechanism for HRD expressed in their Ministerial Declaration would provide additional impetus in the design and implementation of such projects.

### **Energy Cooperation**

36. Ministers noted that the Energy Working Group has been active in implementing programs to encourage the more efficient delivery and consumption of energy, and to mitigate the environmental consequences of energy use. They welcomed the initiatives of the Group in underpinning technical programs by policy discussion conducive to a freer flow of information, investment and trade, noting that the Group has endorsed fourteen non-binding principles to guide its work.

### **Marine Resources Conservation**

37. Ministers noted that the Working Group had initiated consultations with other international organizations involved in implementation of the Oceans Chapter of UNCED Agenda 21, with the objective of enhancing coordination of these activities in the Asia Pacific region. They also welcomed the effort of the Working Group on red tide, and integrated coastal zone management to monitor and control land-based sources of pollution.

### **Telecommunications**

38. Ministers welcomed and endorsed the Guidelines for Regional Harmonization of Equipment Certification and for Trade in International Value-Added Network Services as developed and agreed by the Working Group following the Ministerial recommendation on the subject in Seattle in November 1993. Ministers also appreciated the Working Group's emphasis on an active human resources development program and its continuing work in the field of electronic data interchange.

### **Fisheries**

39. Ministers noted the importance of fisheries to the region, in particular to many developing member economies and recognized the benefit of work that is being undertaken by the Working Group in the areas of cooperation in fish harvesting and post-harvest technologies, seafood trade, health and quality control for fisheries products, and aquaculture training and development.

### **Transportation**

40. Ministers noted the importance of efficient transportation systems as an integral part of regional infrastructure in promoting growth and development. They welcomed the completion of the survey of regional transport systems and services as a stepping stone to further improvements in the transportation sector, and praised the Working Group's ongoing project addressing regional

transportation congestion points. Ministers expressed their appreciation for the Working Group's report to Ministers on the effects of deregulation on small and medium enterprises in the transportation sector.

### **Tourism**

41. Ministers noted the statement submitted to them by the Working Group on Tourism highlighting the significant role of the tourism sector in the development of the APEC region, and priority areas of future work. Ministers encouraged the Working Group to continue and develop further its activities in these areas.

## **IMPLEMENTATION OF LEADERS VISION AND INITIATIVES**

### **APEC Leaders Economic Vision Statement, 1993: Progress on Themes**

42. Ministers expressed appreciation for the presentation by Canada of the paper "APEC 1994 Work Program: Progress on Leaders Priorities and Issues". Ministers noted that the paper presented a useful survey of the breadth and scope of APEC's range of activities, relating them to the Seattle Leaders' initiatives. Ministers endorsed the release of this report as a contribution to public understanding of APEC activities.

### **Remarks on the progress of the implementation of the Leaders Initiatives on Blake Island**

#### **1. The Establishment of the Pacific Business Forum**

43. Ministers welcomed the work that has been concluded by the PBF. (A complete Ministers' comment on the PBF is stated at the item of "The Report of Pacific Business Forum".)

#### **2. Finance Ministers' Meeting**

44. Ministers noted that APEC Finance Ministers had met in Honolulu, Hawaii on 18-19 March 1994 and had agreed to further a dialogue in areas of mutual interest, such as recent economic developments, capital flows and financial markets issues, with a focus on private financing of infrastructure. They welcomed the decision of the APEC Finance Ministers to hold a second Meeting in Indonesia on 15-16 April 1995.

#### **3. APEC Education Program**

45. Ministers welcomed progress towards the realization of the program through the participation of many APEC member economies, noting the importance of educational links in strengthening ties among member economies, especially the progress on APEC Study Centers in member economies.

46. Ministers welcomed the launching of the APEC Next Generations' Program which was held in Cheju Island, Korea on 11-16 September 1994, under the theme "Toward a Prosperous Pacific Age". The US has offered to host the second ANGP Workshops in Seattle in 1995.

#### **4. APEC Business Volunteer Program**

47. Ministers commended Thailand on organizing a seminar which had reached consensus on how to advance the goals of the program, notably through the establishment of focal points in member economies to identify needs for and expertise in each such economy, to network with other focal points, and to serve as a dissemination point for information on the program.

#### **5. Non-Binding Investment Principles**

48. Ministers endorsed the set of Non-Binding Investment Principles prepared in response to the

initiative of APEC Economic Leaders at their informal meeting in Seattle. These principles represent an important aspect of work by APEC on investment. Ministers welcomed these principles and directed the CTI to continue work on investment issues, with the active involvement of the business community, to enhance investment among member economies.

## **6. Energy, Environment and Economic Growth**

49. Ministers commended Japan for its report to the Ministers on the 3Es. They discussed the increasing demand for energy and the growing significance of environmental issues in the region, and noted the importance of 3Es and the simultaneous achievement of the 3Es. Ministers noted the Japanese paper will prove helpful to the Energy Working Group in defining its future efforts.

50. Ministers also examined the future issue, as pointed out in the report, of improving the regional structure of energy demand-supply, and discussed APEC's vital role in information exchange, fostering common understanding and policy discussion.

## **7. APEC Center for Technology Exchange and Training for Small and Medium Sized Enterprises**

51. Ministers welcomed the progress in elaboration and realization of the project to make small and medium enterprises more globally competitive through the two-pronged strategy of technology exchange and training for such enterprises.

## **8. Small and Medium Enterprises Ministers Meeting**

52. Ministers thanked Japan for hosting the Osaka Small and Medium Enterprises Ministerial Meeting and concurred with the SMEs Ministers' Joint Statement that SMEs were increasingly important in terms of heightening economic complementarities and development in the region. They also agreed that market-oriented SMEs policy on Human Resources Development, information access, technology and technology sharing, the availability of finance and market access should be enhanced.

53. Ministers noted that a sound base had been established for APEC SME policy dialogue and noted the joint meeting between the business/private sector and the Ministers in that it had obviously enhanced the practical value of the discussions in the SME Ministerial Meeting.

54. Ministers endorsed the SME Ministers' recommendation to upgrade the SME Experts Meeting into an Ad-Hoc SME Policy-Level Group, and also the terms of reference for this group, as well as the further recommendation that APEC commission an industrial outlook study. They welcomed the decision to hold a second SME Ministerial Meeting in Australia in 1995.

55. Ministers welcomed Japan's voluntary contribution to the fostering of APEC SMEs, such as the establishment of training and support programmes.

## **ORGANIZATIONAL ISSUES**

### **APEC Secretariat**

56. Ministers noted with appreciation the work of Ambassador Rusli Noor and his staff at the Secretariat during the second year of the Secretariat's operation. Ministers stressed the importance of the Secretariat in facilitating and coordinating APEC's work programs and in promoting information exchanges among member economies as well as among various Committees and Working Groups.

57. Ministers took note that the initial arrangement of the APEC Secretariat is approaching its end. In this regard, Ministers asked the SOM to review the arrangement and the function of the Secretariat to ensure that the Secretariat is meeting APEC's evolving needs, and submit

recommendations for new arrangements to the next Ministerial Meeting. Ministers also endorsed the establishment of a Task Force for this purpose, the Terms of Reference of which are contained in the SOM report.

58. Ministers noted that the Secretariat will have to meet its recurrent expenditure including salaries and allowances of locally-recruited staff, utility charges, and charges for the maintenance of buildings and office equipment, which are currently being borne by the Singapore Government, effective on 1 January 1996. Ministers agreed on the need for the current arrangements for staffing and funding the Secretariat to be reviewed. Ministers endorsed Senior Officials' recommendations to form a task force to examine this matter and report to the next Ministerial Meeting.

### **Participation Issues**

59. Ministers welcomed the membership of Chile in APEC beginning with this Ministerial meeting.

60. Ministers discussed the issue of participation by non-member economies and organizations in APEC Working Groups. Ministers decided that the matter be referred back to the Senior Officials for them to work out criteria and principles to be submitted to the 1995 APEC Ministerial Meeting.

61. Ministers noted the progress made to formulate policies that can promote business activities in the region.

62. Ministers particularly noted the contributions of the Pacific Business Forum and the Eminent Persons Group and the increased participation of the business/private sector in APEC at all levels, notably in Working Group activities.

63. Ministers welcomed the establishment of the Asia Pacific Business Network (APB-Net). Ministers commended the work of APB-Net as a concrete implementation of business/private sector engagement in the APEC process and Ministers also expected that this new forum could be a vital and effective channel for promoting business-to-business networking.

### **Budget Issues**

64. Ministers welcomed the establishment of the Budget and Administrative Committee and noted with satisfaction its successful operation during 1994. Ministers approved a 1995 budget of US\$ 2,227,732 as drawn up by the Committee and recommended by Senior Officials. Ministers also endorsed the contribution levels recommended by Senior Officials for 1995, but noted that the overall approach for assessing members' contributions would be reviewed next year by the BAC.

65. Ministers asked that the Budget and Administrative Committee should continue its useful work in examining and making recommendations to Senior Officials on budgetary issues and on how to improve operational and administrative efficiency.

### **OTHER MATTERS**

#### **ACDS**

66. Ministers welcomed the report on the completion of the first stage of the APEC Communications and Database System (ACDS) project and noted that the ACDS promises to be the communications hub and information repository of APEC.

67. Ministers urged full use of ACDS to increase APEC's efficiency and greatly improve communications among the member economies, Working Groups and Committees and the Secretariat.

### **Environment Ministers Meeting**

68. Ministers noted the Philippines presentation of the concept of Debt-for-Nature Swap in relation to sustainable development

69. Ministers welcomed the result of the Meeting of the APEC Ministers concerned with the Environment which was held in Vancouver, Canada on 23-25 March 1994. Ministers also welcomed the suggestions for implementation developed by the Environmental Experts Meeting in Hua Lien, Chinese Taipei, on 25-27 August 1994. They directed the SOM and the Working Groups to study these suggestions and directed the SOM to report to the Seventh Ministerial Meeting on its progress in integrating environmental issues into ongoing APEC activities.

### **PREPARATION FOR THE SEVENTH MINISTERIAL MEETING**

70. Ministers thanked Japan for the valuable briefing on the preparations of the Seventh APEC Ministerial Meeting in Osaka, Japan, in 1995.

### **VENUES FOR FUTURE APEC MEETINGS**

71. As decided at the Fourth Ministerial Meeting in Bangkok, the Seventh Ministerial Meeting will be held in Japan in 1995. The Eighth and Ninth Ministerial Meetings will be held in 1996 and 1997, hosted respectively by the Republic of the Philippines and Canada. Malaysia will host the Tenth Ministerial Meeting in 1998.

72. Ministers and their delegations expressed their deep and wholehearted appreciation to the Republic of Indonesia for its warm and generous hospitality towards all the participants and the excellent facilities and arrangements made available for the Meeting.



Ministerial Meetings



## Seventh Ministerial Meeting

(Osaka, Japan, Nov 16-17, 1995)

### JOINT STATEMENT

1. Ministers from Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America participated in the Seventh Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Osaka, Japan on 16-17 November 1995. Members of the APEC Secretariat were also present. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum (SPF) attended as observers.

2. The meeting was co-chaired by H.E. Mr. Ryutaro Hashimoto, Deputy Prime Minister and Minister for International Trade and Industry, and H.E. Mr. Yohei Kono, Minister for Foreign Affairs, of Japan.

3. In his opening remarks, Mr. Hashimoto stated that Asia-Pacific cooperation demanded a framework to enable the self-driven initiatives of economies in the region, as well as APEC collective actions, to have maximum impact and achieve tangible results. He further noted that the meeting represented APEC's embarkation upon a new phase of action for the attainment of its vision and goals, and would thus be an important first step that would set the tone for APEC for years to come.

4. Speaking as Chairman of the Sixth APEC Ministerial Meeting, H.E. Mr. Hartarto, Coordinating Minister for Industry and Trade of Indonesia, expressed appreciation for Japan's leadership in facilitating the formulation of detailed proposals as mandated by the Bogor Declaration. In this regard, he was pleased to note that the "Action Agenda" reflects the three major pillars of the APEC process, namely liberalization, facilitation and development cooperation which are equally important and closely interlinked. He also welcomed the proposal of Japan entitled "Partners for Progress" which represents an important step in narrowing economic disparities between APEC economies while supporting trade and investment liberalization. In conclusion, he stated that with the combined strength and potential as well as the reasonably differentiated time frames that have been adopted, in the long run APEC will be able to overcome all the difficulties, including those that seem complex at the present time.

### I. THE ACTION AGENDA

5. Ministers recognized that, in response to the decisions made by the Economic Leaders at Bogor last year, APEC activities this year focused on the formulation of the Action Agenda to achieve the Bogor Declaration goals. This new focus required intensive and wide-ranging deliberations in all APEC fora.

6. Ministers discussed the draft Action Agenda prepared by the Senior Officials, incorporating the contributions from relevant APEC fora. They agreed that the draft reflected the voluntary commitment and the political determination of each member economy to achieve the objectives set by the Economic Leaders at Bogor. Ministers further underlined the strategic significance of

the Action Agenda in providing a long-term framework to chart the future course of APEC cooperation, which will enhance the prospects of accelerated, balanced and equitable economic growth in the region.

7. Ministers recognized that the Action Agenda would comprise trade and investment liberalization and trade and investment facilitation which together form Part One of the Action Agenda, and economic and technical cooperation which is dealt with in Part Two. They emphasized that these areas form the three pillars of APEC activities, and that the three are complementary and equally significant. Ministers reaffirmed their belief that the economic well-being of the region will be maximized through the focused and integrated implementation of activities under these three pillars. They noted that the Action Agenda may be revised and improved as necessary in accordance with further deliberations during the ongoing process of its implementation.

8. Ministers noted that Part One of the Action Agenda included general principles, framework for liberalization and facilitation, and actions in specific areas. They discussed and reached agreement on the general principles which are: comprehensiveness; WTO-consistency; comparability; non-discrimination; transparency; standstill; simultaneous start, continuous process, and differentiated timetables; flexibility; and cooperation.

9. Ministers underlined the unique approach for APEC liberalization and facilitation of trade and investment that builds on the marked regional trend toward economic reform and liberalization, and will act as a powerful impetus for further liberalization at the multilateral level. This approach comprises a combination of concerted unilateral actions, collective actions and multilateral actions. They confirmed each member economy's determination to submit its respective Action Plan to the 1996 APEC Ministerial Meeting in the Republic of the Philippines. These Action Plans will be formulated in accordance with the general principles and framework of the Action Agenda, so as to realize APEC's long-term goal of free and open trade and investment. Action Plans will comprise steps to be taken toward achievement of the objectives set out in each of the fifteen areas for specific action: tariffs, non-tariff measures, services, investment, standards and conformance, customs procedures, intellectual property rights, competition policy, government procurement, deregulation, rules of origin, dispute mediation, mobility of business people, implementation of the Uruguay Round outcomes, and information gathering and analysis.

10. Ministers stressed the need to further promote economic and technical cooperation in order to achieve sustainable growth and equitable development in the Asia Pacific region. Economic and technical cooperation will reduce economic disparities among APEC economies, improve the economic and social well-being of the peoples of the region, contribute to the process of trade and investment liberalization and facilitation and help to attain sustainable development. They reaffirmed that APEC economic and technical cooperation will be based on the three essential elements of developing common policy concepts, implementing joint activities and engaging in policy dialogue. Economic and technical cooperation activities will be pursued in the specific areas of human resources development, industrial science and technology, small and medium enterprises, economic infrastructure, energy, transportation, telecommunications and information, tourism, trade and investment data, trade promotion, marine resource conservation, fisheries, and agricultural technology. The overall progress of these activities will be subject to annual review.

11. Ministers agreed to introduce and utilize "Partners for Progress" (PFP) as a new mechanism, based on mutual assistance and voluntarism, to promote economic and technical cooperation more efficiently within APEC. They also noted that PFP will address all aspects of economic and technical cooperation with particular focus on cooperation which directly supports the liberalization and facilitation of trade and investment.

12. Recognizing that the various APEC fora have concentrated this year on contributing to the composition of the draft Action Agenda, Ministers valued the inputs provided by the relevant Ministerial Meetings, and expressed satisfaction with the important contributions made by other APEC fora, including the Economic Committee (EC), the Committee on Trade and Investment

(CTI), the Working Groups, the Policy Level Group, and the Experts Meetings. Ministers particularly welcomed the detailed plans for trade and investment liberalization and facilitation developed by the Committee on Trade and Investment. It was also noted that the Ministerial Meetings, Working Groups and other relevant fora had prepared Action Programs which form an integral part of the Action Agenda.

13. Ministers welcomed the third report submitted by the Eminent Persons Group as an important reference for elaborating the Action Agenda as well as stepping up APEC cooperation. The report contains recommendations on the implementation of the APEC vision set forth at the Economic Leaders Meetings on Blake Island and in Bogor.

14. Ministers welcomed the second report of the Pacific Business Forum, and noted that its recommendations on the implementation of the Bogor Declaration from the perspective of the business/private sector were of significant value in the process of drawing up the Action Agenda. Ministers also noted with satisfaction that various regional fora with business/private sector representation, such as Pacific Economic Cooperation Council (PECC), Pacific Basin Economic Council (PBEC), and Asia Pacific Business Network (APB-Net), made substantial efforts to contribute to the formulation of the Action Agenda.

15. Ministers agreed to propose the draft Action Agenda to the Economic Leaders for their consideration and adoption.

## **II. DEVELOPMENT OF APEC ACTIVITIES**

### **Economic Issues and Outlook**

16. Ministers welcomed the Report of the EC, which reviews its first full year of work and details its Action Program for 1996. They emphasized the Committee's role in enhancing APEC's capability for analysis of economic trends and studies of specific economic issues, particularly cross-cutting issues, and the importance of this work supporting the policy activities underway in other APEC fora.

17. Ministers thanked Japan for taking the lead in preparing the economic outlook paper entitled "1995 Report on the APEC Regional Economy - Performance, Structure, Outlook, and Challenges", which focuses on the medium-term issues and the generally favorable outlook for the region. Ministers also commended Canada on its paper entitled "Foreign Direct Investment and APEC Economic Integration" which provides a clear picture of the significant role played by investment in bringing about rapid economic growth in the region. Ministers endorsed the EC's work plan for 1996.

### **Trade and Investment Issues**

18. Ministers welcomed the CTI's Annual Report to Ministers for 1995 and noted with appreciation that the CTI had made a substantive contribution to the process of liberalization and facilitation of trade and investment in the region. Following the Economic Leaders' call in Bogor for action, they also noted that the Sub-Committee on Customs Procedures and the Sub-Committee on Standards and Conformance had made substantial contributions to the work of the CTI, with tangible achievements in their respective areas. In addition, Ministers expressed appreciation for the CTI's reports on regional impediments to trade and investment, deregulation/liberalization initiatives in the region, and a mapping of members' unilateral/sub-regional/multilateral liberalization measures. Ministers valued the enhanced cooperation with the private sector in conjunction with the activities of the CTI and its subgroups, in particular the Customs and International Economy Symposium and the Investment Symposium.

19. Ministers indicated to the CTI the importance of addressing trade and investment related issues in the Action Agenda including those which had not been fully addressed in the 1995 CTI



Work Program.

## **APEC Work Programs and Initiatives**

20. Ministers welcomed the progress made by the various Ministerial Meetings launched as Leaders' Initiatives as well as by the ten Working Groups and other APEC fora with their work programs and initiatives in addition to their contributions to the formulation of the Action Agenda. Ministers noted the Progress Reports of the APEC Working Groups. They encouraged the Working Groups and other APEC fora to continue to work closely with the business/private sector at the grassroots level.

### **a. Human Resources Development (HRD)**

21. Ministers noted with satisfaction that the HRD Working Group had developed a number of programs in the seven priority areas set forth in the Human Resources Development Framework and for the liberalization and facilitation of trade and investment. Ministers commended the HRD Working Group for undertaking through its extensive networks a wide range of activities based on key priorities to deal with economic and technical cooperation on issues of a cross-cutting nature. They endorsed the launching of the Business Volunteer Program from 1996 with the establishment of a coordinating office in Bangkok. Ministers also welcomed the decision to hold an HRD Ministerial Meeting in the Republic of the Philippines in 1996. Ministers noted progress on the establishment of APEC Study Centers, as part of the APEC Economic Leaders Education Initiative, and welcomed the establishment of the APEC Education Foundation, which will mobilize additional funding for HRD and education exchange activities.

### **b. Industrial Science and Technology (IST)**

22. Ministers were pleased to note that the IST Working Group had initiated and conducted a number of new projects on IST cooperation based on the following priorities: improved flows of technological information and technology, improved researcher exchanges, facilitation of joint research projects, improved transparency of regulatory frameworks, contribution to sustainable development, and enhanced policy dialogue and review.

23. Ministers thanked the People's Republic of China for hosting the first APEC Ministers Conference on Regional Science and Technology Cooperation in Beijing in October 1995, which endorsed a set of non-binding principles for effective IST collaboration and identified priority areas for further cooperation. They welcomed the decision to hold a second Ministerial Conference in the Republic of Korea in 1996. Ministers also welcomed the holding of the first APEC Technomart in the Republic of Korea in 1995.

### **c. Small and Medium Enterprises (SMEs)**

24. Ministers noted with satisfaction that the ad hoc SME Policy Level Group had successfully conducted policy dialogue and joint activities focusing on five priority areas, namely, human resources development, information access, technology and technology sharing, financing, and market access.

25. Ministers thanked Australia for hosting the second Small and Medium Enterprises Ministerial Meeting in Adelaide in September 1995, which endorsed the Action Program developed by the ad hoc SME Policy Level Group, and welcomed the decision to hold a third Ministerial Meeting in the Republic of the Philippines in 1996.

26. Ministers praised the Republic of the Philippines' efforts to promote the establishment of the APEC Center for Technology Exchange and Training for SMEs (ACTET SME).

### **d. Infrastructure**

27. Ministers emphasized the importance of infrastructure improvement to the continued growth of APEC economies, and reaffirmed the high priority they accorded to infrastructure-related projects. They thanked Indonesia for hosting a productive dialogue in Jakarta in September 1995 between the public and business/private sectors, at which impediments to infrastructure improvement were identified and proposals for overcoming these problems made. They agreed that work in APEC should continue in this important area.

#### **e. Energy**

28. Ministers commended the Energy Working Group's efforts to address the simultaneous achievement of the 3Es and its contribution to the development of APEC as a sustainable energy community. They welcomed the decision to establish the Asia-Pacific Energy Research Center. Ministers also welcomed the proposal to hold an APEC Energy Ministerial Meeting in Australia in 1996 to provide support and guidance to the work of APEC in the field of energy.

#### **f. Transportation**

29. Ministers were encouraged by the progress made by the Transportation Working Group toward developing and maintaining an integrated, safe, efficient and environmentally sustainable transportation system in the Asia-Pacific region.

30. Ministers thanked the United States of America for hosting the Transportation Ministers Meeting in Washington, D.C., in 1995. They welcomed the formulation by the Transportation Ministers of guiding principles and priorities for cooperation in the transportation sector, which provide a framework for the improvement of the regional transportation system.

#### **g. Telecommunications**

31. Ministers appreciated the progress made by the Telecommunications Working Group towards the development of interconnected and interoperable telecommunications and information infrastructure. They applauded the work it has advanced in its identified priority areas, and noted its intention to establish the goal of making telecommunications a model sector for implementing the Bogor Declaration.

32. Ministers thanked the Republic of Korea for hosting the first APEC Ministerial Meeting on Telecommunications and Information Industry in May 1995, which issued the Seoul Declaration setting objectives and principles for enhancing the Asia-Pacific Information Infrastructure (APII). Ministers welcomed the decision to hold the second Ministerial Meeting in Australia in 1996.

#### **h. Tourism**

33. Ministers expressed satisfaction that the Tourism Working Group had concentrated its activities in the area of long term environmental and social sustainability of the tourism industry through removing barriers to tourism movements and liberalising trade in services associated with tourism; implementing the concepts of environmental and social sustainability of tourism development; facilitating human resource development; enhancing the role of the private sector in tourism development; developing cooperation in telecommunications, transportation, passenger facilitation, financial and other information-based services related to trade in tourism; and information sharing on the tourism industry.

#### **i. Trade and Investment Data**

34. Ministers welcomed progress on the establishment of an APEC near comparable merchandise trade database as part of the Trade and Investment Data Database (TIDDB) and associated system developments. They also commended the Trade and Investment Data Working Group's plan to include databases on international trade in services and international investment within the TIDDB.

#### **j. Trade Promotion**

35. Ministers valued the Trade Promotion Working Group's role in providing trade opportunities and trade-related information to the APEC business community. They noted the work undertaken by the Trade Promotion Working Group in the areas of promoting trade-related activities in goods and services, trade financing, trade skills and training, information sharing to foster a trade-friendly environment, and cooperation between the business sector and government agencies, including trade promotion organizations.

#### **k. Marine Resource Conservation**

36. Ministers appreciated the work of the Marine Resource Conservation Working Group in contributing to sustainable development, enhancing trade and investment while protecting the marine environment, and ensuring continuing socioeconomic benefits through maintenance of marine environmental quality. They noted in particular its activities in the areas of marine algal toxins (red tides), regional implementation of the Oceans Chapter of UNCED's Agenda 21, and coastal zone planning and management.

#### **l. Fisheries**

37. Ministers commended the Fisheries Working Group for advancing work in the management of the production base of the fisheries and aquaculture sector, and promoting further work on trade and investment issues in the fisheries sector, through, inter alia, alignment of rules and regulations on product standards concerning fish and fisheries products, including food safety and quality assurance.

#### **m. Agricultural Technology**

38. Ministers noted the identification of the following priorities for cooperation in agricultural technology: exchange of plant and animal germplasm; agricultural biotechnology; processing and marketing of agricultural products; plant and animal quarantine and pest management; information sharing in the development of agricultural finance systems; and technology transfer and technical training.

39. They thanked Chinese Taipei for hosting the first Experts Meeting on Agricultural Technical Cooperation, and welcomed the decision to hold a second Experts Meeting in Chile in 1996.

#### **n. Finance**

40. Ministers noted that the second APEC Finance Ministers Meeting was held in Indonesia in 1995 and that the meeting had discussed various issues such as capital flows, exchange rate movements and funding for infrastructure development and, amongst other issues, anti-money laundering efforts. Ministers welcomed the decision to hold a third Ministerial Meeting in Japan in 1996.

#### **o. Sustainable Development**

41. Ministers noted with satisfaction progress in the integration of environmental issues into the ongoing activities of relevant APEC fora, to help ensure sustainable development. They welcomed the proposal to hold a Ministerial Meeting on sustainable development in the Republic of the Philippines in 1996.

### **III. ORGANIZATIONAL ISSUES**

#### **APEC Secretariat**

42. Ministers expressed appreciation for the excellent work done by Executive Director

Ambassador Shojiro Imanishi and the Secretariat staff in supporting the various APEC Committees and Working Groups and the APEC process as a whole. Recognizing the necessity to augment the strength of the Secretariat in connection with the implementation of the Action Agenda, Ministers endorsed the recommendations of the Task Force for the Review of the APEC Secretariat, and instructed the Senior Officials to begin implementing these recommendations as soon as possible.

43. Ministers expressed satisfaction with the progress of the APEC Communications and Database System (ACDS) and urged APEC members to utilize the system fully. Ministers noted that the Secretariat had produced a range of publications and had increased its efforts to circulate them to a wider audience.

### **Participation Issues**

44. Ministers discussed the issue of non-member participation in APEC Working Group activities, and adopted the proposal on criteria and principles relating to this matter which was submitted by the Senior Officials, as amended.

45. Ministers instructed the Senior Officials to continue their consideration of APEC's policy on new membership and observer status and to provide recommendations to the 1996 APEC Ministerial Meeting.

### **Eminent Persons Group (EPG)**

46. Ministers recognized with appreciation the valuable contribution the EPG has made during the past three years to furthering the development of APEC activities and commended the successful accomplishment of its mission.

47. Ministers acknowledged the value of receiving advice and recommendations from knowledgeable and independent personalities from time to time on specific matters, and agreed that the EPG mechanism or similar advisory group may be constituted at any time as necessary with new membership for this purpose.

### **Establishment of the APEC Business Advisory Council (ABAC)**

48. Reaffirming that close cooperation between governments and the business/private sector is critical to enhancing the effectiveness of APEC activities, Ministers expressed appreciation for the valuable contributions the Pacific Business Forum has provided during the last two years.

49. Ministers agreed to establish the APEC Business Advisory Council (ABAC) in 1996, recognizing the importance of continued cooperation and active involvement of the business/private sector in all APEC activities. Ministers decided on a set of guidelines on the structure, funding and activities of the ABAC with a view to its early inauguration. They noted that the guidelines would be reviewed the following year.

### **Budget Issues**

50. Ministers commended the Budget and Administrative Committee (BAC) for its work during the year in scrutinizing budget requests, streamlining procedures and improving administrative and operational efficiency. Ministers approved a 1996 budget of US\$3,094,160 as proposed by the BAC and recommended by the Senior Officials. Ministers also endorsed a 1996 contribution totaling US\$2,838,000, and constituent individual contribution levels, as proposed by the BAC and recommended by the Senior Officials.

## **IV. OTHER MATTERS**

### **Preparation for the Eighth Ministerial Meeting**

51. Ministers thanked the Republic of the Philippines for the valuable briefing on the preparations

for the Eighth APEC Ministerial Meeting to be held in Manila in 1996.

### **Venues for future APEC Meetings**

52. The Ninth and Tenth Ministerial Meetings will be held respectively in Canada in 1997 and in Malaysia in 1998. Ministers welcomed the offer of New Zealand to host the Eleventh Ministerial Meeting in 1999.

53. Mr. Kono, in his closing statement, observed that APEC was now advancing on to a new stage where the Bogor objectives will be translated, step by step, into reality through the implementation of the Action Agenda. He noted that APEC will accordingly evolve further as an organization, with the active engagement of the business/private sector. He called upon the Ministers to continue to provide political guidance to the APEC process, and to stay in close contact to that end.

54. Ministers and their delegations expressed their heartfelt appreciation to Japan for the warm and generous hospitality extended to them and the excellent facilities and arrangements made available for the Meeting.



Ministerial Meetings



## **Eighth Ministerial Meeting**

**(Manila, Philippines, Nov 22-23, 1996)**

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### **JOINT STATEMENT**

1. Ministers from Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America participated in the Eighth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Manila, Philippines on 22-23 November 1996. Members of the APEC Secretariat were also present. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum (SPF) attended as observers.
2. The President of the Republic of the Philippines, H.E. Fidel V. Ramos opened the Meeting by extending the warmest welcome to all delegates attending the Eighth APEC Ministerial Meeting. He stated that as this year's APEC Chair, the Philippines has set three leadership tasks for itself, namely: carrying out the Manila Action Plan for APEC 1996 (MAPA '96), strengthening economic and technical cooperation and engaging the private sector in the APEC process. He stressed that APEC has moved from the commitment-making phase of setting vision, goals and agenda to action phase of carrying out individual and collective initiatives. In his remarks, he also emphasized the importance of economic and technical cooperation as an instrument of deepening the spirit of community among APEC economies.
3. The meeting was chaired by H.E. Mr. Domingo L. Siazon Jr., Secretary of Foreign Affairs of the Republic of the Philippines. In his opening remarks, Secretary Siazon cited the significance of MAPA '96, the Declaration on an Asia-Pacific Economic Cooperation Framework on Strengthening Economic Cooperation and Development and the other reports and recommendations of the various APEC fora as measures of APEC's progress toward free and open trade. He stressed the need for APEC to remain a catalyst for harmonizing economic growth and equitable sustainable development to preserve its relevance as well as its future. He called for a stronger commitment to open regionalism which should be the guide for discussions at the WTO Ministerial Meeting in Singapore. Finally, he urged the member economies to foster among them a stronger sense of community in order to realize their common aspiration for regional peace built on prosperity.
4. Speaking on behalf of the Chairman of the Seventh APEC Ministerial Meeting, H.E. Mr. Yukihiro Ikeda of Japan expressed deep appreciation for the Philippines' chairmanship of APEC in 1996. He stressed how APEC this year has steadily addressed the challenge of taking a firm step toward steady implementation of the Osaka Action Agenda. He noted the submission of individual action plans of all members, the steady results in the activities being undertaken in the economic and technical cooperation areas, the discussions on the FEEEP initiative, and the recommendations set forth by ABAC outlining the aspirations of the business sector. He cautioned Ministers not to fall into complacency as APEC is to be maintained as a dynamic, evolving process and enjoined the Ministers to provide the political direction. He emphasized that the tasks of the Manila Meeting are to solidify the

prosperity and cooperation in this region and to show the world that the APEC process is worthy of great credibility.

5. Ministers reaffirmed their commitment to the full and effective implementation of the Osaka Action Agenda (OAA) to achieve the APEC goal of free and open trade and investment by 2010 and 2020 and to the principles of comprehensiveness, WTO consistency, comparability, non-discrimination, transparency, standstill, simultaneous start, continuous process and differentiated timetables, flexibility and cooperation. Ministers re-emphasized the importance of taking forward progressively the action plans.

### **I PROGRESS ON THE 1995 APEC ECONOMIC LEADERS' DECLARATION FOR ACTION AND APEC ACTION PROGRAM FOR 1996**

6. In response to the Leaders' mandate at Osaka, Ministers considered the Individual Action Plans (IAPs) and the Collective Action Plans (CAPs) of member economies and the Progress Reports on Joint Activities for Part II of the OAA.
7. Ministers welcomed the progress achieved by Senior Officials in ensuring that this year's outputs reflected a balance and complementarity among the three pillars of the OAA, namely, trade and investment liberalization, trade and investment facilitation, and economic and technical cooperation.

### **The Manila Action Plan For APEC (MAPA)**

8. Ministers adopted the Manila Action Plan for APEC 1996 (MAPA '96) for endorsement to APEC Economic Leaders. MAPA integrates the IAPs, CAPs, and Progress Reports on Joint Activities of APEC members and the various APEC Fora. They also agreed on the importance of private/business sector comments and views, particularly from ABAC, as member economies pursue the evolution of MAPA '96, individually and collectively, towards the goals set by the Bogor Declaration and the OAA.
9. Ministers recognized the value of the APEC Actions Reporting and Monitoring System (ARMS) as a management tool and directed that the APEC Secretariat be immediately given the resources to adopt it in order to assist the Working Groups and APEC Fora in the review of APEC plans and programs.

### **Trade and Investment Liberalization and Facilitation**

#### ***Individual Action Plans***

10. In Part I of the OAA, Ministers acknowledged APEC's unique approach in advancing liberalization and facilitation through members' individual actions and collective actions covering fifteen (15) specific areas, namely: tariffs, non-tariff measures, services, investment, standards and conformance, customs procedures, intellectual property rights, competition policy, government procurement, deregulation, rules of origin, dispute mediation, mobility of business people, implementation of Uruguay Round outcomes and information gathering and analysis.
11. Ministers welcomed the submission by member economies of Individual Action Plans (IAPs) which generally conform to the principles and guidelines reflected in Part I of the OAA and which show progress toward format standardization taking into account the guidelines developed this year by the Committee on Trade and Investment (CTI). Ministers noted that these Plans represented the members' individual voluntary commitments and the first concrete step taken by individual member economies to put into action their commitment towards achieving APEC's long term goal of free and open trade and investment. Ministers recognized the IAPs as a credible beginning to the process of liberalization and noted the rolling nature of the IAPs and the importance of continuing consultations and annual review in order to sustain the process of voluntary improvements of the IAPs. Likewise, they took note of the importance of ensuring transparency of and comparability among the respective Action Plans and their implementation in conformity with the principles set out in the OAA. Ministers noted the need for the CTI to assist in this

process.

12. Ministers confirmed that member economies will implement their IAPs starting January 1997 and that APEC will review implementation of these IAPs and make further improvements in accordance with the OAA. They further welcome views and comments on the IAPs from the business community and other interested private sectors towards future improvements of IAPs.

### *Collective Action Plans and Trade and Investment Issues*

13. Ministers welcomed the 1996 annual report of the Committee on Trade and Investment (CTI) and endorsed the report's recommendations.
14. Ministers commended the CTI for its comprehensive work in advancing the objectives of the OAA. They noted with satisfaction that the Committee had successfully discharged the major tasks that had been delegated by APEC Senior Officials, namely, management of the preparation and implementation of CAPs, development of format guidelines for IAPs and preparatory discussions on the proposed Information Technology Agreement (ITA).
15. Ministers welcomed the substantial contribution of the CTI and its sub-groups to advancing the trade and investment liberalization and facilitation agenda, particularly in introducing practical trade facilitation measures and developing innovative cooperative approaches to reducing impediments to trade and investment in the region. Ministers also welcomed the submission by the CTI of the Collective Action Plans (CAPs) of member economies consistent with the objectives, guidelines and collective actions contained in the OAA. The CAPs contain APEC's actions to advance work in the fifteen (15) issue areas and provide a mechanism for both monitoring and progressing work in each area. Ministers acknowledged the initial deliverables and the progress of CAPs as significant achievements which will pave the way for expanded collective actions in the future.
16. Ministers reaffirmed the importance of APEC's collective actions in supporting and complementing IAPs and in assisting all members to achieve the goal of free and open trade and investment by 2010/2020 in accordance with OAA. They recognized that APEC's collective actions would contribute significantly to improving the transparency of trade and investment regimes, developing the capacity of essential infrastructure in areas such as standards and conformance, customs and intellectual property, facilitating the conduct of business activities, supporting the full, effective and timely implementation of UR obligations and lowering transaction costs.
17. Ministers agreed that business facilitation measures offered by CAPs both contribute to and support APEC's work of reducing transaction costs, simplifying administrative procedures, improving transparency and promoting understanding of the trade and investment environment of the region. Examples of these outputs include the APEC Tariff Database, APEC publications on members' investment regimes, customs procedures, rules of origin, business travel, government procurement and intellectual property regimes, an Umbrella Mutual Recognition Arrangement of Conformity Assessment for Food and Food Products, an Arrangement for the Exchange of Information on Toy Safety, a guide for the alignment of members' standards with international standards, and the harmonization of tariff nomenclature and other customs procedures.
18. Ministers also welcomed the successful launching of projects to be funded through the TILF Special Account and encouraged members to further utilize this mechanism to promote trade and investment liberalization and facilitation.
19. Ministers approved the collective actions set out in the CAPs, and stressing the evolving nature of the CAPs, called on the CTI to continue work on expanding and advancing collective actions next year.
20. Ministers stressed the increasing importance of investment as a vehicle of economic growth in the Asia-Pacific region. Business plays a central role in investments. In this regard, Ministers welcomed the progress made in 1996 by relevant APEC fora and directed the Senior Officials to continue their efforts.
21. Ministers welcomed the decision by Australia, Korea, and the Philippines to proceed with a trial of an APEC Business Travel Card in 1997. They noted the value of the APEC Business Travel Card initiative as a contribution to enhancing the mobility of business



- people in the APEC region. Ministers also welcomed actions of other economies in enhancing business mobility, through among others, visa-waiver arrangements and multiple-entry business visa.
22. Ministers also welcomed the fact that technical assistance programs developed by the Sub-Committee on Customs Procedures for key customs issues will be delivered in 1997.
  23. In the area of Intellectual Property Rights, Ministers commended the IPR Get-Together for its substantial progress this year which contributed to the enhancement of APEC-wide cooperation in this new and challenging area.
  24. Ministers commended the work of the Experts' Group on Government Procurement in advancing the transparency of members' government procurement regimes, thereby facilitating access to government procurement opportunities and contributing to the evolution of work on government procurement in multilateral fora.
  25. In the area of Dispute Mediation, Ministers noted the report contained in Annex II of the CTI's annual report and welcomed the fact that APEC will publish a list of arbitration, mediation and conciliation services available in member economies.
  26. Ministers welcomed the holding of a second successful workshop on competition policy and deregulation in Davao in August. They thanked New Zealand for organizing it and noted that a further workshop would be held in 1997 with a view to continuing the exchange of views and policy dialogue in these important areas.

### ***Contributions to the WTO Singapore Ministerial Conference***

27. The Ministers reaffirmed the primacy of the multilateral trading system in global trade liberalization. Ministers reiterated their commitment to the multilateral liberalization process and affirmed APEC's commitment to play a significant reinforcing and complementary role in that process, drawing on the dynamism of its own vision and goals.
28. Ministers emphasized their strong support for the success of the first WTO Ministerial Conference in Singapore. They stressed the importance they attach to the full, effective, and timely implementation of the Uruguay Round agreements and commitments to realize the full potential of trade liberalization. In this regard, Ministers endorsed APEC's active role in providing assistance to member economies and directed the CTI to undertake further work in this area. Ministers agreed that the Singapore Ministerial Conference should take concrete actions to strengthen the multilateral system, particularly through attention to Uruguay Round implementation and to launching a practical and forward-looking work program.
29. Ministers emphasized the commitment to successfully completing the WTO ongoing negotiations on financial services, basic telecommunications and rules of origin within the agreed timeframes. Similarly, Ministers look forward to the resumption of negotiations on other services, including on maritime transport, which are scheduled to begin in due course.
30. Ministers agreed that the built-in agenda provide the basis for a balanced work program for the WTO, stretching into the next century. They agreed that further work - the process of analysis and information exchange - would proceed before undertaking negotiations and reviews mandated in the Uruguay Round agreements according to the timetable set.
31. Ministers welcomed initiatives to pursue freer and non-discriminatory trade in goods and services. In recognizing the importance of the information technology sector in world trade, Ministers endorsed the efforts at WTO to conclude an information technology agreement by the Singapore Ministerial Conference and urged all other members of the WTO to work toward that end.
32. Ministers stressed the importance of the WTO as a dynamic forum to play a central role in ensuring that the multilateral trading system continues to respond to developments in world economy. They also considered it essential that the many existing and emerging regional trade agreements be consistent with the WTO and look forward to the work of the committee on Regional Trade Agreements. Ministers encouraged the acceleration of the substantive negotiations on protocol issues and market access with a view to achieving universality of WTO membership.

### **Economic and Technical Cooperation**

### ***Progress on Joint Activities and Results of Relevant Ministerial Meetings***

33. Ministers welcomed the more than 320 projects that the various Working Groups/Fora have undertaken. These projects are described in their Progress Reports on Joint Activities, which also provide an indication of the impact that these projects have created upon APEC goals and objectives. Ministers recognized the value of monitoring and assessing the impact of these projects on a continuing basis. The Ministers commended the Working Groups/Fora for their collective efforts to reduce economic disparity among APEC economies, improve the economic and social well-being of the people, and to achieve sustainable growth and equitable development in the Asia-Pacific region.
34. Ministers also welcomed the successful launching of the Partners For Progress (PFP) projects and encouraged all the member economies to further utilize PFP mechanism to promote economic and technical cooperation in APEC.
35. Ministers acknowledged the tangible benefits that the member economies can derive from the APEC Center for Technology Exchange and Training for SMEs (ACTETSME), the Asia Pacific Energy Research Centre (APEREC), APEC Labor Market Information (LMI) System, Trade and Investment Data Database (TIDDB) System, Asia Pacific Information Infrastructure (APII) and the seminars, symposia, workshops, training sessions, surveys and studies, trade fairs, publications and other forms of practical cooperation taken up by the member economies. The Ministers urged the Working Groups/Fora to carry out among themselves close coordination and collaboration towards the effective and efficient implementation of joint activities to address cross-cutting issues and broader themes or objectives in APEC.
36. Ministers directed the Working Groups and APEC Fora to address the challenges they have identified in their progress reports and to report on the outcomes of their efforts and activities to the Senior Officials.

#### **a. Human Resources Development (HRD)**

37. Ministers commended the Human Resources Development Working Group for its work to date, particularly for the development and implementation of over 80 joint activities, which is anchored on the Action Program on HRD and the Ministerial Statement - Call for Action on HRD. Ministers thanked the Philippines for hosting the First HRD Ministerial Meeting in January 1996.
38. Ministers noted the results of the Ministerial Meeting on HRD which accorded priority attention and action to the following areas of the HRD Action Program: analysis of labor market issues, management and strengthening of small and medium enterprises, expansion of project initiatives on mutual recognition of skills qualification, provision of better opportunities for cross-member investment in the delivery of educational services and skills training, and continuous development of leadership skills for managers.
39. Ministers welcomed the priority accorded to Labour Market Information (LMI), including the launching of the LMI database, Canada's hosting of an LMI best practices seminar, the identification of LMI focal points for each member economy, the establishment of a LMI home page on the Internet and the launching of the Education and Telecommunication Network (EduNet) program. Ministers also noted the University-Industry Linkages as a significant undertaking to promote HRD for sustainable development.
40. Ministers further directed the HRD Working Group to sustain and continue its initiatives based on the Action Program and the HRD Ministerial Meeting results and to develop specific objectives in support to the HRD Ministerial theme of "Preparing the APEC Workforce for the 21st Century". Ministers also tasked the HRD Working Group to closely collaborate its efforts with other APEC Working Groups and fora in order to ensure that the cross-cutting nature of HRD is addressed. Ministers welcomed the decision to hold the Second HRD Ministerial Meeting in Korea in September 1997.

#### **b. Industrial Science and Technology (IST)**

41. Ministers acknowledged the progress accomplished in the Ministers' Conference on Regional Science and Technology Cooperation, as well as in the IST Working Group Meeting, and expressed satisfaction that IST Working Group had taken significant steps to respond to the challenge of developing a Clean Production/Clean Technology Strategy. Ministers directed the Senior Officials to consider its Terms of Reference, which will be formally reviewed for approval at the 12th Meeting of the IST Working Group, to ensure effective coordination between the IST Working Group and the other APEC Working Groups/Fora, and to oversee the Strategy's future implementation. Ministers welcomed the Handbook for Members including APEC IST Joint Research Promotion Guidelines which will lead to efficient and effective operation of the IST Working Group.
42. Ministers thanked the Republic of Korea for hosting the Second Ministers' Conference on Regional Science and Technology Cooperation in November 1996. Ministers noted the focus on researcher exchange and human resource development which focused on the theme "Creativity and Mobility of Researchers Across APEC". Ministers also took note of the goals set by the Seoul Declaration to promote greater sharing of S & T information, training and research programs and research facilities; to strengthen the exchange of scientific and technical men and women across the region through measures that might include lowering institutional and non-institutional barriers and developing new and enhanced mechanisms for exchange; and to attract creative and talented young people to take up careers in science and technology.

Ministers welcomed the decision to hold the next Ministers' Conference in Mexico in 1998.

#### **c. Small and Medium Enterprises (SMEs)**

43. Ministers thanked the Philippines for hosting the Third SME Ministerial Meeting in September 1996 and noted with satisfaction the developments achieved at that meeting and Policy Level Group Meetings and agreed that SME Action Program should focus on initiatives that would result in direct benefits to SMEs in all APEC member economies. Ministers further encouraged an enhanced partnership with the private sector, a sustained collaboration with other APEC Working Groups/Fora and an active participation of support groups contributing to the development of SMEs to enable APEC to address the growing challenges and opportunities facing SMEs, including concerns of women entrepreneurs and SMEs in rural areas. Ministers also called for the incorporation of SME priorities throughout the APEC agenda.
44. Ministers endorsed the recommendations of SME Ministers for member economies to reach out to SMEs in the region and to strengthen APEC work to bring the greater benefit for SME activities through participation of support groups contributing to the development of SMEs.
45. Ministers welcomed the progress in the implementation of the SME Action Program, noting the completion of ten projects by APEC economies. They took special note of the successful establishment of the APEC Center for Technology Exchange and Training for SMEs (ACTETSME) at Los Baños, Laguna, Philippines. Ministers also noted that the 1997 SME Ministerial will promote the continued development of SME priorities through the APEC agenda.

#### **d. Energy**

46. Ministers welcomed the vigorous approach taken by the Energy Working Group (EWG) to meet the major energy challenges confronting the region. Ministers thanked Australia for hosting the First Energy Ministers Meeting in August 1996, and noted with satisfaction that Energy Ministers at their meeting in Sydney had approved a number of initiatives to meet these challenges.
47. These initiatives included the adoption of non-binding energy policy principles to give impetus to regional initiatives to reform the energy policies for incorporation into member economies' domestic energy policy deliberations; the implementation, in conjunction with the business sector, of a program of reform designed to mobilize business investment in

power sector infrastructure; the adoption of a strategic approach to reducing environmental impacts of energy supply and use; and the development of a work program for increased cooperation on energy standards. Ministers also welcomed the establishment of the Asia Pacific Energy Research Centre in Tokyo and noted that the Centre will provide a valuable input to future policy deliberations. Ministers welcomed the decision that Canada and Japan will host the meetings of Energy Ministers in 1997 and 1998, respectively.

48. Ministers noted that energy policy principles have implications beyond the energy sector. In this regard Energy Ministers agreed that they should be brought to the attention of APEC Economic Leaders. Similarly, because of the importance for APEC as a whole of the work underway on power infrastructure investment, Energy Ministers have sought the support of APEC Economic Leaders to expedite the proposed work program.

#### **e. Transportation**

49. Ministers were pleased with the progress made by the Transportation Working Group (TPT) during 1996 towards its goal of increasing the efficiency and improving the safety of the regional transportation system. In particular, they expressed satisfaction with the Transportation Congestion Points Study which will be completed in 1996, the Road Transport Harmonization Project, its survey of aviation personnel licensing requirements in the region, the first meeting of the Working Group's Urban Transport Forum and an options paper on more competitive air services with fair and equitable opportunity which had been transmitted to Transportation Ministers and included in the MAPA.
50. Ministers noted the priorities for cooperation and action identified by Transportation Ministers during their first meeting in Washington in June 1995 and noted the advice that the Transportation Ministers are to meet again in June 1997 in Victoria, Canada.
51. Ministers also expressed appreciation for the efforts of the TPT to address cross-cutting concerns in areas such as infrastructure, sustainable development, human resource development and electronic data interchange.

#### **f. Telecommunications**

52. Ministers commended the Telecommunications Working Group (TEL) for advancing work on the Osaka Action Agenda and took note of its move to restructure the TEL Working Group.
53. Ministers thanked Australia for hosting the 2nd Ministerial Meeting on Telecommunications and Information Industry in September 1996, at which the Gold Coast Declaration and the Joint Statement were adopted. Ministers welcomed the Declaration's renewed commitment to implement the five objectives and the ten principles of the Asia Pacific Information Infrastructure (APII) and its Program of Action that included thirteen (13) Collective Actions. They also recognized the progress the Telecommunications Working Group made in adopting a "Reference List of Elements of a Fully Liberalized Telecommunications Services Sector", and a growing range of cooperative activities and pilot projects in the telecommunications and information sectors. Ministers encouraged the TEL to move forward its cooperative activities to include developing on an elective basis a model Mutual Recognition Arrangement (MRA) for trade in telecommunications equipment; conformance, where appropriate, with APEC guidelines for trade in International Value-Added Network Services (IVANS) by 1998; general conformance, where appropriate, with APEC guidelines for harmonization of equipment certification; and implementing the APII. Ministers further encouraged the TEL to expand collaboration with other Working Groups and fora in its cross-cutting efforts to facilitate the development of business in the region and to develop human resources.
54. Ministers welcomed plans to hold the next Ministerial Meeting in Singapore in 1998.

#### **g. Tourism**

55. Ministers noted the initiatives of the Tourism Working Group (TWG) in the conduct of joint activities identified in the Osaka Action Agenda. Among the major accomplishments

of the TWG include a study on impediments/barriers to tourism, a report and symposium on major ecosystems of importance to tourism, management strategies and techniques available for tourism.

56. Ministers further noted the on-going work on the economic impact of tourism in the region, and welcomed initiatives to develop and implement a communication plan in the long term to enhance understanding and awareness of the economic impact of tourism in the region. Ministers also noted the work on a feasibility study on a decentralized electronic database on tourism information/statistics.
57. Ministers noted the proposal of the Philippines to host a Meeting of Ministers in-charge of Tourism in an effort to provide greater focus and coherence to the TWG's initiatives and welcomed projects geared towards promoting human resources development in the travel and tourism industry. Ministers also encouraged the TWG to develop and establish programs that would promote the understanding of cultural heritage of APEC member economies in order to further sustain tourism development and growth in the region.
58. Ministers further directed the TWG to look into the recommendations of the report on the impediments to tourism development and results of the symposium on environment and tourism in order to further promote social and economic sustainability of tourism in the region. They further encouraged the collaboration of the TWG with the private sector and other sectors in order to address priorities outlined in the Action Program.

#### **h. Trade and Investment Data (TID)**

59. Ministers recognized the progress made in the Trade and Investment Data Working Group (TID), with special regard for the Trade and Investment Data Database (TIDDB) System, a state-of-the-art tool which can be used to supply, load, store, present and analyze any statistical data and expressed appreciation for the demonstration of a major deliverable. Through the database system, the TID proposes to provide the region's policy makers and advisers with the most consistent and up-to-date statistical measures of trade and investment between APEC member economies. Ministers called for closer cooperation among member economies to ensure the supply of the latest annual bilateral data on merchandise trade and to improve the availability, consistency and supply of bilateral data on services, trade and investment. Ministers encouraged coordination between the TID and the Tariff Database Task Force to explore the expansion and compatibility of their work programs.

#### **i. Trade Promotion**

60. Ministers commended the progress made by the Working Group on Trade Promotion (WGTP) in implementing projects in the five priority areas established at Osaka and took special note of the incipient efforts along the line of facilitating strategic business alliances among enterprises in the APEC region. Ministers likewise commended the efforts of the WGTP to engage the private/business sector in its work by holding its meetings back-to-back with meetings of the APEC Trade Promotion Organizations.

#### **j. Marine Resource Conservation (MRC)**

61. Ministers noted the progress being made in the Marine Resource Conservation Working Group (MRC) Action Program as reported during their meetings in Kaohsiung, Chinese Taipei on 23-25 April 1996 and in Phuket, Thailand on 27-29 September 1996.
62. Ministers commended the MRC for its response to the recommendations made by Ministers during the Ministerial Meeting on Sustainable Development held on 11-12 July 1996 in Manila. Ministers endorsed the "Strategy to Address Sustainability of the Marine Environment within APEC" adopted by the working group. Ministers noted that the MRC is directed to take the lead role in developing APEC's efforts to improve dramatically the sustainability of the marine environment in the APEC region, as endorsed in the Sustainable Development Ministerial Declaration and the Action Program for Sustainable Development in APEC. In this regard, Ministers instructed the MRC to take into account activities in

other relevant international and regional organizations.

#### **k. Fisheries**

63. Ministers acknowledged that the implementation of the Action Program of the Fisheries Working Group (FWG) is progressing as scheduled. Ministers noted that the new projects adopted by the FWG in its seventh meeting held in Santiago, Chile on 29 May-2 June 1996, will further advance its goals and priorities as reflected in the Osaka Action Agenda.
64. Ministers also called for closer collaboration between the FWG and the MRC WG in the conduct of joint activities that are cross-cutting in nature. Particularly noted in this respect is the need for collaboration on joint activities which should address concerns that cut across marine resources and the marine environment. Ministers welcomed the offer of Mexico to host the next meeting of the FWG in May 1997.

#### **l. Agricultural Technical Cooperation (ATC)**

65. Ministers welcomed the creation of an Experts Group in Agricultural Technical Cooperation which would implement the ATC Action Program outlined in the Osaka Action Agenda. Likewise, Ministers noted the refinements in the ATC Action Program which included the addition of sustainable agriculture as a priority area and the clustering of the priority areas on technology into agricultural technology transfer and training. The ATC has agreed that it would work closely with the EC Task Force on Food to ensure complementarity of their work. Ministers took note of the ATC joint activities, all of which are progressing as scheduled.
66. Ministers thanked Australia and the Philippines for graciously hosting the 2nd ATC Experts Meeting in May 1996 and the Special ATC Meeting in October 1996, respectively, given the short notice. Ministers also expressed appreciation to Chinese Taipei for its efforts in making a significant contribution at these two meetings.

#### **m. Sustainable Development**

67. Ministers thanked the Philippines for hosting the First Ministerial Meeting on Sustainable Development in Manila in July 1996. Ministers especially commended the Ministerial Declaration and Action Program for Sustainable Development in APEC and endorsed its recommendations including the themes of sustainability of the marine environment, clean production/clean technology, and sustainable cities. They noted that APEC's work on sustainable development underscores the complementarities between trade liberalization, economic development and environmental protection.
68. Ministers also noted the progress of sustainable development work in various APEC fora and the contribution of, inter alia, the MRC WG and IST WG meetings held in September 1996 and the Senior Environment/Economic Officials Meeting held in October 1996, toward ensuring a sustained effort in addressing the themes of Sustainability of the Marine Environment, Clean Technology/Cleaner Production and Sustainable Cities.
69. Ministers called upon the Ministerial Meeting on Sustainable Development which will be held in Canada in 1997 to develop concrete recommendations that would set clear directions on how the various APEC fora could advance sustainable development work called for in the Declaration and the Action Program. As a cross-cutting concern in APEC and as a priority consideration in APEC goals and objectives, Ministers directed the Senior Officials to further explore opportunities for collaborative work on Sustainable Development in APEC's over-all action program in its economic, social and environment scope.
70. Ministers agreed that Senior Officials shall undertake an annual review of and dialogue on sustainable development work in APEC. In this regard, the APEC Secretariat shall come up with an annual compilation of all sustainable development work undertaken by the various APEC fora. The Senior officials may further task the Economic Committee to do analytical work, if necessary.

***Economic and Cross-Cutting Issues***

71. Ministers welcomed the report of the Economic Committee (EC) and noted the important contributions of the EC in providing analysis and study of issues relevant to achieving sustainable growth and equitable development within the APEC region. Ministers commended the EC on the excellent work done on the *1996 APEC Economic Outlook* and *The State Of Economic and Technical Cooperation in APEC*. Ministers found *The State of Economic and Technical Cooperation in APEC* useful in providing an overview of the wide-ranging and cross-cutting issues and information on all the activities currently underway within APEC. The report suggested how these projects could be more effectively coordinated for better results and higher impact on the region.
72. Ministers also noted the on-going projects/activities of the task forces under the Economic Committee that address the various issues in the areas of economic and technical cooperation, trade and investment liberalization and facilitation. In particular, they welcomed the high priority being given to infrastructure by the committee. Ministers emphasized the importance of APEC cooperating with other regional and multilateral fora active in this area and the need to add value in its work. This can be achieved by avoiding duplication of existing activities and increasing involvement in areas not yet adequately covered. Furthermore, they thanked Indonesia and the United States for considerably advancing exchange of information on best practices in infrastructure development during the "Best Practices" Roundtable at Seattle. They welcomed the offer by Mexico to host a third APEC Public-Private Sector Roundtable in 1997 focused on infrastructure planning. Ministers approved the Action Program on Infrastructure and agreed to append it to the Osaka Action Agenda, taking note of the emphasis on cross-cutting issues. They also commended the publication of a compendium of "Best Practices" as a result of the Roundtable at Seattle in July 1996.

Ministers welcomed the initiative to launch a cooperative dialogue among export credit agencies at the annual infrastructure roundtables to identify best practices and to contribute to APEC's efforts to facilitate privately-financed infrastructure projects.

73. Ministers tasked the Working Groups and APEC Fora to consider the structural issues identified in *The State of Economic and Technical Cooperation in APEC* in the development and implementation of joint activities. The Working Groups and APEC Fora were further directed to explore the possibility of collaborative work on issues that are cross-cutting in nature.
74. Ministers called for closer coordination among the different APEC Fora that have cross-cutting and inter-locking concerns in order to maximize the prospects of promoting sustainable growth and equitable development in the region. Ministers noted with satisfaction that the Economic Committee had completed a productive first two years in support of APEC's trade and investment liberalization and facilitation agenda, as well as its large and diverse economic and technical cooperation activities. Ministers also endorsed its renewed mandate and revised Terms of Establishment as recommended by Senior Officials.

***Progress of Work on the Long-Term Inter-related Issues of Food, Energy, Environment, Economic Growth, and Population (FEEEP)***

75. Ministers welcomed the Economic Committee's brief report on progress made in advancing the Leaders' Initiative on the Impact of Expanding Population and Economic Growth on Food, Energy and the Environment (FEEEP).
76. Ministers were pleased to note that the newly created EC Task Force on Food (TFF) under the auspices of the Economic Committee, co-chaired by Japan and Australia, had agreed on its work plan. TFF will initially examine regional food issues in order to promote the understanding within APEC of these issues as called for by Leaders. Thereafter, TFF will explore possible options for initiating joint action to deal with regional food challenges that could arise in the future.
77. Ministers noted also the relevance of work arising from the Ministerial Declaration and

Action Program for Sustainable Development in APEC and the activities of the APEC Fora and Working Groups such as the Human Resources Development, Marine Resources Conservation, and Fisheries Working Groups which would help advance the FEEEP initiative.

78. Ministers also noted the work undertaken by the Energy Working Group which has relevance to FEEEP, particularly its efforts to reform and liberalize regional energy markets, to ensure that energy does not become a constraint on the region's economic growth and the expected APEC regional energy outlook to be prepared by APERC. Ministers also noted the relevance to FEEEP of its work to identify expected trends in energy demand and supply, and to reduce the environmental impacts of energy supply and use.
79. Ministers welcomed the commitment of the relevant APEC Fora to contribute to FEEEP work in a timely manner to report to Leaders at their meeting in Vancouver in 1997. Ministers supported the possible involvement of relevant APEC fora in FEEEP-related work. Ministers also welcomed Canada's offer to host a Symposium on FEEEP in September 1997 to allow for broader public input into APEC's consideration of these issues. Ministers expressed their appreciation for the work that has been done to put in place a process to respond to the Leaders' call at Osaka. They also noted that the work in the related fora as well as in the symposium could contribute in particular to the global environmental issues to be discussed internationally next year.

## **II STRENGTHENING ECONOMIC COOPERATION AND DEVELOPMENT IN APEC**

80. Ministers recognized the importance of strengthening economic and technical cooperation in APEC toward the attainment of sustainable growth and equitable development and improving the economic and social well-being of the people in the region.
81. Ministers endorsed the Declaration on an APEC Framework for Strengthening Economic Cooperation and Development. The Declaration identifies the themes, priorities, specific goals and guiding principles that will govern the nature and character of a strengthened economic and technical cooperation towards an Asia-Pacific community.
82. Ministers agreed that economic and technical cooperation in APEC must be goal-oriented and that activities have specific milestones and performance criteria. They gave priority to joint cooperative activities which (1) develop human capital, (2) develop stable, safe and efficient capital markets, (3) strengthen economic infrastructure, (4) harness technologies for the future, (5) safeguard the quality of life through environmentally-sound growth, and (6) develop and strengthen the dynamism of SMEs. Ministers also emphasized the need for collaborative efforts between the private/business sector and the public sector in the development and implementation of economic and technical cooperation activities in APEC.
83. Ministers also emphasized the mutually complementary and supportive relationship between liberalization, facilitation, and economic and technical cooperation and urged that APEC's activities reflect this balance.

## **III PRIVATE SECTOR PARTICIPATION**

84. Ministers took note of the recommendations of the APEC Business Advisory Council (ABAC) and welcomed ABAC's role in providing high-level private/business sector advice to the APEC process. They expressed appreciation for the ABAC report which ABAC will present to the APEC Economic Leaders.
85. Ministers expressed their appreciation for the excellent work done by ABAC under the able leadership of the ABAC Chair and Co-Chairs.
86. Ministers encouraged Senior Officials, Working Groups, and other APEC fora to study its recommendations in their work.

## **IV ORGANIZATIONAL AND BUDGET ISSUES**



## **APEC Secretariat**

87. Ministers expressed deep appreciation for the exemplary work done by Ambassador Armando Q. Madamba, Executive Director of the APEC Secretariat, the directors and the staff of the Secretariat in supporting the various APEC Committees and Working Groups and the APEC process as a whole. Cognizant of the need to harmonize the relationship between the APEC Secretariat and the various APEC fora, Ministers endorsed the recommendations of the Task Force on Management Issues and instructed Senior Officials to implement the recommendations as soon as possible.

## **Membership and Participation Issues**

88. In Manila in 1996, Ministers decided not to extend the moratorium with the view to admitting a limited number of new members. Ministers reiterated that APEC is an open and evolving process. The Ministers agreed that in Vancouver in 1997, the set of criteria for evaluating applications will be adopted after being refined and updated. The Ministers further agreed that in Kuala Lumpur in 1998, new members will be announced based on the adopted criteria. The new members will be admitted in Auckland in 1999.
89. Ministers discussed the issue of non-member participation in APEC Working Group Activities and adopted the Consolidated Guidelines relating to this matter which was endorsed by the Senior Officials. These guidelines will replace the existing rules that govern the process of non-member participation in APEC Working Group activities.

## **Budget and Administrative Issues**

90. Ministers commended the Budget and Administrative Committee (BAC) for its work during the year in evaluating project proposals, streamlining procedures, and enhancing operational and administrative efficiency and effectiveness. Ministers approved the 1997 Budget of US\$8,090,917 as proposed by the BAC and recommended by Senior Officials. Ministers also approved the 1997 contribution of US\$2,947,000 and the formula for calculating individual member's contribution levels, as proposed by BAC and recommended by Senior Officials. Ministers expressed appreciation to Japan for its contributions to the 1997 TILF Special Account.

## **V OTHER MATTERS**

### **Appreciation to the SOM**

91. Ministers commended the Senior Officials for their dedicated work and excellent outputs in 1996.

### **Preparation for the Ninth Ministerial Meeting**

92. Ministers thanked Canada for the valuable briefing on the preparations for the Ninth APEC Ministerial Meeting to be held in Vancouver in 1997.

### **Venues for future APEC Meetings**

93. The Tenth and Eleventh Ministerial Meetings will be held respectively in Malaysia in 1998 and in New Zealand in 1999. Ministers welcomed the offer of Brunei Darussalam to host the Twelfth Ministerial Meeting in the year 2000.
94. In his closing statement, Secretary Siazon expressed satisfaction for the achievements made during the year including the Manila Action Plan for APEC 1996, the Declaration on an Asia-Pacific Framework for Strengthening Economic Cooperation and Development, the decision on APEC membership, the consideration of WTO-related issues and the discussions that have brought APEC forward, thus setting the ground for the Leaders' meeting in Subic.

He called on the Ministers to keep on moving forward and think of other initiatives that will keep the spirit of APEC shining bright. He welcomed Canada's Chairmanship next year and expressed appreciation to all the Ministers for their patience, diligence and good humor that made it easier to accomplish so much in such a short time. He also thanked the Executive Director and the staff of the APEC Secretariat. Finally, he offered deepest appreciation to the hard-working officers and staff of the Philippines' APEC National Organizing Committee who have made the Philippine hosting of APEC a success.



Ministerial Meetings



Declaration



## Ninth Ministerial Meeting

(Vancouver, Canada, Nov 21-22, 1997)

### JOINT STATEMENT

1. Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America participated in the Ninth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Vancouver, Canada on 21-22 November 1997. Members of the APEC Secretariat were also present. The Association of Southeast Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum attended as observers. The meeting was co-chaired by the Honourable Lloyd Axworthy, Minister of Foreign Affairs of Canada and the Honourable Sergio Marchi, Minister for International Trade for Canada. Ministers welcomed the first "APEC Results Report" which highlights the achievements of all APEC fora in 1997.

2. In reviewing these results and achievements, Ministers underscored the value of cooperation in strengthening economic growth and prospects for the region. They reaffirmed their commitment to pursue trade and investment liberalization, facilitation initiatives, and economic and technical cooperation. They agreed that the recent financial turbulence in the region reinforced the importance for APEC economies to lay the foundation to realize their longer-term growth potential which remains exceptionally strong. To this end, Ministers strongly endorsed a forward-looking approach to ensure that the benefits of open economies are fully realized.

#### Trade and Investment Liberalization and Facilitation

3. Ministers welcomed progress made in continuing the liberalization momentum through a mix of individual and collective actions as well as through identification of sectors for early voluntary liberalization.

Individual Action Plans (IAPs): Ministers reaffirmed that Individual Action Plans (IAPs) are key to the implementation of APEC's trade agenda for free and open trade and investment in the Asia-Pacific region by the year 2010 for developed economies and 2020 for developing economies.

- Ministers endorsed the individual and collective initiatives completed by member economies in 1997, the first year of implementation of the Manila Action Plan for APEC;
- Ministers welcomed the improvements in 1997 shown in members' IAPs, and reaffirmed their commitment to progressive and continuous improvements to their IAPs with due consideration to the views of the broad business community in order to reach the Bogor goals.

Ministers welcomed and encouraged the ongoing process of bilateral consultations to exchange views on areas of interest and possible improvements in IAPs. Ministers also commended and encouraged the continuation of voluntary peer reviews in 1997 as an additional opportunity for members to demonstrate their commitment to advancing their IAPs.

Ministers commended the Committee on Trade and Investment (CTI) for improving the format of the IAPs which will contribute to greater transparency, facilitate review and assessment, and enhance their usefulness to the business community. Ministers agreed to adhere to the improved format guidelines in preparing economies' revised IAPs.

Ministers welcomed the recommendations of the APEC Business Advisory Council (ABAC) on how future plans could more effectively meet the needs of business in terms of value-added to commitments made elsewhere, transparency, specificity, and commitment to action. Ministers agreed to take account of the recommendations in revising their IAPs and Collective Action Plans (CAPs) in 1998 and future years, and directed officials to report to them in this regard by the June 1998 Meeting of Ministers responsible for trade.

**4. Early Voluntary Sectoral Liberalization:** Ministers recalled the instructions of the Leaders in Subic to identify sectors for early voluntary liberalization, and welcomed progress made by Ministers responsible for trade in May 1997 to accelerate this process. Ministers agreed to pursue initiatives for early voluntary sectoral liberalization in accordance with the attached statement, and welcomed the fact that many of the proposals include measures that will promote facilitation as well as economic and technical cooperation, illustrating again the integrated nature of APEC's work. Ministers also agreed that other actions should be taken so that the process remains consistent with, and promotes, further broad-based multilateral liberalization. Ministers underscored the importance of progressing toward the Bogor goals, and in demonstrating APEC's leadership in liberalizing global trade.

**5. Trade and Investment Facilitation:** Ministers welcomed the achievements under the Collective Action Plans (CAPs), which will significantly lower costs and reduce barriers to the movement of goods and services, capital, and business people. Ministers endorsed work in these areas, including:

- development of the Blueprint for Customs Modernization and other initiatives on customs cooperation;
- establishment of APEC Internet sites for business information and assistance;
- progress on alignment with international standards;
- increased transparency for acquiring and using intellectual property rights;
- development of a menu of options to enhance the environment for investment that members can voluntarily choose to include in their IAPs;
- the development of model mutual recognition arrangements;
- principles to guide work on dispute mediation;
- improved mobility for business people including through expanded participation in the APEC Business Travel Card;
- non-binding elements of transparency in government procurement;
- work to make the Asia-Pacific information society a reality;
- completion of APEC guidelines for the preparation, adoption and review of technical regulations;
- providing public accessibility through the Internet to the applied tariffs of APEC member economies;
- action plans to create integrated and intelligent transportation systems;
- market and trade information for fishing industries;
- development of guidelines for streamlining and making more transparent the tendering, approval, and regulatory processes for independent power producers;
- initiatives in the Trade Promotion and Trade and Investment Data Review Working Groups.

Ministers welcomed the annual report of the Committee on Trade and Investment (CTI), and commended APEC fora both for their implementation and improvement of CAPs, and for the comprehensive range of short-term deliverables contained in the report. They called for renewed efforts on trade facilitation in the CTI and relevant Working Groups through 1998, having particular regard to the priorities of the business sector. Ministers called for intensified work on simplification and harmonization of customs procedures; standardized approaches to reduce and simplify documentary requirements (both print and electronic) for businesses, particularly small and medium-sized enterprises; and encouraged participation by additional members in the Asia-Pacific Laboratory Accreditation Conference Mutual Recognition Arrangement recently signed among accreditation bodies in five APEC economies. Ministers also called for implementation by member economies of the mutual recognition arrangement developed by the Telecommunications Working Group for certification of telecommunications equipment.

6. Contribution to World Trade Organization (WTO) Process: Ministers discussed the continuing contribution of APEC to supporting the multilateral trading system, and noted in particular the dynamic and catalytic role that APEC plays by virtue of its broad membership, embracing both developed and developing economies, and its continuing commitment to liberalization. Ministers agreed to work to ensure that regional and multilateral trade and investment initiatives complement and support each other. Ministers reaffirmed the primacy of an open, rules-based multilateral trading system under the World Trade Organization (WTO), and reiterated their support for the prompt accession to the WTO of applicants in accordance with WTO rules and based on effective market access commitments with a view to achieving universality of WTO membership.

Ministers reiterated the importance of implementing fully all existing WTO commitments as a foundation for further multilateral trade liberalization, particularly through fulfilment of the built-in agenda of the WTO according to agreed timetables. Ministers accordingly welcomed the successful conclusion of the WTO Agreement on Basic Telecommunications. Ministers of economies committed to participating in the Information Technology Agreement (ITA) agreed to work together to achieve broader participation and expanded product coverage in the next phase of the ITA negotiations. Ministers agreed that the second WTO Ministerial Conference, to be held in May 1998, provides a timely opportunity to take stock of progress in the implementation of existing commitments and on the built-in agenda and to provide instructions to WTO bodies on the work necessary to prepare a substantive agenda for the WTO Ministerial Conference to be held in late 1999, with a view to pursuing further broad-based multilateral market access and other liberalization.

Ministers endorsed the efforts of negotiators from many APEC economies to reach a successful conclusion to the negotiations on financial services underway in the World Trade Organization by the deadline of December 12, 1997. As agreed by Finance and Trade Ministers, a successful conclusion would encompass an MFN agreement based on significantly improved commitments. Such an outcome would enhance competition within financial systems, foster development of regional capital markets, promote financial integration, improve the regional capacity to intermediate savings and strengthen the global trading system.

To maintain and strengthen APEC's leadership in multilateral trade liberalization and facilitation, Ministers reaffirmed their intention to continue to pursue APEC initiatives that support work in the WTO, including with respect to competition policy, trade facilitation, transparency in government procurement and dispute mediation. They agreed that the 50th anniversary of the multilateral trading system in May 1998 provides a unique opportunity to highlight the benefits that the system has provided during its first half-century. Building on this record, Ministers agreed to continue to work together to identify and pursue all areas where APEC can complement and support the multilateral trading system.

7. Impact of Trade Liberalization: Ministers reaffirmed their strong belief that continued trade and investment liberalization and facilitation is essential to economic growth and equitable development in the region. They noted that studies undertaken within APEC's Economic Committee confirm that timely implementation of commitments made by member economies under the Manila Action Plan for APEC will significantly increase trade and output in the APEC region and in the world more generally. Ministers acknowledged the need to expand the assessment of the impact of liberalization and facilitation, in order to promote a broad-based and balanced understanding of this issue within domestic communities. Ministers requested that further work be undertaken, and asked for a report on progress at the meeting of APEC Ministers responsible for trade in June 1998.

### **Economic and Technical Cooperation**

8. Ministers committed to further strengthen economic and technical cooperation by fully implementing the Framework for Strengthening Economic Cooperation and Development which was agreed to in 1996. Ministers also reaffirmed the importance of economic and technical cooperation activities to strengthen economic fundamentals and welcomed the efforts made this year in this regard. Ministers endorsed the establishment of a SOM Subcommittee on Economic and Technical Cooperation.

Ministers emphasized that progress on all six priority areas (developing human resources; developing sound, safe and efficient capital markets; strengthening economic infrastructure; harnessing technologies for the future; safeguarding the quality of life through environmentally sound growth; and strengthening the dynamism of small and medium enterprises) is essential to reduce economic disparity among APEC economies, to improve the economic and social well-being of people, and to achieve sustainable growth and equitable development in the Asia-Pacific region.

They welcomed the particular emphasis given through 1997 on two priority areas: strengthening economic infrastructure and promoting environmentally sustainable growth, which served to accelerate progress on meeting the challenges in these two areas.

Ministers commended APEC fora for engaging the private sector and other experts in the implementation of the Framework for Strengthening Economic Cooperation and Development, including through the convening of public/private dialogue sessions, business workshops and expositions in 1997, and the Symposium on the impact of expanding population and economic growth on food, energy, and the environment (FEEEP) which brought together government, academic, non-government and business experts.

The following summarizes progress in 1997 on the six priorities of the Framework:

i) Economic Infrastructure: Improved infrastructure is a pressing need in the region. Ministers noted that public funds alone cannot meet the enormous infrastructure needs of the region, and reaffirmed the need for greater private/business sector involvement to meet the infrastructure requirements in the region. Ministers endorsed the development of the *Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development* and recommended it to Leaders for their consideration. Ministers commended the work of APEC Working Groups, the Economic Committee's Infrastructure Workshop, and its associated public/private dialogue process, in contributing to the implementation of the Framework. Ministers also recognized that infrastructure is a cross-cutting issue and acknowledged the contribution to the implementation of the Framework by several sectoral Ministerial processes. Ministers supported the proposal for a feasibility study on an APEC network of infrastructure facilitation centres as a focal point for infrastructure development. Ministers welcomed the mutual cooperation protocol signed by

participating Export Credit Agencies and Export Financing Institutions to enhance, on a project by project basis, the attractiveness of infrastructure investment for private sector participants. Ministers called on all APEC fora to continue to participate actively in addressing the infrastructure development needs in the region including:

*Creating an Asia-Pacific Information Society: Ministers recognized that telecommunications and information technology is transforming societies and economies, and that the Asia-Pacific Information Infrastructure (APII) is an essential foundation to ensure the competitiveness of the Asia-Pacific region for the new era. Ministers called on APEC economies, as well as the Telecommunications Working Group to implement actions necessary to make the Asia-Pacific information society a reality. Ministers welcomed Singapore's offer to host a Telecommunications and Information Industry Ministerial Meeting in 1998.*

*Creating an Integrated Asia-Pacific Transportation System: An efficient, safe, and integrated regional transportation system is critical to support growth. Ministers welcomed the results from the APEC Transportation Ministerial Meeting held in Victoria, June 1997, including the Declaration of Principles affirming commitment to harmonization of Civil Aviation Safety Rules. Ministers encouraged the implementation of these principles in support of civil aviation safety and efficiency. Ministers welcomed the completion of the transport congestion points study and the establishment of an Intermodal Task Force to develop an integrated transport system in the region.*

*Energy Infrastructure: Ministers noted that energy infrastructure is key to the region's development needs and acknowledged that planned future work will create an institutional and regulatory framework conducive to business and investment, and promote environmentally responsible practices. Ministers noted the results from the APEC Energy Ministerial Meeting held in Edmonton, August 1997, and congratulated their colleagues on producing a "Manual of Best Practice Principles for Independent Power Producers" which focuses on promoting a predictable, transparent framework for tendering, bidding, evaluation and approval processes. Ministers welcomed initiatives to promote environmentally sound regulatory practices, the development of natural gas infrastructure, and the multilateral recognition of energy efficiency testing facilities, methods, and results. Ministers welcomed Japan's offer to host the next Energy Ministerial in Okinawa, October 1998, which will discuss wide ranging energy challenges and policies.*

*Infrastructure for Sustainable Cities: Ministers welcomed progress made in 1997 in developing a greater understanding of the role that infrastructure plays in the development of cities that are economically viable, environmentally sustainable, and socially healthy. In particular, Ministers noted the Public/Private Dialogue in Los Cabos, June 1997, the Seminar on Environment and Economic Policies towards Sustainable Cities in Beijing, September 1997, and the upcoming workshop on the use of Economic Instruments towards Sustainable Cities in Taipei, December 1997.*

*Infrastructure for rural diversification and integration: Ministers noted that improving infrastructure in rural communities, including roads, telecommunications, power generation, and capacity building, is critical*

*to the region's development and cannot be overlooked. Ministers directed APEC fora to work with the private sector and include in their efforts infrastructure initiatives for promoting integration and diversification of rural communities.*

ii) Environmentally Sustainable Growth: Ministers recalled the decision to address sustainable development across all of APEC work programs and applauded the APEC Cleaner Production Strategy, the Strategy for the Sustainability of the Marine Environment, and the Sustainable Cities Program of Action as examples of coordinated approaches to integrate economic, social, and environmental considerations into work programs. Ministers noted that specific action items were identified for implementation during the APEC Environment Ministerial Meeting on Sustainable Development in Toronto, June 1997, and instructed all APEC fora to rapidly implement these initiatives. Ministers also recognized the challenge to sustainable growth posed by emerging infectious diseases, and concurred on the need for further collaboration.

Ministers endorsed the pledge by Environment Ministers that APEC economies must do their part to implement global commitments, with full consideration of domestic priorities and conditions. In this context, Ministers recognized the importance of effective action to deal with global emissions of greenhouse gases, and emphasized their strong support for constructive dialogue and successful results at the Third Conference of the Parties (COP 3) to the United Nations Framework Convention on Climate Change (UN-FCCC) as an important step towards meeting the objectives of the Convention. Ministers also shared the recognition of Energy Ministers that enhancing energy efficiency is key to addressing climate change.

*FEEP: Ministers commended the work of the Economic Committee and its Task Force on Food, in collaboration with the Energy Working Group, Senior Environment/Economic Officials, and other APEC fora in addressing sustainability through examining the impact of fast-expanding population and rapid economic growth on food, energy, and the environment ("FEEEP"). Ministers welcomed the results of the FEEEP Symposium held in September 1997, Saskatoon, Canada which analyzed linkages among the elements of sustainability and cross-cutting themes. Ministers welcomed the Interim FEEEP Report to Leaders and agreed that the ability to adapt to changing technological conditions and economic constraints along with building partnerships and capacity building are key factors for success in the new millennium. Ministers called for further work in 1998 to lay the foundation for discussion by Leaders of possible joint actions.*

*Managing resources*: In their 1993 Statement, APEC Leaders envisioned a community which could provide for a more secure future by protecting the quality of air, water and green spaces. Ministers commended the Tourism, Fisheries, Marine Resource Conservation, Human Resources Development, Industrial Science and Technology, Transportation, and Energy Working Groups in fostering technical cooperation, and promoting sustainable practices which facilitate investment and promote environmental protection. Ministers welcomed the establishment of the APEC Environmental Protection Centre in China. Ministers also noted the coordination of work in respect of the marine environment by a group of networks, including the Ocean Research Network for the Pacific, the Sustainable Development Training and Information Network, the Ocean Model and Information System for the APEC Region, the



APEC Virtual Centre for Environmental Technology Exchange, and the Education-Network (Edu-Net) under the APEC Study Centres Consortium. Ministers applauded this coordination and called on other APEC fora to adopt similar inclusive approaches.

*Emergency preparedness for disasters:* Ministers noted that APEC should define its value-added role in formulating emergency preparedness and disaster recovery measures. Ministers called for strengthening cooperative efforts to ensure an effective and integrated approach to deal with this key issue. Ministers tasked Senior Officials to explore measures for joint action, taking into account the programs of other regional and international bodies, and to provide an inter-sessional report by June 1, 1998.

iii) Small and Medium Sized Enterprises (SMEs): Ministers welcomed the results of the APEC Small and Medium Sized Enterprises (SMEs) Ministerial Meeting in Ottawa, September 1997, and applauded the commitment of SME Ministers to make changes at the domestic and APEC level to create business environments that will address the special needs of SMEs and encourage the creation of enterprises. Ministers also welcomed the Framework and Guide for APEC SME Activities which will help ensure that APEC is attuned to SME needs and will keep SMEs abreast of measures and activities undertaken across APEC fora to improve access to markets, technology, human resources, financing, and information. Ministers asked that all APEC fora integrate the Framework for APEC SME Activities into their programs. Ministers welcomed Malaysia's offer to host the next SME Ministerial Meeting in 1998.

iv) Developing Human Resources: Ministers welcomed the results of the Human Resources Development Ministerial Meeting in Seoul, September 1997, which emphasized that life-long learning and school-to-work transition are essential to creating an adaptable workforce as well as providing individuals with relevant skills; that skills development is one of the most important instruments for adjusting to the changes in the labour market and economic environment; and that the roles and contributions of labour and management in attaining APEC's objectives of promoting sustainable growth and the overall well-being of the people in the region are important. Ministers noted the United States proposal to host the next HRD Ministerial Meeting by the year 2000. Ministers invited officials to place special emphasis on human resource development in 1998.

v) Harnessing Technologies for the Future: Ministers noted the many initiatives to promote technological modernization of APEC member economies. In particular they welcomed:

- o the inaugural meeting for an APEC Science and Technology Parks Network held in the People's Republic of China, in September 1997;
- o the APEC Symposium on Technology Foresight held in Thailand, June 1997;
- o the work of the Industrial Science and Technology Working Group to increase mobility of researchers, and improved flows of technological information and technology as well as the Cleaner Production Strategy sector-based projects in the electronics and computer sector, textiles dying and finishing sector, and food industry sector; and
- o the initiatives of the Transportation, Energy, and Telecommunications Working Groups to ensure that APEC continues to adopt new technologies into the new

millennium.

Ministers agreed that electronic commerce is an important technological breakthrough. Recognizing the opportunities it presents as a tool for economic and social growth, Ministers called for a workplan to study a wide range of issues on electronic commerce, with a view to developing a predictable and consistent environment that enables all APEC economies to reap the benefits and foster growth of electronic commerce. Ministers recognized that the private sector should take the lead role as innovators and developers of this important medium. The workplan should be reviewed at the June 1998 Meeting of Ministers responsible for trade to consider further steps.

Recognizing the vital contribution that biotechnology can make toward expanding agricultural and food production, Ministers encouraged the Agricultural Technical Cooperation Experts Group to intensify science-based approaches to the introduction and use of bio-technology products.

Ministers welcomed Mexico's offer to host the third Science and Technology Ministerial in October 1998. Ministers directed officials to place special emphasis on this theme in 1998.

vi) Developing Capital Markets: Ministers acknowledged the continuing work of the APEC Finance Ministers on the critical importance of sound macroeconomic policies for financial market stability and sustained growth. Ministers welcomed the Finance Ministers' work to develop voluntary principles to guide financial and capital market development and their collaborative initiatives to deepen and broaden domestic financial and capital markets.

Recognizing the impact that recent currency and financial market instability has had on the economies of the region, the Ministers welcomed the results of the 18-19 November 1997 meeting in Manila of Finance and Central Bank Deputies from several APEC member economies that discussed a New Framework for Enhanced Asian Regional Cooperation to Promote Financial Stability. They welcomed the collective efforts to address the problems caused by the region's currency turbulence. The Ministers noted that similar meetings, involving ASEAN, several Asian economies, and G-15 member countries will be convened in Kuala Lumpur in early December.

In view of the prevailing currency volatility, the Ministers agreed to recommend to Leaders that they consider the timing of the next meeting of APEC Finance Ministers in order to adopt mechanisms for the enhancement of financial stability in the region.

### **Deepening the spirit of community**

9. Ministers recalled that deepening the spirit of community in accordance with the APEC approach is critical in exercising a positive influence in the region and in the world. This vision of community requires that all sectors of society develop a stake in the success of APEC.

APEC Business Advisory Council (ABAC) Report: Ministers discussed the importance of public/private dialogue and increased interaction of ABAC in the overall process, including sectoral Ministerial Meetings. Ministers welcomed the evidence on how APEC is responding to the recommendations made in ABAC's 1996 report. Ministers directed that all APEC fora continue efforts to work in refining recommendations, defining priorities, and implementing the necessary actions.

10. Input from the business/private sector: Understanding concerns of businesses operating in the region is central to APEC's work. In this regard, Ministers noted that sectoral Ministerial Meetings in 1997 on Finance, Trade, Sustainable Development, Transportation, Energy, and Small-Medium Sized Enterprises all included dialogue sessions with business. Ministers also recognized that initiatives by APEC fora, such as the business symposia on customs and investment organized by subgroups of the Committee on Trade and Investment, the Economic

Committee's Infrastructure Workshop Public/Private Dialogue and the FEEEP Symposium, the Energy Working Group's Ad Hoc Business Forum, and the APEC-PECC dialogue involving the Telecommunications Working Group, were innovative ways to obtain input from the private sector. To ensure APEC activities benefit business in a practical way, Ministers commended the involvement of the private sector to date in Working Group activities and encouraged APEC fora to continue to broaden engagement of the private sector, including young entrepreneurs and women leaders.

11. **Youth:** Ministers applauded the involvement of youth in APEC activities throughout 1997 and noted that sectoral Ministerial Meetings on Trade, Sustainable Development, Transportation, Energy, and SMEs had provided forums for meaningful dialogue with youth. Ministers welcomed the initiatives recognized by the HRD Ministerial Meeting which commended youth delegations for creating an Electronic Sourcebook on work, study and exchange opportunities in the APEC region, and the proposal to inaugurate an APEC Youth Skills Camp. Ministers encouraged member economies to support these initiatives.

12. **Women:** Ministers noted the attention paid to gender issues in APEC fora, including in the Industrial Science and Technology, Human Resources Development, Tourism, and Transportation Working Groups, as well as the Policy Level Group on SMEs and Senior Environment Officials. Ministers welcomed the offer of the Philippines to host a Ministerial Meeting on Women in 1998 in Manila, focusing on women and economic development and integrating women into the mainstream of APEC activities.

13. **People-to-People linkages:** Ministers noted that involving all sectors of society, particularly those in education and business is important in policy-making to promote sustainable growth and equitable development. In this regard, they welcomed the accomplishments in 1997 including the participation of such stakeholders at a number of APEC fora meetings, the opening of the APEC Education Foundation's Grants and Program Secretariat in Seoul, Korea and its administrative office in Monterey, USA. Ministers also noted the 1997 contributions of the APEC Study Centers to APEC's work program, including the Consortium Meeting which helped focus analysis more closely on issues important to APEC.

Ministers discussed the question of APEC's engagement with broader sectors of society that are affected by impacts of economic growth and liberalization. Ministers agreed in general that economic adjustment and growth can be most effectively addressed when governments and concerned sectors of society work together in harmony. Ministers noted related activities underway in the Human Resource Development (HRD) Working Group as endorsed by the recent HRD Ministerial Meeting, and called on the Working Group to continue its work in addressing these issues.

### **Organizational and Budget Issues**

14. Ministers endorsed:

- i. the 1997 annual report of the Committee on Trade and Investment and agreed with its recommendations. Ministers commended the Committee and its sub-groups for their comprehensive work in advancing the trade and investment liberalization and facilitation agenda;
- ii. the 1997 annual report of the Economic Committee and commended the work of the Committee and its sub-groups on the Economic Outlook, the Trade and Investment Liberalization and Facilitation related studies, and progress on examining the impact of expanding population and economic growth on food, energy, and environment and the contributions to the infrastructure initiative;
- iii. the 1997 annual report of the Budget and Administrative Committee and commended the committee for its work during the year in evaluating project proposals, streamlining

procedures, and enhancing operation and administrative efficiency and effectiveness, including the de-classification of APEC documents for public access.

Ministers also noted the results of 1997 work from the ten APEC Working Groups and other APEC fora, namely the Energy, Fisheries, Human Resources Development, Industrial Science and Technology, Marine Resource Conservation, Telecommunications, Tourism, Trade and Investment Data Review, Trade Promotion, and Transportation Working Groups; as well as the Policy Level Group of Small-Medium Enterprises, Agricultural Technical Cooperation Experts Group, and Senior Environment/ Economic Officials, and directed these fora to continue the implementation of the Framework for Strengthening Economic Cooperation and Development through coordinated initiatives.

15. Ministers endorsed the SOM Chair's Report on Organizational Issues and instructed officials to implement the recommendations contained in the report and supporting documents. Ministers approved the 1998 budget of \$ 7,551,139. Ministers also approved the 1998 contribution of member economies of \$US 3,864,000.

16. Report of the APEC Secretariat: Ministers expressed appreciation for the work done by the Executive Director, Ambassador Jack Whittleon, and staff of the APEC Secretariat in supporting the various APEC Committees and Working Group and the APEC process as a whole.

### **Membership and Participation Issues**

17. Membership: Ministers endorsed the Guidelines on APEC Membership and undertook to consider them in future deliberations on this matter. A variety of views were expressed on the number of new members to be included and the timing. However, the final decision on this matter was left to Leaders.

18. Non-member participation in APEC fora: Ministers noted the increased non-member participation in Working Group activities following the adoption of the Consolidated Guidelines on Non-member Participation in Working Group Activities last November. Ministers further endorsed the SOM decisions on application of the Consolidated Guidelines.

### **Other Matters**

19. Future Meetings: Ministers thanked Malaysia for the valuable briefing on the preparations for the Tenth APEC Ministerial Meeting, and look forward to their next meeting in Kuala Lumpur in 1998. Ministers also thanked New Zealand and Brunei Darussalam for their updates on plans for the Eleventh and Twelfth Annual Meetings, which will be held in their respective economies. Ministers welcomed the announcement that the People's Republic of China will host the Thirteenth Meeting in the year 2001.

## **Annex to the Ministers' Joint Statement**

### **Early Voluntary Sectoral Liberalization**

In Montreal, the APEC Ministers Responsible for Trade affirmed that APEC should continue to act as a catalyst for promoting trade and investment liberalization globally. Recalling the leadership role that APEC played in ensuring the successful conclusion of the Information Technology Agreement, they also reaffirmed their determination to continue APEC's leadership and credibility in trade liberalization in accordance with the general principles set out in the Osaka Action Agenda.

They therefore agreed to identify in 1997 potential sectors for early voluntary liberalization,

responding to the challenge presented by APEC Economic Leaders in Subic "to identify sectors where early voluntary liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit recommendations to us on how this can be achieved".

They directed officials to examine the merits of pursuing liberalization in sectors, including those that support enhanced infrastructure and sustainable development, having regard to:

- encompassing, to the extent possible, tariff and non-tariff dimensions and elements of facilitation and economic and technical cooperation;
- the fullest possible private sector input, consultation and support, including through the APEC Business Advisory Council (ABAC); and
- critical mass, by developing initiatives supported by significant groups of APEC members, taking into account the different levels of economic development and diverse circumstances of APEC member economies and, where appropriate, for incorporation to the WTO.

This initiative complements the Individual Action Plan (IAP) process, which they agreed in Montreal is key to the implementation of APEC's trade and investment agenda. The launch of this process signals APEC members' clear commitment to promote economic growth based on a substantial programme of trade liberalization in the region. Ministers agreed that other actions should be taken so that the process remains consistent with, and promotes, further broad-based multilateral liberalization.

In response to the instructions of Ministers Responsible for Trade, 41 sectors were proposed for our review and consideration. The breadth of participation by APEC members and the diverse range of sectors nominated is indicative of the high level of support in the region for further trade liberalization. We have closely examined the merits of these proposals and have given full consideration to the levels of support for, the economic significance of, and the internal balance that has been developed within, specific proposals. Fifteen proposals have been identified as enjoying the most support among member economies.

These are:

• environmental goods and services	• energy sector
• fish and fish products	• food sector
• toys	• natural and synthetic rubber
• forest products	• fertilizers
• gems and jewellery	• automotive
• oilseeds and oilseed products	• medical equipment and instruments
• chemicals	• civil aircraft
• telecommunications mutual recognition arrangement (MRA)	

We agree to pursue an ongoing programme of voluntary liberalization with respect to these

sectors. We affirm our commitment to continue developing liberalization initiatives among APEC members, and to build on APEC's early voluntary liberalization in these sectors as a basis for extending participation beyond our region and, where appropriate, for incorporation into the WTO.

Recognizing the need for a balanced and mutually beneficial package, and recalling that the process of early liberalization is conducted on the basis of the APEC principle of voluntarism, whereby each economy remains free to determine the sectoral initiatives in which it will participate, we therefore call for the development of appropriate agreements or arrangements for market-opening and facilitation and economic and technical cooperation measures, based on existing proposals in the following sectors:

• environmental goods and services	• energy sector
• fish and fish products	• toys
• forest products	• gems and jewellery
• medical equipment and instruments	• chemicals
• telecommunications mutual recognition arrangement (MRA)	

We recommend that Leaders endorse members beginning immediately to complete the work on these proposals through finalizing the scope of coverage, flexible phasing, measures covered and implementation schedule, including choice of measures and instruments for implementation based on the existing proposals, for each of these sectors. We would like this work to be concluded in the first half of 1998 with a view to commencing implementation wherever possible in 1999. We will maintain under review our progress, and will use all appropriate opportunities to do so throughout the first half of 1998, including at the meeting of Ministers Responsible for Trade in Kuching, Malaysia, in June, 1998.

We note that there is broad interest among APEC members in the remaining 6 sectors. Liberalization initiatives in these sectors would also produce economic benefits for member economies, and contribute to a balanced and mutually beneficial outcome, but they require further preparatory work. We therefore direct Senior Officials to further develop proposals from these remaining candidates for our assessment and review next June, and possible recommendation to Leaders next November. We also remain open to considering other sectors for early voluntary liberalization as opportunities arise.

We welcome the initiatives of some members to substantially reduce all tariffs or to eliminate "nuisance tariffs" (of less than two per cent). We recommend to Leaders that members be encouraged to commit in their IAP to review options for undertaking such initiatives.

We also note the significant support and interest of a number of member economies in advancing work relating to a number of horizontal or cross-cutting issues, such as competition policy, government procurement, intellectual property rights and investment. We therefore direct Senior Officials to entrust the appropriate existing APEC fora to discuss these proposals for possible inclusion in their work programmes.

## APEC MINISTERIAL STATEMENT ON MEMBERSHIP

November 1997

Asia-Pacific Economic Cooperation (APEC) is an Asia-Pacific regional forum. It is an open forum in terms of its membership and guest participation.

Since its formation in 1989 APEC has:

- expanded its original membership of 12 by 50% to 18;
- undertaken to admit a limited number of new members not later than 1999;
- approved an arrangement by which non-members can be granted guest status in APEC Working Groups;
- approved over 30 applications for guest status by non-members.

In addition, under its information policies, APEC publishes, or makes publicly available, all key documents, decisions and statements.

While APEC has not set a permanent ceiling on the number of members, it will remain limited in size both on account of its Asia-Pacific regional character and because of the need for the group to remain manageable and effective.

Within the overriding considerations of open regionalism and of remaining manageable and effective in size, APEC has adopted the following guidelines to assist in considering the admission of additional members:

- an applicant economy should be located in the Asia-Pacific region;
- an applicant economy should have substantial and broad-based economic linkages with the existing APEC members; in particular, the value of the applicant's trade with APEC members, as a percentage of its international trade, should be relatively high;
- an applicant economy should be pursuing externally oriented, market-driven economic policies;
- an applicant economy will need to accept the basic objectives and principles set out in the various APEC declarations, especially those from the Economic Leaders' meetings;
- a successful applicant will be required to produce an Individual Action Plan (IAP) for implementation and to commence participation in the Collective Action Plans across the APEC work programme from the time of its joining APEC.

Decisions on the admission of additional members to APEC require a consensus of all existing members.



Ministerial Meetings



## TENTH APEC MINISTERIAL MEETING

(KUALA LUMPUR, MALAYSIA 14 - 15 NOVEMBER 1998)

### JOINT STATEMENT

The Tenth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting was attended by Ministers from:

Australia	New Zealand
Brunei Darussalam	Papua New Guinea
Canada	Peru
Chile	Republic of the Philippines
The People's Republic of China	Russia
Hong Kong, China	Singapore
Indonesia	Chinese Taipei
Japan	Thailand
The Republic of Korea	United States of America
Malaysia	Vietnam
Mexico	

Members of the APEC Secretariat were also present. The Association of South-East Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum attended as observers.

The meeting was chaired by the Honourable Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia. On behalf of the meeting, she welcomed the new members - Peru, Russia and Vietnam.

#### Financial Stability

2. Ministers reviewed recent developments in the world economy. They welcomed the 1998



APEC Economic Outlook, with its particular focus and comprehensive review of the current economic developments and prospects of the region. Ministers expressed concern that the financial crisis with its associated contagion effects has had serious socio-economic implications for growth, employment and poverty levels in member economies. Ministers tasked Senior Officials to intensify APEC's efforts to address the social impacts of the crisis as a high priority.

3. Ministers agreed that the major challenge before APEC is to advance policies and collaborative efforts directed at early recovery and sustainable growth in the region. Each economy, both industrialised and developing, has an important stake in this objective and a role in achieving it by implementing appropriate growth-oriented macro-economic policies and structural reforms. Ministers welcomed the efforts of affected economies to overcome the crisis. They also stressed the critical role of open markets in underpinning economic recovery.

4. Ministers supported the work programme of APEC Finance Ministers in strengthening the international and domestic financial systems, developing capital markets, liberalising capital accounts and formulating measures to build social safety nets in affected economies.

5. Ministers concurred that capacity building initiatives were integral in enhancing the resilience of domestic economies and their ability to withstand future economic turbulence. In this context, Ministers endorsed the *Economic Governance Capacity Building Initiative* and welcomed the work on corporate

governance in the Finance Ministers' process. Ministers looked forward to progress on these initiatives.

#### **Trade and Investment Liberalisation and Facilitation (TILF)**

6. Ministers reaffirmed their commitment to achieve APEC's trade and investment liberalisation goals through the process of individual and collective actions. Ministers viewed trade and investment liberalisation as an important element in restoring confidence in the region and in stimulating economic growth.

7. *Individual Action Plans*: Ministers endorsed the submission of improved 1998 Individual Action Plans (IAPs) and welcomed IAPs of the three new members. Ministers were encouraged by the continued implementation and improvements to the Plans, particularly by economies affected by the financial turmoil. Ministers commended the commitment to specific action and timelines, adherence to the 1997 revised format guidelines and consideration given to the APEC Business Advisory Council's (ABAC) recommendations. Ministers also welcomed the voluntary inclusion in a number of IAPs of financial sector reforms and other measures taken in response to the situation of financial instability. Ministers noted the usefulness of the current process of bilateral consultations and voluntary peer review in providing feedback for further improvements. In this regard, Ministers welcomed Korea's and Malaysia's submission of their IAPs for voluntary peer review and the offer from Australia, Brunei, Japan, Philippines, and United States to do so in 1999. Ministers agreed that Senior Officials should undertake a review, in 1999, to assess overall progress in IAPs in accordance with the principles, objectives and guidelines of the Osaka Action

Agenda. Ministers reaffirmed the role of the IAPs as the primary mechanism for progressing APEC's trade and investment liberalization and facilitation towards the Bogor goals.

**Trade and Investment Facilitation:**

8. Ministers welcomed and endorsed the 1998 Committee on Trade and Investment (CTI) Annual Report to Ministers. They commended the CTI's work in facilitating a more open environment for trade and investment as well as in implementing activities to improve the flow of goods, services, capital, and technology that will be relevant to business. Ministers agreed that emphasis be given to action-oriented and focussed outcomes that will provide tangible benefits to members.

Ministers welcomed the 1998 achievements of the CTI and the Working Groups and their work on:

- alignment of member economies standards with international standards on electrical and electronic equipment in respect of safety and electromagnetic compatibility by 2004/2008;
- agreement on the part of exchange of information of MRA for electrical and electronic equipment;
- development of a menu of options for investment liberalisation and facilitation;
- development of non-binding principles pertaining to value for money, open and effective competition, and fair dealing in government procurement;
- implementation of phase 2 of the APEC Business Travel Card trial and collective commitment to expand the availability of multiple entry visas or permits for business purposes;
- set of policy recommendations on the development of natural gas and promotion of energy efficiency;
- development of a comprehensive customs work programme on common data elements, risk management and express consignment clearance;
- launch of the APECNet for business search and opportunities;
- enhancement of information exchange and policy dialogue through the publications on APEC Energy Supply and Demand, IPR administration systems and the Business Residency Handbook;
- comprehensive range of training and technical cooperation programmes undertaken in 1998; and
- the development of an APEC Directory of Professional Services that facilitates the provision of trade in services.

9. Ministers called for further development of Collective Action Plans (CAPs) and their implementation in 1999. In particular, Ministers called for intensified work on trade facilitation which encourages the use of technologies and techniques that will help members to build up expertise, reduce costs and lead to better movement of goods and services. They agreed that officials should examine how competition and regulatory reforms can contribute towards facilitating trade and investment. Ministers stressed the importance of the completion of TRIPS

implementation by APEC WTO member economies in 2000. In addition, they directed that priority be given in 1999 to the implementation of the multiyear training and technical cooperation programmes, including on standards and conformance, customs procedures, intellectual property, competition policy and business mobility as a means of enhancing members capacity in the TILF area and in implementing CAPs.

10. Ministers welcomed the actions taken by CTI and its sub-fora to invite, as appropriate, business/private sector contributions, including from ABAC in accordance with the agreed guidelines. Ministers encouraged actions by APEC fora that will increase benefits to SMEs. They further directed APEC fora to consider ways to enhance business/private sector support and contributions for APEC activities.

11. ***Early Voluntary Sectoral Liberalisation (EVSL)***: Ministers recognised the Early Voluntary Sectoral Liberalisation (EVSL) initiative as a significant step to advance the pace of liberalisation in APEC. The EVSL initiative, undertaken through the APEC principle of voluntarism, is an integrated approach to liberalisation through the incorporation of facilitation and economic and technical cooperation measures.

12. Ministers noted the progress made in 1998 in finalizing the EVSL package:

i. Participation by 16 economies in the EVSL process;

ii. Results of the Kuching meeting on a framework for addressing EVSL, encompassing tariffs, facilitation and ECOTECH, and with respect to tariffs, end-rates, end-dates and product coverage (including subsequent work) as well as guidelines on flexibility provisions;

iii. Conformity with the end-rates and end-dates, as reflected in Table 1 in SOM Chair's report; and

iv. Flexibility requests for end-rates and end-dates as reflected in Table 2 of the SOM Chair's report.

13. Ministers agreed that APEC economies may implement immediately the tariff commitments on a voluntary basis.

14. Ministers agreed to commence implementation of facilitation, ECOTECH and other initiatives according to the agreed schedule in all 9 sectors. Additional facilitation and ECOTECH initiatives will be developed and implemented on a continuous basis.

15. Ministers of the 16 participating economies also agreed to improve and build on this progress in 1999:

i. by broadening the participation in the tariff element beyond APEC, to maximize the benefit of liberalisation. In this regard, the WTO process would be initiated immediately on the basis of the framework established in Kuching and subsequent information provided by economies, having regard to the flexibility approaches as

contained in the status reports with a view towards further improving their participation and endeavouring to conclude agreement in the WTO in 1999; and

ii. by working constructively to achieve critical mass in the WTO necessary for concluding agreement in all 9 sectors.

16. This process of expanding participation beyond APEC will not prejudice the position of APEC members with respect to the agenda and modalities to be agreed at the Third WTO Ministerial Conference.

17. Ministers agreed to review progress at the Trade Ministerial Meeting in June 1999.

18. Elements in the other six sectors shall be further developed for review by Ministers Responsible for Trade in June 1999. Implementation of NTMs, facilitation and ECOTECH and other initiatives that have been agreed shall commence in accordance with the work programmes in each sector.

19. ***Impact of Liberalisation*** : Ministers acknowledged the importance of promoting a broad-based and balanced understanding within APEC communities of the rationale for APEC's trade and investment liberalisation goals. Ministers noted that the case studies provide useful overview of the adjustment costs and benefits as well as the broader impact of liberalisation. Ministers tasked officials to develop effective communication strategies to build community understanding

for liberalization, including through the holding of a keynote seminar on communicating the impact of trade liberalisation in Auckland in June 1999.

20. ***Multilateral Trading System*** : Ministers reiterated their commitment to strengthen the multilateral trading system through further trade liberalisation and by ensuring the adequacy of trade rules, at a time of globalisation and rapid technological advancement, in a manner which will enhance the capacity of developing economies to integrate into the global economy and achieve the benefits of liberalisation.

Ministers pledged their support for WTO's work on trade and investment liberalisation and rule making. In this regard, APEC member economies would actively participate and contribute to the WTO preparatory process to develop a substantive agenda for the Third WTO Ministerial Conference, with a view to pursuing further broad-based multilateral market access and other liberalisation, to respond to the range of interests and concerns of all members.

Ministers also stressed the importance of full implementation of existing WTO commitments. Ministers also reaffirmed their commitment to maintain the momentum of multilateral trade liberalization. Ministers encouraged acceleration of accession negotiations in accordance with WTO rules and based on effective market access commitments with a view to achieving universality of WTO membership.

Ministers commended the on-going contribution by APEC to support work undertaken by the WTO in areas such as the interaction between trade and competition policy, transparency in

government procurement and investment. In this respect, APEC work in such areas as competition policy, deregulation, government procurement and investment was of particular relevance. Ministers encouraged such work be continued. Ministers also directed that technical cooperation activities be enhanced to assist member economies to implement WTO Agreements.

### Economic and Technical Cooperation (ECOTECH)

21. Ministers commended the efforts to further strengthen economic and technical cooperation in APEC under the Manila Framework for Strengthening Economic Cooperation and Development. Capacity building initiatives which contribute towards reinforcing foundations for sustainable growth have become a priority in the light of the economic crisis. Ministers welcomed the SOM 1998 Report on ECOTECH Activities and called for the report to be submitted annually.

Ministers expressed satisfaction with progress on the broad spectrum of ECOTECH activities in pursuit of the six priority themes, particularly the focus on capacity-building, and commended the efforts of the SOM Sub-committee on Economic and Technical Cooperation to improve coordination and management and ensure focussed outcomes. Ministers called for intensified work to further improve the effectiveness of economic and technical cooperation activities.

22. ***Developing Human Capital***: Human resources development is a key factor for sustained economic growth and investments in human resources now will assist in economic recovery. Skills upgrading of the region's workforce will enhance the flexibility of economies to cope with the challenges in the new millennium. Ministers approved the ***Kuala Lumpur Action Programme on Skills Development*** to further intensify efforts towards upgrading the skills of the region's human capital and instructed APEC fora, particularly the HRD Working Group, to implement the Action Programme. Ministers welcomed the members' efforts to expand or initiate programmes for skills development following the Action Programme. Ministers recognised the importance of private sector contributions in skills development and welcomed the proposed seminar to share experiences on public-private/business sector partnership in skills development be held in 1999. Ministers encouraged greater contribution from the private sector in progressing the relevant projects of the HRD Working Group.

Ministers recognised the importance of fully harnessing the vast potential of the human capital in the region, especially among youth and women, and reiterated their support for continued efforts to integrate them into APEC activities. Ministers endorsed all the recommendations of the Ministerial Meeting on Women in Economic Development and Cooperation in APEC, particularly the development of a ***Framework for the Integration of Women in APEC***. Ministers noted the success of the ***APEC Youth Science Festival*** in Seoul in generating the involvement of youth in science and communication.

23. ***Stable, Safe and Efficient Capital Markets***: Ministers noted the efforts to promote the development and resilience of APEC's financial and capital markets undertaken by APEC Finance Ministers. In tandem with this, efforts are being undertaken by member economies to reform and strengthen their domestic financial systems. Ministers agreed that APEC's approach towards accelerating an early recovery and restoring confidence in the region involved positive linkages and cooperation with the on-going efforts of the international financial institutions and other international fora to alleviate the crisis.

Ministers noted that APEC fora have during the course of the year considered the impact of the financial crisis on labour markets, infrastructure development, SME, trade, investment, women, tourism and the energy sector. Members welcomed the report of the task force on human

resources and the social impact of the financial crisis.

24. ***Economic Infrastructure*** : Ministers welcomed the APEC Infrastructure 1998 Report on activities to implement the 1997 Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development. Ministers recognised that investment in infrastructure development can contribute to economic recovery in the region and called for further progress in the five areas of:

- creating an Asia-Pacific Information Society ;
- creating an Integrated Asia-Pacific Transportation System;
- economically viable and environmentally sustainable energy infrastructure which includes the Natural Gas Initiative endorsed by Energy Ministers;
- infrastructure for Sustainable Cities; and
- infrastructure to Support Rural Integration and Diversification, including innovative ideas for financing rural infrastructure development.

25. ***Harnessing Technologies of the Future*** : In recognizing the potential of scientific and technological advancements in promoting economic growth, Ministers endorsed the ***APEC Agenda for Science and Technology Industry Cooperation into the 21<sup>st</sup> Century*** approved by the Ministers Conference on Regional Science and Technology Cooperation. The 'Agenda' encourages enhanced collaboration and cooperation through the creation of strong open innovation systems and development of sustainable regional science and technology networks and partnerships. Ministers called for an annual progress report on implementation of the Agenda. Ministers also welcomed progress in the APEC cleaner production initiative and encouraged member economies to actively participate in cleaner production projects.

26. ***Environmentally Sound Growth***: Pursuant to the call by Leaders for an action-oriented report on the impact of population and economic growth on food, energy and the environment, Ministers welcomed and endorsed the **1998 FEEEP Report** which outlines joint actions in the areas of food, energy and the environment, including the establishment of an interdisciplinary network of research institutions. Ministers instructed that work be progressed in 1999. Ministers endorsed the ***APEC Framework For Capacity Building Initiatives On Emergency Preparedness***, which aims to strengthen joint cooperative efforts to enhance capacities of APEC member economies to respond to natural disasters and emergencies, and look forward to initiatives to improve preventive and responsive measures through information-sharing and capacity building. Ministers welcomed the decision of Energy Ministers to improve the efficiency of energy use, in particular through implementation of a voluntary pledge and review program. Ministers reiterated the importance of APEC's work on sustainable development in following up on the initiatives of Environment Ministers in respect of clean oceans, cleaner production and sustainable cities, and directed the appropriate APEC fora to progress work in these areas.

27. ***Strengthening the dynamism of Small and Medium Enterprises***: Ministers recognised the crucial role of small and medium enterprises (SMEs) in enhancing the resilience of economies in a rapidly evolving competitive business environment. Ministers welcomed the ***Integrated Plan of Action for SME (SPAN)*** approved by the SME Ministerial Meeting. The SPAN provides guidelines for the development of SMEs through action at the domestic level and collaboration efforts at the regional level.

28. Ministers also noted the work of the APEC Working Groups and other APEC fora in furthering APEC's objectives of promoting economic growth and cooperation. Ministers directed these fora to continue the implementation of the Framework for Strengthening Economic Cooperation and Development through coordinated activities.

### Electronic Commerce

29. Ministers endorsed the work of the APEC Electronic Commerce Task Force in promoting greater understanding of electronic commerce issues through exchanging and sharing of information and developing substantive recommendations to ensure that APEC as a region benefits from this new technology. This work programme covers Y2K, "Paperless Trading", authentication issues such as cross certification, collection of case studies, survey of impediments, "Virtual" Electronic Commerce/Multimedia Resource Network and ECOTECH activities. Ministers recognised that whilst the business sector has a leading role in the development of electronic commerce technology and applications, the government has an important role in providing a favourable environment for electronic commerce to flourish and to create confidence from using it.

In order to increase the uptake of electronic commerce in APEC, Ministers endorsed the *APEC Blueprint for Action on Electronic Commerce* setting out the broad themes relating to cooperation on electronic commerce within APEC and specific future activities for the APEC-wide electronic commerce work programme and agreed that it be transmitted to APEC Economic Leaders for endorsement. They recognised that technical cooperation would enhance the capacity of member economies for the uptake of electronic commerce within APEC. To ensure continued coordination in pursuit of the Blueprint for Action, Ministers agreed that a Steering Group, comprising representatives from member economies would be established involving relevant working groups and sub-fora as well as business sector experts, in accordance with APEC guidelines on business/private sector participation. Ministers recognised the urgency to deal with the Y2K and welcomed the proposed Y2K Regional Contingency Planning Experts Meeting in early 1999. Ministers tasked officials to collaborate to intensify regional preparations to deal with the Y2K problem. Ministers expressed appreciation to PECC for its contribution to APEC's work on electronic commerce.

### Analytical Work

30. Ministers welcomed and endorsed the Economic Committee's Annual Report, including the attached report of the Task Force on Food and the Infrastructure Workshop's Year-end Report. Ministers commended the Committee for its work in preparing the 1998 APEC Economic Outlook and the extensive progress made in finalising its initial research agenda. Ministers noted and endorsed the Economic Committee's revised terms of reference that focus the Committee's future endeavours on demand-driven analytical work in support of the Ministers and Leaders meetings as well the policy-oriented work of other APEC fora.

Ministers also commended the Committee and its Task Force on Food for the work in developing the FEEEP Report to Leaders, the supporting analytical work on food and the Proceedings of the FEEEP Symposium, which addressed the crosscutting aspects of this issue.

Ministers also commended the Infrastructure Workshop for advancing the work in this priority area, including the results of the 1998 Public/Private-Sector Dialogue, which afforded the business sector an important opportunity to discuss the role of infrastructure investment in

supporting recovery in growth.

### **Management Process**

31. Ministers welcomed the interim report on the three-year review of APEC's management process with a view to streamlining its work and making it coherent and lean so as to respond better to current challenges. The review collaboratively led by Malaysia, New Zealand and Brunei Darussalam is built upon the work done by the Task Force on Management Issues in 1997.

Ministers endorsed a set of common guidelines to be used in reviewing the mandates of APEC fora and directed Senior Officials to forward their recommendations to Ministers in September 1999. In order to demonstrate their resolve to reform APEC's management process, Ministers agreed on the following initial actions:

- dissolution of the Trade and Investment Data and Review Working Group (TIDWG) and Small Group on Information Gathering and Analysis;
- adoption of common review guidelines for self-review by APEC fora;
- moratorium on the creation of new fora during the review period. If necessary, only ad hoc task forces with a definite life span would be created; and
- redesignating the Budget and Administrative Committee (BAC) as the Budget and Management Committee (BMC).

### **Private Sector/Business Participation**

32. Ministers held a dialogue with representatives of ABAC and encouraged greater interaction with the business/private sector in APEC activities. Ministers noted the positive response to ABAC's 1997 recommendations in APEC's Individual and Collective Action Plans.

### **Organisational and Budget Issues**

33. Ministers noted:

- Outcomes of the Sectoral Ministerial Meetings on Finance; Trade; SMEs; Telecommunications and Information Industry; Energy; and Science and Technology;
- Report of the APEC Study Centres; and
- Statements of ASEAN Secretariat, PECC and South Pacific Forum.

34. Ministers endorsed the SOM Chair Report on Budget Issues and approved the 1999 budget of US\$6,811,559 and contribution of member economies amounting to US\$3,338,000

35. Ministers took note of the Report of the APEC Secretariat and expressed appreciation for the



work done by the Executive-Director, Ambassador Dato' Noor Adlan Yahaya Uddin and staff of the APEC Secretariat, as well as for the high level of professionalism and support provided to the APEC Committees and Working Groups and the APEC process as a whole.

### Future Meetings

36. Ministers thanked New Zealand for the briefing on the preparations for the 11<sup>th</sup> APEC Ministerial Meeting and looked forward to their next meeting in Auckland in 1999. Ministers also thanked Brunei Darussalam for its update on plans for the 12<sup>th</sup> Ministerial Meeting. The 13<sup>th</sup> Meeting will be hosted by People's Republic of China. Ministers welcomed Mexico's offer to host the 14<sup>th</sup> Ministerial Meeting in 2002.



Ministerial Meetings

## APEC TRADE MINISTERS

<b>October 6, 1994</b>	<b>First Meeting of APEC Ministers in Charge of Trade, Joint Ministerial Statement, Jakarta, Indonesia</b>
<b>July 15-16, 1996</b>	<b>Second Meeting of APEC Ministers in Charge of Trade, ChristChurch, New Zealand</b>
<b>May 8-10, 1997</b>	<b>Third Meeting of Ministers Responsible for Trade, Montreal, Canada</b>
<b>June 22-23, 1998</b>	<b>Fourth Meeting of Ministers Responsible for Trade, Kuching, Malaysia</b>
<b>June 28-30, 1999</b>	<b>Fifth Meeting of Ministers Responsible for Trade, Auckland, New Zealand</b>
<b>June 6-7, 2000</b>	<b>Sixth Meeting of Ministers Responsible for Trade, Darwin, Australia</b>
<b>June 6-7, 2001</b>	<b>Seventh Meeting of Ministers Responsible for Trade, Shanghai, China</b>

# Meeting of APEC Ministers Responsible for Trade

(Darwin, Australia, June 6-7 2000)

## STATEMENT OF THE CHAIR

We met here in Darwin, Australia, to discuss the key multilateral and regional trade policy issues we face collectively as APEC Ministers Responsible for Trade. Our reference point was the shared goal of economic prosperity and social improvement through economic cooperation and strengthened regional integration, aiming to address the needs of the global economy in the 21<sup>st</sup> century.

We re-affirmed the importance of trade expansion to making possible the sustainable economic growth and development needed to improve people's lives. We called for an early launch of a new WTO round to maintain and enhance the momentum of trade liberalisation, and agreed on ways to build confidence to that end. We examined the interrelationships between the unilateral, sub-regional and multilateral trade frameworks through which we are implementing the commitment APEC Economic Leaders made in Bogor to free and open trade and investment. We also reviewed the progress and results of APEC work programs to date, and requested Senior Officials to further report to Ministers and Leaders in November.

### A decade of progress

It is no coincidence that APEC economies have achieved some of the world's most rapidly rising standards of living. They have prospered because they have become more integrated into the world economy through more open trade and investment. The economic growth this brings is vital to the alleviation and eradication of poverty. It also means that business can more confidently take up new opportunities and government can look forward to a growing revenue base. It offers expanding employment and the ability to address the pressing social concerns of those who may be disadvantaged by economic change.

APEC is playing a fundamental role in creating these dynamic outcomes through wide ranging cooperation, particularly in developing sound policy frameworks and building the capacity to support their implementation.

The recent economic crisis has highlighted the need to consolidate and continue the policies of openness and structural change to meet the challenges ahead and build robust economies capable of withstanding unforeseen risks. This will be increasingly important as the pace of globalisation and structural change bring new concerns among parts of our communities, especially where the benefits are not shared equally.

We acknowledge the need to respond to this challenge. We need to do more to explain how stronger integration into the world economy will deliver economic and social progress. With this in mind, we welcome the interim report 'APEC – a decade of progress' prepared for this meeting. We agree that it be made available for interim use pending its further development as a report for Ministers and Leaders in November.

## Prosperity and the multilateral trading system

The economic prosperity and social development we seek for our economies will flow in part from the increased openness which broad-based multilateral negotiations in the WTO can help deliver. Therefore, we remain firmly committed to the pursuit of multilateral trade liberalisation and to strengthening and improving the rules-based global trading system for the benefit of all economies. We recognised the need to increase our efforts to broaden community support for these objectives.

We reaffirm our strong commitment to the early launch of a new round of multilateral trade negotiations and to work to achieve our collective objectives with respect to the WTO as articulated by our Leaders and Ministers in Auckland last year. We call for renewed efforts to build the global consensus necessary for the launch of a round at the earliest opportunity. In this respect, we appreciated the presence of the WTO Director General, Mike Moore, and his valuable input into our deliberations. We agreed that building confidence in multilateral trade negotiations is a key to the launch of a new round, and decided on steps to develop the capacity of APEC developing economies to implement WTO agreements and to prepare for a new round.

We welcome the commencement in Geneva of the mandated negotiations on agriculture and services. Recalling the relevant objectives agreed by Leaders in Auckland, we encouraged meaningful progress in these areas. This would have a positive effect on multilateral negotiations.

We agreed that a new round will require a balanced agenda that is sufficiently broad-based to respond to the interests of all WTO members. Particular attention should be given to the development needs of developing and least-developed economies.

We also agreed that a successful launch, conduct and expeditious conclusion to a round will require political will and flexibility from all participants, adequate preparatory work and enhanced capacity building.

We commend the confidence-building measures agreed recently in Geneva, including those on market access for least-developed economies and those addressing concerns over aspects of the implementation of WTO agreements. We urge their expeditious and effective implementation, and the participation of more APEC member economies in the LDC market access initiative

In order to increase momentum toward the launch of a round, we reaffirm our commitment to the APEC Leaders' Declaration and Ministers' Statement in Auckland last year, and also announce the following elements.

First, we now announce a new strategic plan to build capacity to implement WTO agreements, enhancing benefits from WTO membership. The strategic plan aims to provide tailor-made packages of technical assistance for developing APEC economies that will facilitate their ability to implement WTO agreements. We ask Senior Officials to coordinate a survey of the needs of APEC developing economies, to analyse and evaluate existing international cooperation schemes, and to develop a plan for the improved coordination and effectiveness of capacity-building activities.

The results of this work will be reported to Ministers in November. In addition, we applaud the valuable capacity building work already done in APEC to aid implementation of the Agreement on Trade Related Aspects of Intellectual Property Rights and endorse the Joint Statement at Annex C.

Second, recalling our Leaders' and Ministers' agreement in Auckland, we call for preparatory work on industrial tariffs and other related areas to begin in the WTO, as part of the preparation for the new round, without prejudice to the overall agenda for negotiations.

Third, responding to the needs of the globalised economy, and recognising the dramatic increase in e-commerce in the new economy, we announce today an APEC-wide moratorium on the imposition of customs duties on electronic transmissions until the next WTO Ministerial Conference. We encourage others to do likewise. We also call for the continuation of the e-commerce work program with better horizontal coordination among relevant bodies in the WTO.

Fourth, to aid mutual understanding of the issues and share experiences with investment and competition policies, APEC will hold seminars on these issues and build on its existing analytical work on competition and investment issues, with results also to be reported to Ministers in November.

We also welcome the substantial progress that has been made over the past year in the WTO accession negotiations for China and urge WTO members to work intensively for the rapid completion of negotiations so that China can join as soon as possible. We also support rapid accession to the WTO by Chinese Taipei and the advancement of the accession processes for Russia and Vietnam.

### **Recent developments in sub-regional trade agreements**

APEC economies are pursuing free and open trade and investment through unilateral, regional and multilateral actions to reduce barriers and to enhance relevant aspects of their domestic policy frameworks.

We discussed sub-regional trade agreements and their relationship with WTO and APEC policy frameworks. We agreed that sub-regional trading arrangements should be consistent with WTO rules. We believe that they should be in line with APEC architecture and supportive of APEC goals and principles.

We welcome the proposal to embark on a survey of existing sub-regional trade agreements and bilateral investment treaties, and ask Senior Officials to develop it further.

### **Improving the APEC business environment**

We reviewed the progress and results of the well-developed body of work undertaken in APEC to improve the environment for doing business in the region. We agreed on the need to make better known the achievements of APEC cooperation.

We launch today 'APEC: Getting Results for Business' - a new publication - and *BizApec.com* - a new website providing one-stop information for conducting business in the Asia-Pacific region.

We also foreshadow that these resources for business will be strengthened further with the completion by November of a new web-based reporting format for Individual Action Plans. This new format will facilitate wider, faster and easier on-line access to transparent, comprehensive and specific accounts of the progress our economies are making towards our shared Bogor goals.

We value the advice of our business communities to improve our efforts in areas where APEC work can be most beneficial. As articulated by our Leaders in Auckland, we reaffirm that further dialogue with the private sector, at all levels, is essential to maintain the dynamism and relevance of APEC. The solid progress made in improving Individual Action Plans responds to the ABAC call that such reporting be done better. Our initiative on the Strengthening of Economic Legal Infrastructure, which will make a contribution to a more certain and predictable business environment in the region.

We therefore valued the briefing we received here in Darwin from the ABAC Chair. We also welcome the progress reported on senior level public-private sector collaboration in the Automotive Dialogue, and encourage our governments to study their recommendations. We ask Senior Officials to ensure that other APEC specialist fora work closely with the Automotive Dialogue.

We also agreed to improve on the results for business already achieved in many APEC economies through reduced administrative costs and easier ways of doing business with government using electronic commerce. Many challenges remain in creating a transparent and consistent legal and regulatory environment, and technology neutral and interoperable electronic systems. We ask our Senior Officials to consider steps towards placing government information services on-line including, as appropriate, government procurement and trade administration services, and to report on these issues to Ministers and Leaders in November. We welcome the offer by China to host a high-level Symposium on Paperless Trading in 2001.

## **Recent results from the APEC framework**

Our efforts as Ministers Responsible for Trade are complemented by the results achieved in other areas of the APEC framework.

We recognise that the skills and education of our people are critical to achieving our goals. In this respect, we welcome the commitment of APEC Education Ministers at their recent meeting in Singapore to continue their support for efforts to promote collaborative action in education, particularly to develop learning societies.

We also welcome the priority given by Brunei Darussalam to developing human resources in the theme for APEC 2000, and encourage their initiative to work with APEC officials in HRD and representatives of business, training and education to develop a more focused operational approach to HRD which will be relevant to the growing needs of our communities.

We welcome the pro-competitive and market based approach taken by APEC Ministers Responsible for Telecommunications and Information Industries in adopting, in the Cancun Declaration, APEC Principles on International Charging Arrangements for Internet Services; APEC Principles of Interconnection; and Issues for Consideration in the Preparation of Electronic Authentication Policies. This progress towards a more open and competitive environment will give a significant boost to trade in telecommunications and IT services.

We note and welcome the commitment by APEC Energy Ministers at the fourth Energy Ministers Meeting to focus on implementation of energy policy, regulatory reform, and technology cooperation initiatives. These initiatives include principles and best practices for independent power producers, natural gas development, and industry-initiated principles setting out criteria for reform of the energy sector in the APEC region, while strengthening policy dialogue among member economies on issues such as energy security, energy infrastructure, energy market reform, energy efficiency and energy and the environment. We further welcome the innovative strategy adopted by Energy Ministers to facilitate implementation of these initiatives through visits by teams of experts to provide practical advice, and we encourage APEC economies to make use of this valuable assistance.

We also welcome the good progress made in work by the Transportation Working Group, including in the study of the benefits and difficulties of implementing the eight recommendations for more competitive air services and identification of additional means of liberalising air services. We encourage all economies to participate fully in the study, as a resource on which economies can draw in considering the pace and direction of changes they wish to make in the regulation of their international air services.

We also welcome the Agricultural Technical Cooperation Experts Group (ATCEG) report on the work already done in APEC in the area of agricultural biotechnology, and endorse the useful work program developed for the year 2000 and the medium term. We reaffirm the statement by Ministers in Auckland on the importance of transparent and science-based approaches to the introduction and use of biotechnology products, and of technical cooperation, exchanging of information on new technology and capacity building in this area. Such activity should take into account WTO rules, as well as consumers' interest in food safety, environmental quality, and facilitate the realisation of the potential benefits of this technology.

Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States of America; and Viet Nam participated in the meeting. The APEC Secretariat was present. The Association of Southeast Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum attended as observers.

**DARWIN**  
7 June 2000

## ANNEX A

### AGREED ACTIONS

APEC Ministers Responsible for Trade meeting in Darwin on 6-7 June 2000 ask, as part of our instructions in the Statement of the Chair, that Senior Officials:

#### Trade and Development Experience in the APEC Region

- Develop further the interim report 'APEC – a decade of progress' for final release in November, while also making the interim report available through placement on the APEC Secretariat and other web sites.

#### Trade and Investment Liberalisation and Facilitation

##### Individual Action Plans

- Note that Ministers have endorsed the work done to date on the 2000 APEC IAP Format Guidelines and supported continued work on the electronic IAP for delivery in November;
- Note that Ministers have recommended that APEC economies report as much of their 2000 IAPS as possible in the new format;
- Note that Ministers have committed to fully utilising the new e-IAP system for the 2001 IAP reporting cycle;
- Adopt a comprehensive approach in reviewing and building upon the OAA guidelines, taking into account developments and changes since 1995;
- Submit, through the SOM Chair, a report on the final 2000 IAPs to Ministers in November.

##### Collective Action Plans

- Note that Ministers have endorsed the CTI Chair's report;
- Note that Ministers have reaffirmed their instruction from Auckland for CTI to review and strengthen CAPs;
- Take prompt action in relation to Ministers' and Leaders' previous instructions to intensify work on NTMs, and to report to Ministers in November;
- Continue APEC's work on strengthening markets with a particular focus on capacity building.
- Note that Ministers have welcomed Japan's proposals on strengthening Economic Legal Infrastructure, in particular a symposium on this topic jointly organised with Australia and Indonesia and "Support for SMEs and New Business", a joint seminar by Japan and Brunei under the Initiatives for



Strengthening Human Resources Development for Structural Reform; and that Ministers have requested that these initiatives be further developed and the outcomes reported back to the Ministerial and Leaders' Meeting in November.

#### Paperless trading and e-commerce

- Note that Ministers have endorsed the report from SOM on progress towards implementation of APEC's paperless trading goals
- Note that Ministers have (a) called on economies to consider steps towards placing government information services on-line including, as appropriate, government procurement and trade administration services; (b) called on those economies in a position to commit to specific target dates to do so; (c) called for a report on these issues at the next Ministerial Meeting in Brunei Darussalam in November, for subsequent consideration by Leaders;
- Note that Ministers have called on economies to devote greater attention to user requirements for open standards and systems in government interaction with business and the public to facilitate interoperability;
- Note that Ministers have instructed relevant APEC fora to develop capacity building programs, particularly on skills required to enable economies to implement paperless trading, and to report to Senior Officials at their first meeting in 2001;
- Note the crucial importance of strengthening the convergence in the development of a legal framework for e-commerce and paperless trading, especially in digital signature and electronic documents.
- Convene, noting that Ministers welcome China's offer to host, a High Level Symposium on Paperless Trading in 2001 to provide improved direction to, and coordination of, APEC activity to assist economies to meet the paperless trading goals, to be attended by high level officials from relevant agencies, and develop at SOM III an agenda for the Symposium for Ministerial consideration;
- Note that Ministers have welcomed the Electronic Commerce Readiness Initiative as an important and evolving process that is being used by a growing number of economies and called on all APEC economies to participate in the E-Commerce Readiness Initiative and report back on how the assessments are strengthening readiness in the APEC region;
- Recognise the outcomes of the E-commerce Convention held in Tokyo on 15-16 May 2000 and encourage APEC for a to consider these outcomes as a basis for developing the APEC e-commerce work program.

## APEC services to business

### *Development of new internet information services for business in APEC*

- Note that Ministers have welcomed the creation and further development of a new APEC website for business, *BizAPEC.com*
- Note that Ministers have instructed APEC fora to expand the amount of business information available through *BizAPEC.com* and to report to Ministers at their next meeting in Brunei Darussalam;
- Develop a campaign to promote the availability of *BizAPEC.com* to business throughout the region, and to report to Ministers at their next meeting in Brunei Darussalam on the campaign.

## Biotechnology

- Note that Ministers have endorsed the report of the ATCEG, and have directed the ATCEG to develop the strategy and timetables that address implementation of its agreed work program in a timely manner.

## **Economic and Technical Cooperation**

- Note that Ministers have encouraged the efforts being taken by APEC officials to develop a more focused operational approach to HRD;
- Note that Ministers have instructed APEC for a to launch a review of joint activities and dialogue since 1996, as outlined in Part II of the OAA.

## ANNEX B

### Confidence Building Measures – APEC's Contribution to the WTO

#### 1. Capacity Building in APEC Related to the Implementation of the WTO Agreements

##### 1) Objectives

Two major objectives of the initiative are:

- To facilitate the implementation of WTO Agreements and the integration of developing economies into the multilateral trading system.
- To help address the concerns and challenges of APEC developing economies' participation in a new round.

##### 2) General Strategy

Based on the need of individual economies, APEC should have its own initiative of strengthening capacity building activities in developing economies, with the cooperation of developed economies, the WTO and other relevant international organisations. The proposed APEC strategy on capacity building:

- a) Identifying needs and drafting a strategic plan
- b) Endorsing an APEC strategic plan to be utilised, as appropriate, in the context of the development strategies of members and related international organisations
- c) Identifying possible sources of funding for the plan
- d) Creating a mechanism to implement and follow up the plan

##### 3) Six ways to enhance capacity of developing economies

- a) Expanding knowledge and skills for implementing WTO Agreements
- b) Developing legal framework for domestic implementation
- c) Enhancing physical infrastructure for domestic implementation
- d) Enhancing negotiation skills to participate in international negotiations
- e) Building capacity to utilise the WTO dispute mechanism
- f) Contributing to support for accession to the WTO for APEC members

##### 4) Schedule

<After MRT - August 31>

After MRT, questionnaires will be distributed to all the economies. Interested economies would respond to the questionnaires by August 31.

<September - October>

Further field studies would be conducted.

<November 12-13: APEC Ministerial>

- a) Ministers would be asked to endorse the APEC strategic plan. This would be taken forward by members in the context of their own development strategies and in conjunction with international organisations in the APEC region. Ministers would be asked to give priority to allocating the APEC TILF fund to the possible pilot projects.

- b) Ministers would agree that members would adjust priorities, as appropriate, in their development programs in the light of the APEC strategic plan.
- c) Ministers would invite relevant international development organisations to provide possible support to the program.

## **2. Seminars on New Areas (Investment and Competition)**

### 1) Objectives

- To promote a common understanding of issues related to possible future multilateral rules on investment and competition.
- To share the experiences of investment and competition policies in the APEC region.

### 2) Agenda

- Review investment and competition policies in the APEC region and analyse their relationship with international trade and economic development.
- Survey business difficulties and other issues regarding investment and competition, exploring the scope for appropriate solutions.
- Examine the merits and demerits of developing multilateral rules on the interface between trade and investment and competition.
- Examine the need for multilateral rules and the effects of rule making for economic development.

### 3) Schedule

The seminars will be held in Latin America and Asia.

<August 23>

Seminar in Peru

<October or December>

Seminar in the Philippines

## **3. Market Access for Least Developed Economies**

### 1) Objectives

- To encourage more APEC economies to participate in the initiative of providing Least Developed Economies with enhanced market access.

### 2) Participating APEC economies

- The following 7 APEC economies announced their participation in this initiative in early May:  
[Canada; Chile; Hong Kong, China; Korea; New Zealand; Japan and United States]
- The following 2 economies clarified on this occasion that they already provide market access in line with this initiative:  
[Australia and Singapore]
- \* Regarding non-APEC members, the following 7 economies/regions have already announced to participate in this initiative in early May:  
[Czech, Hungary, Iceland, Norway, Slovenia, Switzerland, European Union]

## ANNEX C

### Joint Statement on the WTO/TRIPS Agreement Implementation

1. All the APEC member economies recognize the important role of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) administered by the World Trade Organization (WTO) based on the understanding that the extension of an adequate protection to intellectual property rights contributes to the economic development of the APEC member economies as well as to the promotion of sound trade and investment in the APEC region. Thus, the APEC member economies established as a goal of the Action Agenda adopted at the APEC Economic Leaders' Meeting held in Osaka in November 1995 that the APEC member economies would fully implement the TRIPS Agreement by January 1, 2000 at the latest.
2. The APEC member economies have formulated the Collective Action Plan within the Intellectual Property Rights Experts Group to promote technical cooperation with the aim of implementing the TRIPS Agreement and to ensure sustainable benefits to the member economies through the dynamic use of intellectual property rights. Each of the APEC member economies has also improved its intellectual property system under the Individual Action Plan.
3. APEC economies remain firmly committed to the goal of full implementation of the TRIPS Agreement throughout the APEC region in 2000, and look forward to the final stages of ensuring complete adherence to TRIPS standards and provisions by all WTO APEC members.
4. APEC economies acknowledge the considerable progress that has been made in the APEC region to bring about the development and strengthening of intellectual property administration and enforcement systems in line with TRIPS standards, noting that this has entailed major legislative and infrastructure development in many economies in a relatively short space of time. They reaffirm their commitment to continuing technical cooperation to bring about full and sustained TRIPS implementation in such a way that the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations. They also reaffirm their commitment to ensure that the necessary skills are developed to enable the realisation of the potential economic and social benefits of intellectual property rights in all APEC economies.
5. Recognizing the general need for greater public awareness of intellectual property rights, and broader dissemination of practical information on the effective use of the intellectual property system in the APEC region, APEC member economies have resolved to undertake greater cooperation within the APEC region on the planning, development and delivery of public education programs concerning intellectual property.

## ANNEX D

### Paperless Trading

Ministers believe that the implementation of APEC's paperless trading goals, as defined in the Blueprint for Action on Electronic Commerce, would assist business to reduce costs, save time and increase efficiency. Accordingly, we endorse the report from Senior Officials on "Progress Towards Implementation of APEC's Paperless Trading Goals" and commend the progress and best practice examples identified. We note the ongoing challenges and the need for further APEC economic and technical cooperation to assist economies to overcome these challenges.

We stress the importance of economies providing a legal and regulatory environment for paperless trading which is predictable, transparent, consistent and technology neutral, and the value of interoperable electronic systems. Noting the catalytic role of governments as both users and enablers of e-commerce, we call on economies to consider steps towards placing government information services on-line including, as appropriate, government procurement and trade administration services, and to report on these issues through Senior Officials to our next meeting in Brunei, for subsequent consideration by Leaders. We also call on those economies in a position to commit to specific targets dates to do so.

We call on economies to devote greater attention to user requirements for open standards and systems in government interaction with business and the public to facilitate interoperability.

We recognise the important role of APEC economic and technical cooperation in assisting economies to implement the paperless trading goals. We call upon all relevant APEC fora to develop capacity building programs to assist economies, in particular developing economies, to implement paperless trading, including in the areas of government procurement and trade administration services, and to report to Senior Officials at their first meeting in 2001 utilising the paperless trading matrix being developed by the E-Commerce Steering Group, the Subcommittee on Customs Procedures and the Transportation Working Group.

We reiterate the call in the Blueprint for Action on Electronic Commerce for economies to develop seamless legal, technical, operating and trading environments for electronic commerce. With this in mind, we call for the convening of a High Level Symposium on Paperless Trading, to meet in 2001, to provide improved direction to and coordination of APEC activity to assist economies to meet the paperless trading goals. We welcome the offer of China to host the Symposium and propose that it be attended by high level officials from relevant agencies, including customs, quarantine, justice, telecommunications and transport administrations. We call for Senior Officials to develop an agenda for the Symposium for our consideration in November.

# Meeting of Ministers Responsible for Trade

(Auckland, New Zealand, 29-30 June, 1999)

## STATEMENT OF THE CHAIR

APEC Ministers Responsible for Trade met in Auckland on 29-30 June to progress APEC's work programme in accordance with instructions given by Leaders in Kuala Lumpur.

2 Ministers met in an environment of shared confidence that the region was in the process of recovering from the economic crisis which has beset it over the past two years, but were aware that continuing challenges remain. They recognised that the commitment of APEC economies to the maintenance of open markets and individual reforms in the face of the crisis had played a significant role in moderating the impact of the crisis and in hastening recovery. Ministers emphasised that open, transparent and well governed markets are key to a return to sustainable economic growth in the region and to the prosperity of its peoples. At the same time Ministers acknowledged the significant economic and social impact of the crisis around the region, and drew attention to the extensive array of work APEC has underway to help address these issues.

3 Against this background, Ministers focussed their discussion around the three themes that New Zealand as Chair has established for APEC 99: expanding opportunities for doing business throughout the region, strengthening markets and broadening support for APEC.

### Theme 1: Expanding opportunities for doing business throughout the region

4 This area of work recognises that business has the task of generating growth, employment and prosperity in our economies and that keeping markets open - and opening them further - is vital to the development of sustainable business opportunities. The work aims to make business easier throughout the region, particularly for small and medium enterprises, through the elimination of red tape.

### Individual and Collective Action Plans

5 Actions taken individually by economies are the principal means of achieving APEC's goal of free and open trade and investment by 2010/2020. Ministers welcomed the indication by economies of substantial improvements in preliminary Individual Action Plans this year. Fourteen have implemented tariff reductions, fourteen have liberalised their investment regimes, and seventeen notified measures in the area of competition policy and/or deregulation. Nonetheless Ministers, reflecting business concerns, agreed to further improve the credibility of their Individual Action Plans. The Plans needed to be more comprehensive, more transparent, and more user-friendly. They

agreed to seek the advice of their business communities, and to submit improved Plans by the August deadline.

6 Ministers emphasised the importance they attached to the review of the Individual Action Plan process this year, in order to take stock of the progress made to date and the challenges which remain in achieving the Bogor Goals. They welcomed PECC's contribution to the review process. Ministers directed officials to report in September with recommendations on ways to improve the process. They welcomed the offers by Thailand and Peru to volunteer for peer review.

7 Ministers were pleased with progress to date on Collective Action Plans, including in the areas of customs procedures, mutual recognition of standards and conformity assessment procedures, mobility of business persons, government procurement, and professional services. Such measures are critical to boosting trade and investment flows through lowering the transaction costs of business. Ministers agreed that APEC needed to work better at communicating the value of this work to business and to receive feedback from business on their priorities. Ministers instructed officials to develop a package of concrete measures in September.

8 Given the evolution of circumstances since 1995, Ministers instructed officials to review the Collective Action Plan component of the Osaka Action Agenda including the need to broaden, deepen or modify this component of the Agenda, and instructed officials to report on this issue in September.

#### APEC Food System

9 Ministers welcomed the progress being made by the Task Force studying the APEC Business Advisory Council (ABAC) proposal for an APEC Food System. Ministers agreed the proposal offers a useful approach to food issues by focussing on the development of rural infrastructure, dissemination of technological advances in food production and processing, and promotion of trade in food products. Ministers emphasised the importance of addressing these three areas in a balanced way. They looked forward to receiving a final report and recommendations, for their consideration in September, on what APEC needs to do to respond effectively to the proposal. Ministers were also informed of ABAC's ongoing work on the APEC Food System.

#### APEC/World Trade Organisation

10 APEC is committed to open regionalism and supports the multilateral trading system. Ministers noted the mutually reinforcing role of the goals of both APEC and WTO. Ministers recognised the importance of this area of APEC's work to the region's business community, particularly as a response to protectionist pressures in the region.

11 Ministers agreed on the importance of ensuring full implementation of existing WTO agreements. Ministers encouraged acceleration of outstanding accession negotiations in accordance with WTO rules and based on commercially viable market access commitments with a view to achieving a universality of WTO membership.



12 Ministers recalled the particular importance which Leaders in Kuala Lumpur attached to early progress being made on broad-based multilateral negotiations in the WTO, achieving an overall balance of interests of all members. Ministers expressed satisfaction with the preparations in the WTO of the agenda for the Third WTO Ministerial Meeting in Seattle. They noted that a number of proposals have been tabled and agreed that APEC economies should take the lead in ensuring that all proposals are put on the table, desirably by the end of July. They agreed on the need for an intensification of activity in Geneva in the final phase of preparations for the Seattle Ministerial and endorsed calls for work to begin on drafting the Seattle Ministerial declaration during August. They agreed that the Seattle Ministerial Declaration should contain agreement on both the subject matter for negotiations and on the modalities for progressing negotiations. They also agreed that further consideration should be given to the possibility of specific decisions to support the launch at Seattle of such broad-based negotiations.

13 Ministers agreed that the negotiation agenda should be broader than that already specified in the built-in agenda principally on agriculture and services, and that these areas and negotiations on industrial (non-agricultural) tariffs should serve as an integral part of the forthcoming negotiations. Ministers agreed that the negotiations should be concluded within three years.

14 Ministers further agreed on the need to ensure that the concerns of developing economies, including the least developed economies, are addressed in any new WTO negotiations. They noted that this was something to which APEC, with its broad membership and unique approach to trade and investment liberalisation, is well placed to contribute. Ministers instructed officials to consider the concerns of developing economies and least developed economies together with other possible issues for inclusion on the agenda for the Seattle WTO Ministerial Meeting including transparency in government procurement, electronic commerce, and trade facilitation and to report to Ministers at their September meeting.

15 Pursuant to their agreement in Kuala Lumpur on the front nine EVSL sectors, Ministers of participating economies emphasised the importance of the Accelerated Tariff Liberalisation (ATL) initiative in providing impetus to the wider negotiation on industrial (non-agricultural) tariffs which they agreed should be launched at Seattle. They welcomed progress in the initiative since November, including the support it had received from a number of non-APEC WTO members and instructed officials to continue to promote the initiative, endeavouring to conclude agreement in the WTO in 1999. They also agreed that participating economies should engage again with WTO members in July on their reaction to the initiative and on how it will tie into the launch, conduct, and outcome of any new WTO negotiations.

16 Ministers of participating economies noted the growing support for new WTO negotiations on industrial tariffs, and agreed that the atmosphere in the WTO was now positive for the negotiation in the WTO of the tariff elements of the remaining six EVSL sectors (Early Voluntary Sectoral Liberalisation) sectors - automotive (no tariff element), civil aircraft, fertilisers, food, oilseeds, and rubber. In this regard, they recalled the instructions received from Leaders in Vancouver to pursue an ongoing programme of voluntary liberalisation, and their intention that APEC continue to act as a catalyst for promoting trade and investment liberalisation globally, and in Kuala Lumpur to further advance work on the remaining six EVSL sectors.

17 Ministers of participating economies therefore resolved that the tariff elements of the remaining six EVSL sectors should be negotiated in the WTO during the course of the negotiations on agriculture already mandated in the WTO under the BIA, and the negotiations on industrial (non-agricultural) tariffs which they agree should be launched at the Third WTO Ministerial meeting. They took note of the efforts made by participating APEC economies to develop a framework for the reduction or elimination of tariffs in these sectors within an expedited timeframe, in accordance with the principle of flexibility, and called upon the WTO to take these efforts into account in the upcoming WTO negotiations.

18 APEC's EVSL initiative has always been about more than tariff liberalisation. Ministers welcomed progress made on implementing the non-tariff measure, facilitation and Ecotech elements agreed at Kuala Lumpur and the further initiatives developed since then, a list of which is attached. Ministers emphasised the need to continue implementation of all three elements and requested that officials report in September on further deliverables in this area.

## Theme 2: Strengthening the Functioning of Markets

19 The pace of globalisation and the scope and depth of the economic crisis have underscored the need for broader policy responses to support sustainable long term economic growth and prosperity in the region. Trade liberalisation on its own is not enough. Efficient, innovative and competitive businesses require efficient, flexible and competitive markets. Ministers agreed on the need to improve the openness and efficiency of domestic markets in the region. This requires strengthened competition frameworks to support wider structural and regulatory reform, improved economic governance (public and corporate) arrangements, and accelerated efforts to reduce business costs in all markets.

20 Ministers agreed to intensify work in these areas and welcomed the strengthening markets approach this year to underpin recovery in the real economy. They noted that the sound operation of markets would improve the welfare of citizens by giving them better choice and better quality at lower costs. Strengthening markets provides a means of linking and reinforcing APEC's efforts on trade and investment, regulatory reform, and capacity building. Ministers highlighted the importance that business, SME Ministers and Women Leaders attached to reducing compliance costs on small business, improving the capacity of financial markets to meet the needs of small business, and building management capability. Ministers agreed to intensify work under the Collective Action Plans and Ecotech programmes on these issues.

21 Ministers recognised the importance of developing a framework for advancing work on the strengthening markets approach. They supported the work underway to develop non-binding principles on competition and regulatory reform and instructed officials to complete recommendations by September. They appreciated PECC's contribution. Ministers welcomed initiatives undertaken by the Finance Ministers on international financial issues and on strengthening financial markets. They welcomed Japan's initiative to strengthen market infrastructure. Ministers also recognised the critical importance of building relevant institutional capacity and human skills, and agreed to develop further specific proposals in this area by September.

## Economic and Technical Cooperation

22 Ministers welcomed work underway to improve the effectiveness of APEC's Economic and Technical Cooperation (Ecotech) agenda through strengthening coordination and intensifying work on priority areas. They expected this work would be reflected in the 1999 report on Ecotech activities and instructed officials to report in September on concrete outcomes achieved including the following specific initiatives:

- developing a matrix to assist in the evaluation of Ecotech project proposals; and
- an electronic "clearing house" to enhance Ecotech information flows.

They also requested officials to evaluate the effectiveness of projects implemented and to report in September.

## Electronic Commerce

23 The Electronic Commerce Steering Group updated Ministers on progress in implementing the APEC Blueprint for Action on Electronic Commerce adopted by Ministers in November 1998. Key areas for action are:

- improving the legal environment;
- paperless trading - aimed at streamlining transport, freight, customs and other transactions throughout the region;
- developing a readiness template for benchmarking policies against best practice in areas that drive electronic commerce development;
- development of comparable measures and indicators of e-commerce among APEC economies.
- They instructed officials to report further in September on progress achieved.

## Y2K

24 Ministers emphasised that it was a matter of utmost urgency to ensure regional economies were as prepared as possible to manage the Y2K problem. When Leaders met in September, little more than 100 days before the new millennium, they would want to be confident that everything possible was being done. Ministers focussed in particular on the need for effective contingency planning and cross-border cooperation among economies to reduce risks from potential disruptions. They welcomed the activities underway in APEC, and directed officials to prepare a full and substantive report in September on actions underway.

25 Ministers therefore instructed officials to accelerate work on cross-sector and cross-economy dependencies including testing, information dissemination and improving systems to bolster regional

contingency plans and continuity of operations. Specifically, Ministers urged economies to respond urgently to the questionnaire circulated by Canada, Japan and Singapore and the request for contact information from each economy on the key sectors, in order to develop a Y2K readiness and network of contact points. They agreed that the website being developed by Canada and the US was a useful means of exchanging information and develop contingency planning, and welcomed the US proposal for a Y2K risk assessment toolkit for cross-border issues, which would be posted on the this website.

### Theme 3: Broadening Support

26 Ministers agreed that the understanding and engagement of communities was increasingly critical to APEC's credibility and its capacity to deliver on its goals. Drawing on the outcome of the seminar 'Bridging the Gap: Explaining Trade and Investment Liberalisation' held in Auckland on 28 June, Ministers noted that perceptions about liberalisation are often distorted because the substantial benefits of liberalisation are widely dispersed whereas the adjustment costs are localised and more visible. Ministers endorsed the emphasis of the seminar on the importance of developing innovative tools for communicating effectively with communities; the need to eliminate jargon; to focus on things that are directly relevant to people's experience; and to improve transparency. They agreed that the Seattle WTO Ministerial Meeting would be a key opportunity for conveying a strong message on trade and investment liberalisation.

27 Ministers reiterated the critical importance of direct dialogue with business. ABAC urged Ministers to take work forward in five main areas: continued trade and investment liberalisation, strengthening Individual Action Plans, the APEC Food System, capacity-building, Y2K and aviation liberalisation. Ministers took note of all the comments. In particular they noted the strong links between tourism and air services liberalisation, and agreed that the Chair should write to APEC Transport Ministers urging them to implement the four priority recommendations for air services liberalisation that have been developed by the Transportation Working Group in the areas of doing business matters, air freight, multiple airline designation, and airlines cooperation arrangements. Ministers instructed officials to report to Ministers on APEC's response to ABAC's recommendations in September.

28 A Trade Roundtable with business representatives from around the region was held for the first time as part of the Ministerial meeting. Ministers welcomed the conclusions of the Roundtable and directed officials to examine the conclusions to make sure that they inform our work. The conclusions of the Trade Roundtable are attached. Ministers were also briefed on the outcomes of the Business Symposium held in Auckland 24-26 June. The symposium identified the critical importance of macro-economic adjustment, structural reform and transparent regulatory regimes to support open, market-based economies.

29 Ministers agreed that women in APEC are an enormous untapped potential for improving economic and social well-being and recognised the unique contribution of indigenous businesswomen in APEC. They welcomed the recommendations from the Women Leaders' Network meeting held in Wellington 21-23 June, and the Indigenous Women in Business Seminar held on 18-20 June. Recognising the differential impact of trade on men and women, Ministers agreed that particular attention needs to be paid to women's access to finance, information, technology and their

full participation in APEC. Ministers reinforced the importance of the Framework for the Integration of Women in APEC as requested by Leaders. They looked forward to finalising the Framework by September for forwarding to Leaders.

30 Ministers also welcomed reports from representatives of the Pacific Economic Cooperation Council (PECC), the South Pacific Forum and the Association of South East Asian Nations (ASEAN).

## **Annex A**

### **EVSL: Non-Tariff Measures, Facilitation and**

#### **Ecotech Elements**

**(as noted in para 18)**

- a study on the full range non tariff measures and their impact in the forest products area;
- a study on the consistency of global fisheries subsidy practices with WTO rules;
- an Automotive Dialogue involving the auto industry and governments across APEC to map out strategies for increasing integration and development of the auto sector;
- a seminar on implementation of ISO safety standards for the toy sector;
- implementation of training programmes for Jewellery Testing, Assaying and Hallmarking;
- a survey of environmental goods and services markets in APEC;
- a programme of training and development of designers and sample makers in the toy and novelties industry;
- an APEC Gems and Jewellery Conference.

Further deliverables are being prepared for the APEC Ministerial meeting in September

**Annex B (refer paragraph 28)**

**APEC TRADE ROUNDTABLE DIALOGUE WITH APEC MINISTERS RESPONSIBLE  
FOR TRADE**

**AUCKLAND, NEW ZEALAND**

**30 JUNE 1999**

**CONCLUSIONS**

**Introduction**

- We are all faced with the challenges of responding to globalisation and the interdependency of markets -
  - the role of governments is to create a competitive policy environment.
  - the role of business is to operate efficiently and create value.
  - value creation in APEC economies raises living standards and well being of APEC communities. It is the basis for sustainable economic development, growth in jobs and consumer well being.
  
- the quality of policy has a decisive influence on the ability of business to operate effectively and efficiently, and create value.
  
- business values and supports APEC's objectives and processes but is disappointed by the slowness of progress. It urges Ministers to act with greater urgency and effectiveness and is ready and willing to assist. It recognises that there will be difficult trade-offs for all economies.
  
- participants consider that this forum was valuable. It contributes "grass roots" views into the APEC trade processes. It should be repeated.

**STRENGTHENING THE MULTILATERAL TRADING SYSTEM**

- some tariffs in APEC are too high and it's hard to see APEC's successes (ETM exporter).

Business needs more effective action to reduce tariffs, and soon. The WTO processes are too slow and the delay is costing APEC economies and consumers.

- push ahead with EVSL and work towards multilateral support for the ATL initiative.
- speed up work to eliminate market distorting measures such as export and capacity subsidies especially in the agriculture sector. Work to reduce tariff peaks in the agriculture sector, eliminate non-tariff barriers to trade such as the use of phytosanitary restrictions (eg. bananas, pineapples and mangoes from the Philippines into Australia and the United States), and remove quantitative restrictions.
- improve the WTO's dispute settlement mechanism - make it more robust and effective.
- increase APEC's focus on knowledge based industries by promoting initiatives that develop people and eliminate distorting taxation incentives.
- Leaders and Ministers must implement what has already been agreed in the area of e-commerce in APEC and broader forums (such as the WTO in the area of telecommunications). Avoid imposing additional restrictions on e-commerce - regulations, duties, taxes and non-tariff barriers. Emerging technologies should be encouraged.
- review anti-dumping policies.
- support the use of regional agreements to facilitate WTO processes.

#### **Trade Facilitation issues**

- better communicate APEC's work on trade facilitation in order to improve understanding and increase support from business and others for this work, which is important.
- improve the ease of business travel by simplifying arrangements and reducing the amount of paperwork associated with moving people on short term assignments. Urge all APEC economies to join the APEC Business Travel Card Scheme.
- reduce the compliance costs associated with trade, which are especially severe for SMEs, through improved cooperation in such areas as customs and standards. Existing processes are unduly complex and inconsistent and APEC's progress is too slow. Also cross border costs are often arbitrary, too high, changeable and not appealable.
- modernise and harmonise customs systems across the region including by establishing electronic data interchange systems and shared data banks. Harmonise product and commodity classifications. Simplify and harmonise customs procedures, guidelines and documentation requirements. Benchmark progress against best practice standards. Again, progress is too slow.



- improve coordination of APEC work on electronic commerce and recognise the role of the private sector in leading the work agenda in this area. Needs more effective ministerial involvement/leadership.
- there are no borders in e-commerce but there are in legal systems. APEC should intensify work on cross-border fraud and virus contamination issues associated with electronic commerce. This is an area of increasing significance and cross-border enforcement is essential.
- work towards harmonising qualifications and recognising skills acquired in the region.
- the complexity and inconsistency of tax systems is a major problem.

### **STRENGTHENING THE FUNCTIONING OF MARKETS**

- encourage a more competitive and less intrusive market environment by implementing "competition policy" in the broader sense. Open markets are the strongest.
- adopt competition and regulatory principles in APEC to assist with the creation of such an environment. Ensure these principles are discussed with business.
- support the creation of a more competitive market environment by building capacity and strengthening institutions in developing economies.
- use a partnership between the government and the private sector to improve transparency. Better transparency has many benefits.
- help improve transparency by reforming government procurement systems. Work to harmonise regulatory regimes.
- liberalise international aviation rights and air cargo/freight services - 40 per cent of world trade (by value) is by air.
- open markets to imports as a primary source of competition.
- provide transparent and consistent treatment to foreign investors.
- limit the activities of export monopolies and cartels in international markets. Competitive pricing of goods and services is essential. Governments should eliminate the fixing of prices and market shares.

### **OTHER ISSUES**

- improve and strengthen intellectual property rights in the region especially in the area of biotechnology (genetic patterns). APEC needs an integrated, consistent process. Patents on

naturally invented products should only be granted with caution. The desirability of patents for software also needs to be examined. Copyright is preferable.

- better communicate APEC's achievements and actively promote the benefits of trade and investment liberalisation. Innovative approaches are required. 24 hours in the life of APEC? Rethink the role and involvement of the media in APEC meetings.
- improve and build on the way APEC operates. Assist APEC members to liberalise trade and investment through economic and technical cooperation. Focus more on implementation. Identify ways for business people across the region to network and drive APEC's agenda. Work in ways that encourage people to bring creative ideas to the table. Business should be involved in peer reviews of APEC Individual Action Plans.
- develop innovative models to address environment, labour and human rights but don't link them to trade issues and penalise developing economies.
- strengthen monetary/financial systems in the region to assist stability in currencies.
- public sector charges are often excessive and unpredictable.



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## First Meeting of APEC Ministers in Charge of Trade

(Jakarta, Indonesia, Oct 6, 1994)

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### JOINT MINISTERIAL STATEMENT

1. APEC Ministers in charge of trade or their representatives ("Ministers") from member economies of Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand, and the United States of America participated in a Meeting in Jakarta, Indonesia on October 6, 1994. The Executive Director of the APEC Secretariat was present at the Meeting. The ASEAN Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum (SPF) attended as observers.
2. The Meeting was chaired by His Excellency Mr. S. B. Joedono, Minister for Trade of the Republic of Indonesia.
3. The Meeting was convened as a follow up to the decision of the Fifth APEC Ministerial Meeting which was held in Seattle, United States in November 1993. As stated in paragraph 22 of the Joint Ministerial Statement, the main purpose of the Meeting was to review the results of the Uruguay Round and its implications for the region and consider next steps for regional and global trade liberalization, bearing in mind the vision of APEC Leaders at their informal Meeting in Seattle.
4. Ministers recognized that the conclusion of the Uruguay Round offered an historic opportunity for the world trading system to advance under a strengthened transparent set of rules and procedures and significantly liberalized access to markets. They reaffirmed their collective commitment to the multilateral trading system and the new World Trade Organization.
5. Throughout their discussions, Ministers took note of the four priority themes of the forthcoming APEC Sixth Ministerial Meeting in Jakarta on November 11-12, 1994: development of infrastructure between and within APEC economies; human resources development; enhancing the competitiveness of small and medium enterprises; and promotion of business/private sector participation in APEC activities.
6. The Meeting was formally opened by His Excellency President Soeharto. In his opening remarks, His Excellency President Soeharto underlined that Asia Pacific region has a very large potential in terms of the GNP, high per capita income as well as a large population and is moving very dynamically. With its commitment to open markets, APEC plays a very important role in global trade. H.E. President Soeharto reminded the Delegations that the region is also very heterogeneous and that the level of the member economies' dependence on trade is also not the same. He stated that regardless of the vast disparities, all member economies share the view that trade amongst nations is one of the essential supporting elements their respective economies. He also hoped that the Trade Ministers will reach agreement on concrete steps to implement the results of the Uruguay Round Negotiations as well as on cooperative programmes in the fields of investment and trade to be carried out jointly by APEC members.

7. Ministers held discussion on topics as follows:

- – Review of the Uruguay Round Results and their Implications for the Region
- – Effective and Full Implementation of the Uruguay Round Results, consists of:
  - ¾ Common approach in the implementation of the Uruguay Round results, including on commitment to early ratification/accession to GATT/WTO;
  - ¾ Cooperation Programmes in the implementation of the Uruguay Round, with particular emphasis on technical assistance and training.
- – Exchange of views for Further Regional and Global Trade Liberalization, concerning, inter-alia:
  - ¾ trade impediments with a view to expanding trade and investment in the region;
  - ¾ development of consultative procedures for regional trade problems and for further global discussions.
- – Rapid actualization of trade and investment facilitation programmes.

8. Ministers reviewed the Uruguay Round results from different perspectives and agreed that the region will benefit substantially from both the strengthened rules and disciplines and improved market access. In order for APEC members to benefit fully from the results, Ministers were mindful that all World Trade Organization members must faithfully act in accordance with both the letter and the spirit of the Uruguay Round results.

9. Ministers observed with satisfaction that their efforts in Seattle had positively contributed towards the successful conclusion of the Uruguay Round. Consistent with the commitment to the multilateral trading system, Ministers affirmed their determination to achieve full and on going implementation of the Uruguay Round and to demonstrate leadership by making maximum efforts in each of their economies to ensure the early ratification of the World Trade Organization so that it is operational by 1 January 1995. Ministers expressed their strong support to non-GATT members of APEC to complete the negotiations as soon as possible to enable them to become original members of the WTO. Ministers affirmed that these negotiations should be based on substantive and commercially meaningful commitments.

10. Ministers also agreed that it was important to work together to evolve common understandings of Uruguay Round obligations, provide transparency of Uruguay Round legal provision on implementation, and collectively monitor implementation of the Uruguay Round results.

11. To this end they agreed to take initiatives within the context of APEC's work programme beginning in early 1995 aimed at facilitating full and effective implementation of the Uruguay Round outcome.

12. They agreed to identify specific areas where Uruguay Round implementation might present particular challenges or difficulties. Ministers endorsed the initiative developed for a series of APEC seminars or workshops designed to exchange views on and explore scope for common regional approaches on implementation issues. The seminars should also help identify priority areas for more specific work. Ministers called for proposals aimed at addressing concerns raised by members, focussing on programs of technical assistance and training of personnel, particularly in the areas of interest to the developing member economies. Ministers agreed that such programs would be particularly valuable in helping to implement Uruguay Round results in the areas of among others, anti dumping, services, intellectual property rights, customs and rules of origin.

13. Recommendations arising from initiatives and programmes related to the Uruguay Round implementation should be reported to the Seventh Ministerial meeting in 1995.

14. Ministers noted the importance of APEC's contribution to global trade, investment and economic growth, and emphasized the importance of maintaining the momentum of trade liberalization. They agreed that, in the post-Uruguay Round environment, there was ample opportunity to start working towards greater liberalization consistent with the basic principles of

GATT/WTO while taking into full account the diversity and different levels of economic development of APEC members.

15. Ministers also noted the efforts underway in APEC to obtain views of the EPG and the APEC business community, including the Pacific Business Forum, on their post-Uruguay Round priorities.

16. Ministers agreed to advance work aimed at identifying key trade impediments in the region, with such measures identified by type of trade barrier, and by sector. This work should seek to build upon the important progress made to date in the CTI on regional non-tariff barriers (Administrative Aspects of Market Access). They believed that improved information would promote the development of a more systematic and sequential approach to future facilitation/liberalization work in APEC. Such an exercise would not prejudice at this stage how barriers would be addressed, this being an issue that would require further deliberation.

17. They called for a report to be prepared for APEC Ministerial Meeting in 1995, including recommendations on where work aimed at addressing impediments should be initiated.

18. Ministers underlined the importance of APEC ameliorating trade tensions and endorse the efforts to promote the APEC Trade Policy Dialogue. In this regard, they agreed that APEC could play a role in discussing and resolving problems in a constructive and amicable manner. To this end, they endorsed the future exploration of effective methods which are flexible and voluntary in nature within the APEC process. Such efforts should not duplicate or detract from the GATT/WTO Dispute Settlement process. Ministers agreed to the examination of all appropriate options and the development of specific recommendations for the Seventh Ministerial Meeting in 1995.

19. Ministers supported further efforts to facilitate trade and investment liberalization in the region. The work underway in the CTI on investment, standards and customs facilitation currently provide an initial basis for concrete progress toward this goal. Ministers recognized the need for APEC to consolidate and expand its trade and investment facilitation work programme in a balanced manner to ensure maximum benefit to business through early concrete trade facilitation results. In doing so, members will bear in mind the mandate given by the Declaration on an APEC Trade and Investment Framework and take into account facilitation activities already underway.

20. In developing the CTI programme for presentation to the Annual Ministerial Meeting in November 1994, attention will need to be given to rigorous setting of priorities and establishment of timetables for implementation of the proposals included in the work programme. A mid-year report should be presented to Ministers by the CTI on progress in implementation of the programme as agreed, in November.

21. Ministers welcomed the progress made in developing non-binding investment principles in accordance with the initiatives taken by the informal meeting of APEC Leaders in Seattle in 1993, for submission to the APEC Ministerial Meeting in November this year.

22. Ministers recognized the crucial importance of the standards and conformance issues for facilitating trade in the region, and noted the encouraging progress made to date. They called for the early endorsement of a standards and conformance framework and the priorities and approaches it would set out for APEC's medium-term agenda. Ministers agreed to a work program for closer cooperation on conformance infrastructure development for consideration at the 1994 annual ministerial meeting. Ministers also agreed to commence discussions in 1995 on broadening mutual recognition arrangements in the region and that work should begin on sectoral case studies aimed at promoting closer alignment of members' standards with international standards.

23. Ministers welcomed the progress made on customs issues and encouraged members to press ahead with projects of relevance to regional business. They also encouraged customs

administrations to move forward with proposals for immediate and long-term APEC projects, particularly those that would enhance regional trade flows.

24. Ministers welcomed the efforts to bring practical trade information to business and supported the proposals to implement a pilot project for an APEC Tariff Database in 1995. They agreed that in the event of the successful completion of the pilot, APEC should proceed to full and cost-effective implementation of the project and to explore the scope to extend the range of tariff-related and trade information carried in the database.

25. Ministers also addressed other issues related to APEC's trade and investment work. In this context they reaffirmed the importance of APEC's work in areas such as SMEs, HRD and Infrastructure and pointed to the emerging interlinkages between these areas and APEC's trade and investment agenda. In particular, Ministers recognized the critical importance of SMEs in the rapidly changing pattern of economic growth in the APEC region and agreed that the strengthening and fostering of the development of this sector is a key objective that must be accorded high priority. Under this scenario the issues of financing and investment technology, research and development, information and market access were important elements which Ministers recommended for further work.

26. Ministers instructed their APEC officials and the APEC Secretariat supporting them to implement these decisions.

27. Ministers expressed sincere appreciation to all their officials for their excellent preparation for this meeting.



Ministerial Meetings



## Second Meeting of APEC Ministers in Charge of Trade

(Christchurch, New Zealand, July 15-16, 1996)

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### STATEMENT OF THE CHAIR

We met here in Christchurch, New Zealand because of the importance APEC Leaders attach both to fulfilment of APEC goals through implementation of the Osaka Action Agenda and to APEC's contribution to the World Trade Organisation (WTO).

2. The overall theme of our meeting was open regionalism in support of the multilateral trading system. From its inception APEC has emphasised the importance of the open, rules-based and non-discriminatory multilateral trading system. We recognise the central role of the WTO and agree on the importance of the Singapore WTO Ministerial Meeting in advancing the liberalisation of trade and ensuring that the multilateral trading system continues to develop in response to the evolution of the world economy. This follows our determination, expressed at Marrakesh, to build upon the success of the Uruguay Round through the participation of our economies in the world trading system, based upon open, market-oriented policies and the commitments set out in the Uruguay Round Agreements and Decisions.

3. In respect of the WTO, we set ourselves the question of how APEC could contribute to the success of the Singapore Ministerial Conference. We recognise the significance of holding the first WTO Ministerial Council Meeting in an APEC member economy, Singapore. We are determined to contribute fully to its success, both through the approaches we have decided on here in Christchurch and by building on them in our preparations in Manila for the APEC Leaders Meeting in Subic Bay in November.

4. In respect of our APEC goals, we recalled that the Bogor Declaration sets an ambitious goal for the achievement of free and open trade and investment in the Asia Pacific region no later than 2010 for industrialised and 2020 for developing economies. In implementing the Osaka Action Agenda, through their Individual Action Plans and through APEC Collective Actions, each member of APEC is working towards this goal and thereby contributing towards a progressively more open world trading environment.

#### Implementation of the Uruguay Round

5. We recalled that APEC members have committed themselves in the Osaka Action Agenda to the full and effective implementation of their respective Uruguay Round commitments. We agreed that full and timely implementation of the commitments contained in the Marrakesh Agreement establishing the World Trade Organisation, by all members that had accepted them, was essential. To this end we undertook to ensure that we were fully up to date with our implementation commitments by the time of the Singapore Ministerial Conference. We were pleased to have positive reports on the programme of Uruguay Round implementation seminars designed to improve APEC members' understanding of their obligations, identify operational difficulties, and undertake cooperative technical assistance to overcome them. We decided to continue them in the coming months. We recognised the need for this type of assistance to be available, in a coordinated manner, to the broader WTO membership. In our discussions we identified a number of problems associated with implementation which we will wish to have

addressed by appropriate mechanisms in Geneva.

### **Current Work in WTO**

6. We discussed the on-going work in the WTO on trade in services. We expressed disappointment that only one of the four areas in which Uruguay Round negotiations on services were extended - Movement of Natural Persons - had been completed. We expressed our determination to make definitive progress in the remaining areas, Financial Services, Basic Telecommunications Services and, in due course, Maritime Transport Services, when negotiations resume in accordance with respective decisions. We looked to the Singapore Ministerial Conference to reaffirm our commitment to concluding these negotiations on the basis of mutually advantageous commitments in accordance with the agreed timetables. Each of us agreed to examine what further contribution we could make in each area. We noted the role of our Individual Action Plans in indicating liberalisation initiatives.

7. We remain convinced of the importance of ensuring that trade and environment policies are mutually supportive of sustainable development and therefore agreed that momentum must be maintained in the current work programme of the WTO Committee on Trade and Environment. In order to help reduce the uncertainty and lack of coherence which surrounds rule making in this area we resolved to work towards a balanced report from the Committee including specific recommendations to the Singapore Ministerial Conference.

### **WTO Work Programme**

8. We agreed our key task at the Singapore Ministerial Conference would be to establish a work programme for future liberalisation in the WTO. We consider the built-in agenda resulting from the Uruguay Round agreements is central to this. We noted that the built-in agenda covers future negotiations or reviews in a wide range of areas including agriculture, services, textiles and clothing, rules of origin, intellectual property, investment and competition policy. We concluded that the built-in agenda constitutes a substantive and balanced work programme that should take the global trading system forward on a trade liberalising path.

9. We recognised that in some cases, such as non-preferential rules of origin and government procurement in services, work on the built-in agenda has already begun while in other areas, detailed preparations will be necessary. We therefore emphasised the importance of all members of the WTO agreeing at Singapore to respect the dates contained in the built-in agenda and to utilise existing institutional machinery to begin further work - the process of analysis and information exchange which would allow members to understand the issues involved and to identify their interests in respect of them before undertaking the mandated negotiations and reviews. In some cases it was recognised that consideration would need to be given prior to the Singapore Ministerial Conference to the means by which these tasks might best be carried out in the WTO.

10. We also considered further liberalisation initiatives that might be undertaken beyond the built-in agenda. We agreed that consideration should be given to further work on improvement of market access for industrial products. We discussed the possibility of undertaking more limited sectoral initiatives, perhaps in the shorter term. In this context we listened with interest to an explanation of the proposal for an Information Technology Agreement, which would contribute to APEC liberalisation objectives, and determined that we would consider this further in the lead up to the Singapore Ministerial Conference. Building on the work we have done in APEC to date and the work which is underway in the WTO in the area of services, we also agreed to examine the possibility of a broader discussion in the WTO on transparency, openness and due process in government procurement.

11. We recognised that a number of other issues for possible discussion have been raised in papers submitted by our delegations in Geneva#. We noted that these papers will be examined in Geneva in the coming months with a view to identifying consensus on how each of these issues should be looked at in the multilateral context.



12 . We were encouraged by the complementarity of our efforts to further liberalise trade within APEC and in the WTO. APEC's voluntary framework and the WTO's legal one can mutually reinforce liberalisation and the process of analysis and consensus building in one forum can contribute to progressing negotiations in the other.

### **Osaka Action Agenda**

13 . We reviewed the state of implementation of the Osaka Action Agenda in respect of preparation of Individual Action Plans and reporting of collective actions. We received a report and recommendations on these matters from the Chair of the Senior Officials' Meeting (SOM).

14 . We are encouraged that each APEC member tabled an initial draft of its Individual Action Plan at the Cebu Senior Officials Meeting in May and that a number of members have since submitted revisions of their plans. We noted the importance of the Individual Action Plan process to the private sector. We are committed to continue improvement of and consultation on plans prior to the assessment by the APEC Joint Ministerial Meeting in Manila in November. In particular we call for greater emphasis on transparency, comparability, and dynamism in revised plans. In this regard we found the SOM Chair's recommendations very relevant and invited our officials to give them immediate consideration.

15 . We noted that APEC members are also engaging in information exchange, dialogue and collective actions across many areas that either form part of the WTO's agenda or have relevance to it. This process has value in itself and should also contribute to building confidence among APEC members in addressing these areas in the global context. We believe that the APEC Action Plan process demonstrates a unique and dynamic approach to regional liberalisation consistent with GATT/WTO principles. We expect this to contribute to sustaining momentum for further liberalisation at the global level.

### **The Future of the Multilateral Trading System**

16 . We are conscious of the outstanding applications for membership of the WTO, two of which are from APEC members. We expressed our support for achieving universality of WTO membership consistent with observance of the rules of the multilateral trading system and based on effective market access commitments.

17 . We consider that it is now especially important that regional and multilateral approaches to trade and investment liberalisation support and reinforce each other. We recognise that economic growth and progress in today's interdependent world is inevitably bound up with the process of globalisation; a process which offers both opportunities and challenges to all our economies and to the multilateral trading system. We are convinced that to respond to these challenges and opportunities fully for the benefit of all our peoples and to avoid fragmentation of the international trading system we need to ensure convergence between regional and multilateral liberalisation initiatives.

18 . We look to the Singapore Ministerial conference as providing an opportunity for WTO members to consider the objectives of the Organisation as it proceeds with its work programme, and to define them more clearly and more boldly. By undertaking this task, we could impart a sense of direction for trade and investment liberalisation within the WTO, consider the modalities by which it might be achieved and indicate the sense of urgency which we attach to their attainment.

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\*APEC member economies present were Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America. The Executive Director of the APEC Secretariat was present at the Meeting. The ASEAN Secretariat, the Pacific

Economic Cooperation Council (PECC), and the South Pacific Forum (SPF) attended as observers. The Director General of the World Trade Organisation was invited to address Ministers. The People's Republic of China participated in discussions only under the Osaka Action Agenda section of the meeting.

# A list of these papers is available to members from the WTO Secretariat.



Ministerial Meetings



## Meeting of Ministers Responsible for Trade

(Montreal, Canada, May 8-10, 1997)

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### STATEMENT OF THE CHAIR

We, the Ministers responsible for trade of APEC economies, met in Montreal from May 8 through 10, 1997 to review progress in APEC work programs and to identify new initiatives to fulfil directives given by our Leaders in Subic Bay on liberalization and facilitation of trade and investment, and with a view to preparing for the meeting of Leaders and Ministers in Vancouver in November. We also reviewed developments in international trade with a focus on defining how APEC could best continue to support the multilateral trading system under the World Trade Organization (WTO).

#### **APEC's Agenda for Trade and Investment Liberalization and Facilitation, and Economic and Technical Cooperation**

##### *Individual Action Plans*

Ministers agreed that the Individual Action Plans are key to the implementation of APEC's trade agenda. The Plans should define the state-of-play of the access regimes for individual Members, and describe commitments and intentions for moving to liberalize restrictions, facilitate trade and establish business-friendly policy regimes. They should describe in a transparent manner future directions that can guide business and investment decisions.

At Subic Bay, our Leaders committed to improving Individual Action Plans. Ministers agreed on the importance of this commitment, reaffirming the general principles enunciated in the Osaka Action Agenda, and ongoing review and assessment of these plans. Ministers welcomed the engagement of the private sector, particularly through the APEC Business Advisory Council (ABAC) in this process. To this end, Ministers agreed on the following course of action:

- Ministers agreed to provide reports, by the target date of August 15, on actions taken to implement commitments for 1997 set out in Individual Action Plans, and directed officials to compile a report for our November meeting.
- Ministers agreed to adhere in 1997 to the format guidelines for Individual Action Plans to enhance the transparency and the comparability of the Plans, and endorsed the ongoing work of officials to improve the guidelines.
- Ministers agreed to commit to the importance of taking Individual Action Plans forward progressively and continuously, with effective means to assess and review them over time. Ministers further agreed to provide information on improvements to Individual Action Plans by the target date of August 15, and directed officials to compile a report for our November meeting.

##### *Promoting Liberalization of Trade and Investment*

Ministers affirmed that APEC can and should continue to act as a catalyst for promoting trade and

investment liberalization globally. They recalled that at Subic Bay, Leaders instructed them to:

"... identify sectors where early voluntary liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit recommendations to us on how this can be achieved."

Acting on this instruction, Ministers reviewed ways in which early voluntary liberalization, complemented by trade facilitation measures and economic and technical cooperation, in APEC could achieve these objectives and contribute to multilateral liberalization of trade and investment in a manner consistent with and complementary to the WTO. Ministers confirmed their willingness to consider favourably opportunities for voluntary liberalization through Individual Action Plans.

Ministers acknowledged the importance of a stable and transparent financial infrastructure to ensure the availability of long-term capital. Accordingly, they supported fully the commitment of APEC Finance Ministers at Cebu, Philippines to urge all WTO members to work together towards a full MFN financial services agreement in the WTO with significantly improved market access and national treatment commitments from a broad number of participants by December, 1997. Ministers encouraged offers to be tabled in the negotiations by the July date established in Geneva. It was recognized that under certain circumstances phase-in commitments for liberalization within a reasonable time-frame may be needed.

Ministers recalled APEC's leadership that led to the successful conclusion of an Information Technology Agreement (ITA) and the WTO Agreement on Basic Telecommunications Services last year. Participants in the ITA agreed to work together to broaden participation in the agreement and in expanding product coverage at this fall's review ("ITA II").

Ministers reaffirmed their determination to continue APEC's leadership and credibility in trade liberalization in accordance with the general principles set out in the Osaka Action Agenda and in that regard discussed a number of sectors that might be candidates for early voluntary liberalization. Ministers agreed to direct officials to examine the merits of pursuing comprehensive liberalization in such sectors having regard to defining scope and coverage, including those that support enhanced infrastructure and sustainable development.

Accordingly, Ministers instructed officials to complete their study by the end of August and to report to us on their findings in sufficient time so that Ministers would be in a position to make recommendations on specific liberalization initiatives to Leaders in Vancouver in November. Ministers instructed officials, in undertaking this work, to have full regard to:

- encompassing, to the extent possible, tariff and non-tariff dimensions and elements of facilitation and economic and technical cooperation;
- the fullest possible private sector input, consultation and support, including through ABAC;
- critical mass, by developing initiatives supported by significant groups of APEC members, taking into account the different levels of economic development and diverse circumstances of APEC member economies and, where appropriate, providing a foundation for participation beyond our region, and, where appropriate, for incorporation into the WTO.

On receipt of the report, Ministers will work to ensure mutually beneficial and balanced recommendations for early voluntary liberalization.

### **Trade Facilitation: Lowering the Cost of Doing Business**

Ministers reviewed a range of key APEC activities designed to facilitate trade and lower the costs of doing business. This is important for all exporters but particularly benefits small and

medium-sized enterprises. Recalling that at Subic Bay, Leaders instructed Ministers to "...intensify work in 1997 on simplification of customs clearance procedures, effective implementation of intellectual property rights commitments, harmonization of customs valuation, facilitation of comprehensive trade in services, and enhancing the environment for investment," and agreed to "... align our national standards with international standards and to recognize each others' national standards," Ministers endorsed current APEC activities and work programs, and emphasized the importance of intensifying efforts, in these priority areas.

Recognizing that simplification and harmonization of customs procedures can make a major contribution to trade facilitation, Ministers particularly welcomed and support fully the recommendations from the APEC Customs-Industry Symposium held May 7-9 in Montreal. They affirmed their commitment to close collaboration with their Customs colleagues and the business sector in pursuing the agreed work program. Ministers noted the importance attached by the Symposium to finding technological solutions to expedite frequent traveller clearance, incorporating the best practices of business and government. They also noted the announcement by Hong Kong and Chile of their intention to participate in the project for an APEC Business Travel Card.

Ministers reviewed a preliminary list of outcomes related to trade facilitation this year and agreed that it should be made publicly available, noting that work on trade facilitation engages almost all APEC fora. Ministers instructed officials to compile a specific set of deliverables, actions, and recommendations on trade facilitation for their consideration in November. Ministers received proposals from Japan and Mexico to enhance APEC investment work and from the Republic of Korea to establish an APEC Centre for Conformity Assessment. Ministers directed relevant APEC fora to consider the proposals.

### **Engaging Business and the Broader Community**

Ministers reaffirmed the central role of the business sector in the APEC process, and expressed their determination to encourage greater business sector participation in liberalization and facilitation of trade and in economic and technical cooperation. The results of our meeting as set out above reflect this commitment. Ministers also received reports from representatives of the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum (SPF).

Ministers were unanimous in their view that continuing trade and investment liberalization and facilitation is essential to economic growth and employment in our economies, and acknowledged their responsibility for helping to promote a better understanding of these benefits. To this end, Ministers reviewed the experience and plans of various member economies in conducting economic research, outreach, and liaison with academic, business and other sectors. With a view to enhancing communication and dialogue with domestic constituencies, Ministers agreed to continue to share their experience, to exchange information, and to identify opportunities for cooperation and collaboration between institutions and entities engaged in these activities in their respective economies. Senior officials were asked to carry this work forward.

Ministers confirmed their firm intention to continue to work closely with ABAC on an ongoing basis. They conducted an extensive exchange of views with representatives of ABAC on their plans and priorities for 1997.

- We welcome business views on APEC's work, and thus asked ABAC to provide to us by mid-year an analysis of the responsiveness of Individual Action Plans to business priorities, and to continue their monitoring role on an ongoing basis.
- Ministers confirmed their willingness to respond constructively to the recommendations contained in ABAC's 1996 Report to Leaders, and their desire to work closely with ABAC respecting in particular their recommendations on facilitating the movement of business people; enhancing investment flows; strengthening investment protection through

transparency, predictability, arbitration and enforcement of contracts; aligning professional standards in the region; involving the private sector in infrastructure planning; the development of policies supportive of small and medium enterprises; and encouraging greater business sector participation in economic and technical cooperation.

### **Supporting the Multilateral Trading System**

In the company of the Director General of the WTO, Renato Ruggiero, we had a useful exchange of views on how APEC can best support the multilateral trading system. Ministers affirmed their strong support for a rules-based international trading system of universal membership, and confirmed their support for the early accession of applicants in accordance with WTO rules and based on effective market access commitments. Ministers reaffirmed the primacy of an open, multilateral trading system under the WTO. Ministers acknowledged that regional trade agreements complementary to the WTO and consistent with its rules can promote further liberalization of trade and investment.

Ministers confirmed their intention to implement fully existing WTO commitments, and reviewed the WTO's built-in agenda for further negotiations and reviews in accordance with agreed timeframes. APEC economies that are WTO members affirmed their commitment to engage in the necessary analysis and exchange of information to allow members to better understand the issues involved and identify their interests. In our view, APEC's work programs on investment, competition policy, government procurement, and trade facilitation including on customs matters demonstrate our continued leadership respecting the multilateral trade agenda, and can contribute positively to the WTO's work in these areas. Ministers endorsed the efforts arising from the Singapore Ministerial Declaration to integrate the least developed countries into the global trading system, to consider favourably enhancing their market access on autonomous basis, and to improve their capacity to take advantage of the opportunities such integration creates.

Ministers expressed their optimism that APEC would continue to provide leadership to further concrete improvements in the environment for conducting world trade. The WTO work program offers important opportunities for this APEC leadership. Ministers instructed their officials to consider these possibilities and to report to them prior to their Vancouver meeting, and undertook to encourage officials in Geneva to meet regularly to ensure that APEC perspectives are brought to bear on the WTO's work program.

Both APEC and the WTO, by promoting liberalization and facilitation of trade and investment and economic and technical cooperation, foster jobs and economic growth in our economies. Ministers therefore affirmed their commitment to political engagement in both organizations on an ongoing basis. We look forward to commemorating the 50th anniversary of the multilateral trading system in the first half of 1998, and at that time to continue an exchange of views on developments and directions in the international trading system.

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## Meeting of Ministers Responsible for Trade

(Kuching, Sarawak, June 22-23, 1998)

### STATEMENT OF THE CHAIR

APEC Ministers Responsible for Trade met in Kuching on 22 – 23 June to review progress on the implementation of instructions given by Leaders in Vancouver and the ongoing APEC work programme on trade and investment liberalisation and facilitation. Ministers exchanged views on the current economic situation, developments in international trade and on APEC's contribution to the work of the World Trade Organisation. Ministers also engaged in a dialogue with ABAC on APEC's response to the 1997 ABAC's recommendations and on broadening APEC outreach to a wider segment of the business/private sector.

The Meeting of APEC Ministers Responsible for Trade is being held during a period of financial and economic turmoil in the East Asian constituents of the APEC region. It was noted that the turmoil has had its impact on a broad spectrum of economic sectors, curtailing the capacity to generate economic growth. It has also brought about social ramifications that are and will continue to be far-reaching. APEC member economies recognised that regional and global economic inter-linkages and interdependence can have a contagion effect on other economies outside the region. While individual APEC economies affected by the financial turmoil must undertake domestic policy initiatives to effect economic recovery, other APEC member economies could, where possible, assist in the process of economic recovery. APEC may not be the mechanism for direct intervention, but it is important that APEC supports initiatives to manage the financial crisis – both in terms of the causes and impacts.

#### Early Voluntary Sectoral Liberalisation

3. Ministers considered the report of the SOM Chair and noted that officials have made significant progress since Vancouver in further developing the EVSL initiatives, based on APEC's principle of voluntarism. Ministers recognised that specific concerns have been raised by individual economies in each sector.
4. There is emerging consensus on product coverage, target end rates and target end dates, and Ministers endorsed the recommendations of Senior Officials, as a means to further progress work in the fast-track sectors.
5. Participation in the 9 sectors and all three measures (trade liberalisation, facilitation, and ecotech) in each sector will be essential to maintain the mutual benefits and balance of interests, which Leaders had established when selecting the sectors in Vancouver.
6. In order to enable finalisation of the sectoral arrangements that would maximise participation,

Ministers agreed that flexibility would be required to deal with product-specific concerns raised by individual economies in each sector. Such flexibility would generally be in the form of longer implementation periods. In principle developing economies should be allowed greater flexibility.

7. Ministers agreed that consideration of other forms of flexibility should take into account the broader goal of maximising mutual benefits, and the need to maintain the balance of interests.

8. Ministers also noted the significant work done on NTMs, facilitation and ecotech, and endorsed the existing implementation schedule, and the related work programme in these areas. Ministers regarded facilitation and ecotech as important elements of the EVSL initiative, and agreed that such measures continue to be identified for implementation.

9. Ministers agreed that all sectors containing tariff liberalisation proposals be communicated to the WTO by APEC Chair for transparency purposes once all details of the sectoral proposals are finalised.

10. Ministers instructed senior officials to continue work to finalise by September the sectoral arrangements on the fast-track sectors on the basis of decision taken at this meeting, and further develop the other six sectors.

11. Ministers will consider the final agreements/arrangements of each sector in its entirety at the Ministerial Meeting in November, with a view to commencing implementation in 1999.

### **Individual Action Plans**

12. Ministers welcomed and endorsed the preliminary plans of member economies to implement and improve their Individual Action Plans (IAPs) for 1998. Ministers noted that despite the adverse impacts of the current financial crisis, members remained committed to IAP improvements and implementation. They reaffirmed that the IAP is the primary mechanism for implementation of APEC's trade and investment liberalisation and facilitation (TILF) agenda. Ministers recognised that improving IAPs is a continuous and progressive process and urged members to continue to strengthen their IAPs in terms of transparency, level of detail and specificity. Ministers stressed that faithful implementation would lend credibility to the Plans.

13. An added value of IAPs is that they provide member economies with the opportunity to draw on the experiences and approaches of other member economies in undertaking liberalisation and facilitation. Members can draw on these experiences and adopt and incorporate such best practices in improving their IAPs.

14. In an effort to make IAPs more effective in meeting the needs of business, Ministers noted that IAPs should continue to take account of ABAC recommendations. They noted that some of these recommendations have already been implemented while others are under consideration. Member economies will continue to take into account the views of the business/private sector in the improvements of the IAPs.

15. Ministers commended Malaysia for submitting its IAP for peer review in Kuching. They welcomed Korea's decision to present its IAP for peer review in September at the margins of SOM III. It was acknowledged that bilateral consultations and voluntary peer reviews are confidence building measures that will facilitate exchange of information and contribute towards transparency and comparability of the IAPs. In this context, interested member economies were encouraged to volunteer their IAPs for peer review.

16. To further advance work on IAPs, Ministers agreed that:

- member economies submit revised IAPs, including the financial sector, according to



- the revised format guidelines by October 15;
- member economies continue to give consideration to the views and opinions of the business/private sector in formulating their IAPs.

17. Ministers called for a report on revised IAPs to be submitted to them in November for their review.

### Collective Action Plans

18. Ministers reaffirmed the importance of Collective Action Plans (CAPs) for advancing APEC's TILF agenda. Ministers welcomed work to further enhance and implement CAPs, including work underway on more than 80 CAPs activities. They stressed the importance of trade and investment facilitation activities in APEC in the 15 areas under Part I of the Osaka Action Agenda. Ministers took note of the SOM Chair's Report on collective actions and endorsed the list of over 30 TILF outcomes for 1998. These outcomes are expected to contribute towards reducing transaction costs and facilitating business activities such as movement of goods, capital, services and business people.

19. At this time of financial turmoil in the region, APEC's trade facilitation activities would contribute to improving the capacity and confidence of members in their liberalisation efforts. In this context, Ministers also noted the need to prioritise projects in order to make efficient use of limited resources and maximising benefits to members.

20. In advancing work on CAPs, Ministers :

- endorsed the collective commitments of APEC economies to grant multiple entry visas to regular business travellers through unilateral or bilateral means, unless there are reasonable grounds not to do so; and
- agreed that capacity of member economies be enhanced through training and technical cooperation programmes to ensure effective implementation of CAPs.

21. Ministers further instructed that a report be submitted in November on:

- achievement of TILF outcomes in 1998;
- training and technical cooperation programmes in the TILF areas;
- areas for priority work in 1999; and
- APEC's response to ABAC's recommendations.

### Electronic Commerce

22. Ministers welcomed the report of the Task Force on Electronic Commerce and noted the progress of work in both the Task Force and other APEC sub-fora.

23. Ministers endorsed that the second stage of the work programme which would include possible development of principles and practical cooperative activities for promoting the use of electronic commerce in the region, recommendations on technical cooperation and capacity-building activities, including on public sector use of electronic commerce, as well as outreach and training programmes. Ministers also endorsed the programme of information exchange and technical cooperation to address the "millennium bug/Year 2000" problem and to identify impediments to electronic commerce in the region.

24. In advancing the work programme, Ministers requested the Task Force to take into account:

- the views of the private sector;
- differing levels of development in member economies; and
- the need to avoid duplication of work in both APEC and international fora.

### **Impact of Liberalisation**

25. Ministers welcomed the progress report by the Steering Group on work to develop an APEC-wide programme to assess and promote the understanding of the impact of trade liberalisation. There will be a two-stage implementation plan, involving analytical work on five case studies in Phase I and the development of a strategy for communicating the findings of the study in Phase 2. Ministers welcomed the offer of New Zealand to host a seminar on communicating the outcomes of the Study under Phase 2 of this project just before the next Trade Ministerial Meeting in New Zealand in June 1999.

26. Ministers recognised that the study is timely and relevant especially during this time of economic difficulties and concerns expressed over the benefit of further liberalisation. Ministers reaffirmed the importance of promoting a broad-based and balanced understanding of the impact of liberalisation, taking into account both benefits as well as the associated adjustment costs. In this context, they underscored the importance of selecting appropriate sectors to reflect this approach.

### **Supporting the Multilateral Trading System**

27. Ministers expressed satisfaction with the outcomes of the Second WTO Ministerial Conference and welcomed the agreement to embark on a work programme which include the implementation of existing Uruguay Round Agreements, the built-in agenda, and recommendations concerning other possible future work on the basis of the work programme initiated in Singapore and recommendations on other matters proposed by members. In this regard, Ministers welcomed the Statement presented by the APEC Chair at the Conference, which underlines APEC's commitment to open regionalism and multilateral trading system.

28. Ministers recognised the importance of APEC's on-going programme of activities which support work in the WTO, in particular seminars and training activities on the implementation of WTO agreements such as customs valuation, subsidies and CVD, TRIPs and Services. They agreed that these activities should be continued. Ministers also agreed that APEC's on-going information exchange on electronic commerce would be an important contribution to the WTO.

29. In recalling APEC's role in ITA I, Ministers called for a successful conclusion of the ITA II, with a balanced outcome that takes into account interests and concerns of members.

### **ABAC**

30. Ministers welcomed the briefing by Mr. Timothy Ong on the 1998 priorities of ABAC and confirmed APEC's intention to continue to work closely with ABAC. Ministers noted ABAC's view on APEC's work in EVSL, electronic commerce and APEC action plans. ABAC acknowledged the need for capacity building to complement APEC's liberalisation efforts.

31. Ministers' confirmed that APEC fora have responded positively to the recommendations contained in ABAC's 1997 Report to Leaders in the areas of promoting cross-border flows, enhancing private investment in infrastructure and access to capital as well as in implementing economic and technical cooperation. Ministers expressed their desire to continue to work closely with ABAC for liberalising and facilitating trade and investment in the region. Minister also called upon ABAC to reach out to domestic business groups including small businesses so that APEC activities would permeate through a broader cross-section of the business sector.

### Other Matters

32. Ministers welcomed remarks from members-designate, Peru, Russia and Vietnam on their preparations to assume full membership in APEC in November. Ministers also received reports from representatives of the Pacific Economic Cooperation Council (PECC), the South Pacific Forum (SPF) and the Association of South East Asian Nations (ASEAN).

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Ministerial Meetings

## **THE CAIRNS GROUP MINISTERIAL MEETINGS**

<b>August 25-27, 1986</b>	<b>Ministerial Meeting, Cairns, Australia</b>
<b>May 21-23, 1987</b>	<b>Ministerial Meeting, Ottawa, Canada</b>
<b>February 23-26, 1988</b>	<b>Ministerial Meeting, Bariloche, Argentina</b>
<b>November 10-12, 1988</b>	<b>Ministerial Meeting, Budapest, Hungary</b>
<b>March 17-19, 1989</b>	<b>Ministerial Meeting, Waitangi, New Zealand</b>
<b>November 21-23, 1989</b>	<b>Ministerial Meeting, Chiangmai, Thailand</b>
<b>July 4-6, 1990</b>	<b>Ministerial Meeting, Santiago, Chile</b>
<b>November 5, 1990</b>	<b>Ministerial Meeting, Geneva, Switzerland</b>
<b>July 8-9, 1991</b>	<b>Ministerial Meeting, Manaus, Brazil</b>
<b>December 8-9, 1991</b>	<b>Ministerial Meeting, Geneva, Switzerland</b>
<b>June 27-28, 1992</b>	<b>Ministerial Meeting, Geneva, Switzerland</b>
<b>June 26-27, 1993</b>	<b>Ministerial Meeting, Bangkok, Thailand</b>
<b>October 17-18, 1993</b>	<b>Ministerial Meeting, Geneva, Switzerland</b>
<b>May 19-20, 1994</b>	<b>Ministerial Meeting, Montevideo, Uruguay</b>
<b>May 26-27, 1995</b>	<b>Ministerial Meeting, Manila, Philippines</b>
<b>June 13-14, 1996</b>	<b>Ministerial Meeting, Cartagena, Colombia</b>
<b>June 5-6, 1997</b>	<b>Ministerial Meeting, Rio de Janeiro, Brazil</b>
<b>April 1-3, 1998</b>	<b>Ministerial Meeting, Sydney, Australia</b>
<b>August 28-29, 1999</b>	<b>Ministerial Meeting, Mar del Plata, Argentina</b>
<b>November 29, 1999</b>	<b>Ministerial Meeting, Seattle, USA</b>
<b>October 12, 2000</b>	<b>Ministerial Meeting, Banff, Canada</b>
<b>2001</b>	<b>Ministerial Meeting, Uruguay (tentative)</b>



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## The Cairns Group

### 21st Cairns Group Ministerial Meeting Banff, Canada 12 October 2000

#### Communiqué

Ministers at the 21<sup>st</sup> meeting of the Cairns Group said they continue to be deeply concerned with the plight of their farmers and processed food industries. "Those of our people whose livelihoods depend on rural industries are suffering genuine hardship. World agricultural and agri-food markets remain highly distorted by export subsidies, huge levels of domestic support and severely restricted access to markets, including tariffs, sanitary and phyto-sanitary and other non-tariff measures."

Despite important Uruguay Round outcomes, total support and protection for farmers in developed countries now exceeds US\$360 billion - a return to the damaging levels of the mid 1980s.

In view of increasing distortions to world agricultural markets, Ministers said they welcome the start made to the WTO agriculture negotiations. "But beginning the negotiations is not enough. The WTO needs to work expeditiously towards a conclusion." Ministers agreed that agriculture should be treated with the highest priority in the mandated negotiations underway in the WTO.

"Fundamental reform of world agricultural and agri-food markets is necessary to ensure sustained improvements in the well being of all the world's people. This is both a political and moral responsibility." Ministers said that the Cairns Group therefore has a central role in pushing the negotiations forward.

Ministers said that these agriculture negotiations must remove the blatant discrimination against agriculture and processed food in the WTO. "The time has come to deliver on the Uruguay Round objective to correct and prevent restrictions and distortions." Ministers affirmed their commitment to establish a fair and market-oriented agricultural trading system. "This is important for the Cairns Group and the WTO Membership as a whole."

Ministers noted that Cairns Group negotiating proposals, based on the Cairns Group Vision Statement, so far cover the elimination of export subsidies and major reductions leading to the elimination of trade distorting domestic subsidies. A market access proposal is being prepared for November 2000. Ministers encouraged other WTO members who have not done so to submit reform proposals as soon as possible and to begin preparing for the second stage of the negotiations from March 2001. Ministers discussed the various proposals which had been tabled in Geneva and instructed their officials to prepare recommendations for further action.

Cairns Group Ministers agreed that achieving real and early reform is essential for the future of the multilateral trading system. It will also reduce the potential for trade disputes and avoid unnecessary strains on the WTO. Ministers said that in the absence of progress in the negotiations, inevitably there would be pressure to examine other options for securing reasonable treatment for agriculture in the WTO after 2003 when the "Peace Clause" expires.

Ministers said that policies which damage other countries cannot be justified on the pretext of non-trade concerns. The issue for the agriculture negotiations is not about the legitimacy of certain policy objectives but about the instruments used to pursue them — these must not be trade distorting.

Ministers welcomed the significant role played by developing countries in the WTO agriculture negotiations and the growing recognition that achieving agricultural reform is essential for eradicating poverty. Nothing is more important to countries which rely heavily

on their agricultural sectors than achieving open, fairer and more market-oriented international agri-food and fibre markets. While development assistance must remain an essential element in helping developing countries realise their potential, Cairns Group Ministers stressed that aid should not be a substitute for trade. Improved market access and agricultural reform by developed countries are essential to unlock development.

Ministers said that in addition to providing improved market access opportunities and removing unfair subsidised competition in domestic and export markets, the agriculture negotiations must also deliver concrete and operational special and differential treatment provisions for developing countries. "Reform and special and differential treatment are both central elements in ensuring that developing countries have the necessary means to address crucial rural development and food security objectives through the negotiations." Ministers also reaffirmed the importance of ensuring that the Marrakesh Decision on least developed and net food-importing developing countries is made more effective.

Ministers welcomed the participation in the Banff meeting of their colleagues Dr Franz Fischler (EU Commissioner for Agriculture), and Dr Youssef Boutros-Ghali (Egypt's Minister for Economy and External Trade). The involvement of these special ministerial guests of the Cairns Group underscored the importance of successful agriculture negotiations to the whole WTO membership.

Ministers welcomed a statement from Cairns Group farm leaders, who were also meeting in Banff, underlining the importance that industry attaches to early and significant agricultural trade reform.

Ministers expressed their appreciation to the Canadian Government for hosting the 21st Cairns Group meeting in Banff from 10-12 October 2000 and to the people of Banff for their warmth and hospitality. The Cairns Group ministerial meeting in 2001 will be held in Uruguay.

*Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand, South Africa, Uruguay*

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## MINISTERIAL STATEMENT

**Seattle, USA, 29 November 1999**

Cairns Group Ministers in Seattle welcomed Bolivia, Costa Rica and Guatemala as new members of the Cairns Group at today's meeting. The expansion of the Group to 18 members, accounting for one third of world agricultural exports, highlights the growing demand for fundamental reform of agriculture.

Expanded developing country membership reflects the importance to developing countries of removing the protectionism that has plagued agriculture for too long.

The Group reaffirmed its commitment to concrete special and differential treatment provisions to address the concerns of developing countries.

Cairns Ministers expect to see a decision by WTO Ministers that enables negotiations to begin on time, conclude by 2003 and deliver the objective of "fundamental reform" agreed in the Uruguay Round. This means providing substantial improvement in market access, and the elimination of all forms of export subsidies and other trade and production distorting subsidies.

Ministers noted there was now overwhelming support for the elimination of agricultural export subsidies with recent support for this outcome from APEC members, the Free Trade Area of the Americas, and the G77 group of developing countries. No country can seriously support a situation where poor developing countries are forced to compete with exports dumped on international markets by a few rich industrialised countries.

Cairns Ministers stressed they are working closely with other developing countries, as well as the United States, to ensure such an outcome can be achieved in the negotiations.

Cairns Ministers said agriculture was now the only sector facing systematic discrimination in the WTO. This could not be allowed to continue. After more than 50 years of the GATT/WTO, trade in agricultural goods should be on the same footing as trade in other goods. Cairns Ministers particularly welcomed the support shown by many developing countries for the goal of progressively integrating agriculture into the WTO system. This would help unlock the development potential of many countries.

Cairns Ministers called on the few remaining countries who were resisting this to think again. A strong and early decision on agriculture would be a key element in ensuring the success of the Seattle meeting. For many countries the outcome on agriculture would be fundamental to whether they could agree to a broader work program for the WTO.

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## **19<sup>th</sup> Cairns Group Ministerial Meeting**

*Buenos Aires, Argentina  
27-29 August 1999*

### **Communique**

The nineteenth Ministerial meeting of the Cairns Group was held in Buenos Aires from 27-29 August.

Ministers reaffirmed the objectives they set for the negotiations in the Cairns Group "Vision Statement" released last year (attached). The Group wants freer, fairer and more market-oriented trading conditions and trade in agriculture on the same footing with trade in other products. Ministers highlighted that this will require the elimination of export subsidies and trade-distorting domestic support, and major gains in market access.

Ministers said there is no justification to discriminate against agriculture in the WTO. It is totally unacceptable to the Cairns Group that the most efficient agricultural producers are penalised while barriers to non-agricultural trade are eliminated or reduced to a minimum. This must be remedied. Cairns Group farm leaders meeting in Buenos Aires also delivered the same message to Ministers.

Trade in agriculture remains subject to profound and costly distortions. Protectionist policies have severely hampered economic growth and damaged employment. In 1998, agricultural support within the OECD totalled some US\$362 billion - higher than the US\$326 billion provided when the Uruguay Round began.

When we conclude the next round of agriculture negotiations, to be launched in December at the Seattle WTO Ministerial Conference, it will be nearly twenty years since the world committed to fundamental reform. The next negotiations must now place agriculture squarely within general WTO rules to eliminate inequities in support and protection.

In the final stage of preparations for the Seattle Conference, Cairns Group members will be pushing for clear and detailed decisions in Seattle to ensure agriculture negotiations begin on time, conclude before 2003, and have an explicit negotiating timetable to deliver required outcomes. A detailed negotiating plan is essential to end, once and for all, the unequal treatment of agriculture in the WTO.

Ministers noted the current difficult international market conditions for many agricultural products and called upon all countries to avoid resorting to protectionism. The major subsidisers should stop using export subsidies, apply disciplines on export credits, and



eliminate trade distortions. This would be a strong sign of commitment to fundamental reform for the launch of the negotiations.

Ministers acknowledged the legitimate concerns expressed by many developing countries about the effect of distortive practices of some developed countries on market access for their exports, food security and rural development needs. The Group is committed to ensuring that the next negotiations result in concrete special and differential treatment provisions to address these issues.

Major developed countries must practice in agriculture what they preach for other sectors. They must accept their responsibility to ensure that the global benefits of agricultural trade reform are realised. For much of the developing world, agriculture is the key for growth and employment. But high levels of protection and subsidies in some industrialised countries block the development process and must be stopped.

Some WTO Members suggest that the so-called "multifunctional" objectives of agriculture - rural employment, landscape and the like - justify maintaining high levels of agricultural support and protection. Just as it would not be acceptable to introduce "multifunctionality" in the WTO for manufacturing and services, there is similarly no justification to apply it in agriculture. Non-trade objectives should not be used as a smoke screen for protectionist policies which perpetuate poverty, hunger and environmental degradation. The WTO recognises non-trade concerns and these can be addressed through targeted and transparent policies which do not distort production and trade.

Cairns Group Ministers reaffirmed the importance of decision-making based on sound science for the establishment and application of technical measures, standards and regulations and communication thereof. They noted that issues had arisen which were affecting trade in products of biotechnology, including agricultural products, and said the Group is prepared to consider how these might be addressed by the WTO.

Cairns Group Ministers welcomed Bolivia, Costa Rica and Guatemala as observers. They also welcomed their discussions with United States Secretary of Agriculture, Dan Glickman, on preparations for the negotiations and developments in US agricultural policy. The US offered to cooperate with the Cairns Group which leads the charge for far-reaching reform of global trade rules for agriculture.

Cairns Group Ministers will meet again in Seattle before the WTO Ministerial Conference and agreed to hold their annual meeting in 2000 in Canada.

Buenos Aires, 29 August 1999

## **Cairns Group "Vision" for the WTO agriculture negotiations "Completing the Task"**

The Cairns Group of Agricultural Fair Traders reaffirms its commitment to achieving a fair and market-oriented agricultural trading system as sought by the Agreement on Agriculture. To this end the Cairns Group is united in its resolve to ensure that the next WTO agriculture negotiations achieve fundamental reform which will put trade in agricultural goods on the same basis as trade in other goods. All trade distorting subsidies must be eliminated and market access must be substantially improved so that agricultural trade can proceed on the basis of market forces.

The Uruguay Round provided a rules-based framework for agricultural trade and took an important first step in reducing agricultural support and protection. Levels of support in OECD countries, however, remain at very high levels, with US\$280 billion in total transfers to agriculture in 1997.

Also, for many products major impediments continue to constrain market access opportunities. The negotiations, to commence in 1999, must deliver major improvements to the rules, the elimination of subsidies that distort prices, production and trade, and substantial cuts to protection levels.

Completing the task of liberalising agricultural trade will bring important benefits in terms of economic growth, improved welfare, food security and sustainable development.

Food security will be enhanced through more diversified and reliable sources of supply, as more farmers, including poorer farmers in developing countries, are able to respond to market forces and new income generating opportunities, without the burden of competition from heavily subsidised products. Export restrictions must not be allowed to disrupt the supply of food to world markets, in particular to net food importing countries.

In many cases agricultural subsidies and access restrictions have stimulated farm practices that are harmful to the environment. Reform of these policies can contribute to the development of environmentally sustainable agriculture.

The principle of special and differential treatment for developing countries, including least developed countries and small states, must also remain an integral part of the next WTO agriculture negotiations. The framework for liberalisation must continue to support the economic development needs, including technical assistance requirements, of these WTO members.

As preparations for the agriculture negotiations intensify, the Cairns Group will push for a comprehensive framework which addresses all areas affecting agricultural trade. A central part of this will be further, far reaching, and specific commitments in each of the three reform areas.

## Export Subsidies

There is no justification for maintaining export subsidies. It is essential that the 1999 negotiations ensure the early, total elimination and prohibition of all forms of these distortive and inequitable policies. There must be clear rules to prevent all forms of circumvention of export subsidy commitments. Also agricultural export credits must be brought under effective international discipline with a view to ending government subsidisation of such credits.

## Market Access

Access opportunities for agricultural products should be on the same conditions as those applying to other goods and should be commercially viable. Tariffs must be the only form of protection, tariff escalation must be removed and tariff peaks curtailed. The 1999 negotiations must result in deep cuts to all tariffs, tariff peaks and tariff escalation. They must provide a major expansion of market access opportunities for agricultural products, including value-added products. The removal of non-tariff barriers must be completed without exception. Trade volumes under tariff rate quotas must be increased substantially. The administration of tariff rate quotas must not diminish the size and value of market access opportunities, particularly in products of special interest to developing countries.

## Domestic Support

Overall levels of domestic support for agriculture remain far in excess of subsidies available to other industries. The 1999 negotiations must result in major reductions in domestic support for all agricultural products. All trade distorting domestic subsidies must be eliminated with only non-distorting forms of support permitted. Close attention will be paid to compensation for the shift away from price support and the Cairns Group will work to ensure that income aids or other domestic support measures are targeted, transparent and fully decoupled so that they do not distort production and trade.

The WTO agriculture negotiations are mandated to begin before the end of 1999. The Cairns Group will work to ensure that the necessary preparations have been undertaken so that the negotiations begin on time, and are completed as soon as possible. The reform process must continue unabated and the outcome must put trade in agricultural goods on an equal footing with trade in other goods.

Cairns Group Ministerial Meeting, Sydney, Australia

3 April 1998



Ministerial Meeting of  
**Fair Traders in Agriculture**  
Cairns Australia 25-27 August 1986

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MINISTERIAL MEETING OF FAIR TRADERS IN AGRICULTURE

Background

Ministers and representatives of key fair trading countries in agriculture met in Cairns, Australia, 25-27 August 1986 to consider the crisis in world agricultural trade and to identify areas of co-operation and common strategies to bring about lasting solutions.

Ministers, senior officials and farm industry leaders from Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay attended the meeting.

Representatives of the United States of America, Japan and the European Communities were present at the meeting as observers.

A keynote address was given by the Prime Minister of Australia, Mr Bob Hawke. His address highlighted the destruction in agricultural markets and the hardship caused to farmers in non-subsidising agricultural exporting countries by the production and trade policies of the European Community, the United States and Japan. He noted that the welfare of the fair trading nations was being further jeopardised by the senseless trade war between the USA and the European Community and that credibility of the multilateral trading system itself was now in danger.

Mr Hawke called for a halt to the predatory trade policies of the major industrialised countries and for concerted action by the fair trading nations to ensure that the liberalisation of agricultural trade was high on the agenda for the new round of multilateral trade negotiations expected to be launched at Punta del Este, Uruguay, in September 1986.

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MINISTERIAL MEETING OF FAIR TRADERS IN AGRICULTURE

DECLARATION

MINISTERS AGREED THAT THERE WAS AN URGENT NEED TO REFORM AND LIBERALISE AGRICULTURAL TRADE SO AS TO IMPROVE THE ECONOMIC PROSPECTS OF ALL PARTICIPATING COUNTRIES.

MINISTERS NOTED THAT THERE WAS GROWING RECOGNITION OF THE AGRICULTURAL TRADE CRISIS AND ITS CRIPPLING EFFECTS ON THE ECONOMIES OF AGRICULTURAL EXPORTERS, NOTABLY DEBTOR NATIONS, WHOSE ABILITY TO SERVICE THEIR DEBT WAS BEING CONTINUOUSLY ERODED. THIS RECOGNITION WAS REFLECTED IN THE UNDERTAKINGS GIVEN AT THE TOKYO SUMMIT OF SEVEN INDUSTRIALISED COUNTRIES IN MAY 1986 TO WORK TOWARDS A RESOLUTION OF THE PROBLEMS CREATED IN WORLD AGRICULTURAL MARKETS BY THEIR INAPPROPRIATE DOMESTIC POLICIES. MINISTERS WELCOMED THE AGREEMENT IN THE TOKYO COMMUNIQUE ON THE IMPORTANCE OF ADJUSTMENT POLICIES. THEY EXPRESSED THE FIRM VIEW THAT THIS COULD BE ACHIEVED IN AGRICULTURE ONLY BY A PROGRAM OF MARKET LIBERALISATION INCLUDING A MARKED REDUCTION IN THE USE OF AGRICULTURAL SUBSIDIES.

MINISTERS EMPHASISED THE IMPORTANCE OF THE MTN NEGOTIATIONS ADDRESSING AGRICULTURAL TRADE ISSUES AS A HIGH PRIORITY. IN THIS CONTEXT THEY UNDERTOOK TO SEEK THE REMOVAL OF MARKET ACCESS BARRIERS, SUBSTANTIAL REDUCTIONS OF AGRICULTURAL SUBSIDIES AND THE ELIMINATION, WITHIN AN AGREED PERIOD, OF SUBSIDIES AFFECTING AGRICULTURAL TRADE.

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MINISTERS EXPRESSED THE VIEW THAT THE PREPARATIONS MADE IN GENEVA TO DEVELOP A DRAFT MINISTERIAL DECLARATION TO LAUNCH A NEW ROUND OF NEGOTIATIONS HAD ACHIEVED PROGRESS IN SEVERAL AREAS AND REFLECTED MANY OF THE CONCERNS WHICH NEEDED TO BE ADDRESSED. DEFICIENCIES REMAIN, HOWEVER, INCLUDING THE INADEQUATE TREATMENT OF AGRICULTURAL SUBSIDIES AND THE LACK OF A SPECIFIC REFERENCE TO DOMESTIC AGRICULTURAL ADJUSTMENT POLICIES.

MINISTERS NOTED THAT, AT PUNTA DEL ESTE, THE DRAFT DECLARATION WOULD BE SUBJECT TO DISCUSSION AND DECISION AT MINISTERIAL LEVEL FOR THE FIRST TIME. IN THAT CONTEXT THEY ENDORSED THE NEED FOR A STRONG COMMITMENT TO GIVE A HIGH PRIORITY TO RESOLVING THE LONG-STANDING ISSUES IN AGRICULTURE AND TROPICAL PRODUCTS.

MINISTERS SERIOUSLY QUESTIONED THE VALUE OF A NEW ROUND WHICH FAILED TO SOLVE THE LONGSTANDING PROBLEMS IN AGRICULTURAL TRADE.

MINISTERS DECIDED THAT THEY WOULD MEET IN PUNTA DEL ESTE PRIOR TO THE GATT MINISTERIAL MEETING TO ENSURE THAT THEIR CONCERNS REGARDING THE NEGOTIATING OBJECTIVES ON AGRICULTURE ARE ADEQUATELY MET. THIS WOULD BE DONE BY THEIR SEEKING IMPROVEMENTS IN THE DECLARATION ADOPTED SO THAT THERE WOULD BE SUFFICIENT COMMITMENT TO AGRICULTURAL TRADE REFORM AND LIBERALISATION.

MINISTERS ALSO CONSIDERED THAT THE COMMITMENTS ON STANDSTILL AND ROLLBACK WOULD BE A LITMUS TEST OF THE GOOD FAITH OF ALL COUNTRIES IN JOINING THE NEGOTIATIONS. THEY EXPRESSED THE VIEW THAT THE STANDSTILL AND ROLLBACK COMMITMENTS SHOULD SPECIFICALLY COVER ALL AREAS OF TRADE IN GOODS, INCLUDING AGRICULTURE, AND

THAT APPROPRIATE MULTILATERAL SURVEILLANCE SHOULD BE IMPLEMENTED TO THAT END.

MINISTERS AGREED THAT THEY WOULD MEET REGULARLY FOLLOWING THE LAUNCH OF THE NEGOTIATIONS TO OVERSEE THE PROGRESS OF NEGOTIATIONS AND TO ENSURE THAT THE PROBLEMS OF WORLD AGRICULTURAL TRADE REMAIN HIGH ON THE AGENDA FOR INTERNATIONAL ACTION.

IN VIEW OF THE TIME THAT WOULD BE TAKEN FOR THE MTN PROCESS TO ACHIEVE SUBSTANTIAL RESULTS, MINISTERS AGREED THAT ADDITIONAL EFFORTS WERE NEEDED. THESE INCLUDED PRESSURE TO SECURE EARLY CHANGES IN CURRENT DOMESTIC FARM SUPPORT POLICIES OF THOSE COUNTRIES WHOSE POLICIES ADVERSELY AFFECT INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS. BILATERAL, REGIONAL AND JOINT CO-OPERATIVE EFFORTS WOULD BE CONSIDERED.

MINISTERS AGREED THAT THE FAIR TRADING NATIONS SHOULD EXPAND THEIR CONTACT WITH DEVELOPING COUNTRY ECONOMIC AND REGIONAL GROUPS, ESPECIALLY THOSE WITH A FOCUS ON AGRICULTURAL ISSUES.

MINISTERS ALSO AGREED THAT WHILE THE GATT NEGOTIATIONS WERE UNDERWAY THE CAUSES OF AND SOLUTIONS TO THE CURRENT CRISIS IN AGRICULTURAL TRADE SHOULD BE AT THE FOREFRONT OF CONSIDERATION IN ALL RELEVANT INTERNATIONAL FORA SUCH AS THE IMF, WORLD BANK, OECD, FAO, UNCTAD AND UNGA.

MINISTERS WERE CONVINCED THAT SUCH WIDE-RANGING EFFORTS WERE ESSENTIAL IN VIEW OF THE WIDESPREAD MISERY AND DESTRUCTION BEING CAUSED TO EFFICIENT FARMERS AROUND THE WORLD.

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MINISTERS WELCOMED THE PRESENCE AT THE CONFERENCE OF THE OBSERVERS FROM THE UNITED STATES, JAPAN AND THE EUROPEAN COMMUNITY, IN VIEW OF THEIR ECONOMIC IMPORTANCE AND SHARED RESPONSIBILITY FOR THE REFORM OF THE INTERNATIONAL TRADE SYSTEM.

IN PARTICULAR THEY WELCOMED THE STATEMENT BY THE OBSERVER FROM THE UNITED STATES THAT THE UNITED STATES OBJECTIVES IN THE NEGOTIATIONS WILL INCLUDE "THE PHASE OUT OF ALL EXPORT SUBSIDIES AFFECTING TRADE IN AGRICULTURE AND OF ALL OTHER MEASURES THAT RESTRICT ACCESS AND DISTORT TRADE IN AGRICULTURAL PRODUCTS".

MINISTERS EXPRESSED THEIR INTENTION TO CONTINUE THE DIALOGUE ON THESE ISSUES DURING THE COURSE OF THE NEGOTIATIONS.

MINISTERS EXPRESSED THEIR APPRECIATION FOR THE CONTRIBUTIONS OF FARM INDUSTRY REPRESENTATIVES FROM ARGENTINA, AUSTRALIA, CANADA AND NEW ZEALAND IN THE FORMULATION OF STRATEGIES FOR AGRICULTURAL TRADE REFORM. THEY AGREED WITH THE INDUSTRY REPRESENTATIVES THAT THESE EXCHANGES SHOULD BE CONTINUED AND EXPANDED AS PART OF THE FUTURE CONSULTATIONS AMONG THE FAIR TRADING NATIONS.

MINISTERS CONGRATULATED THE GOVERNMENT OF AUSTRALIA FOR ITS INITIATIVE IN CONVENING THIS MEETING. THEY EXPRESSED THEIR GRATITUDE FOR THE WARM HOSPITALITY EXTENDED TO THEM.

CAIRNS

AUSTRALIA

27 AUGUST 1986



MINISTERIAL MEETING OF THE CAIRNS GROUPMINISTERIAL STATEMENT

MINISTERS AND REPRESENTATIVES OF THE MEMBERS OF THE CAIRNS GROUP (ARGENTINA, AUSTRALIA, BRAZIL, CANADA, CHILE, COLOMBIA, HUNGARY, INDONESIA, MALAYSIA, PHILIPPINES, NEW ZEALAND, THAILAND, AND URUGUAY) MET IN OTTAWA 21-23 MAY, 1987. REPRESENTATIVES FROM THE USA, JAPAN AND THE EUROPEAN COMMUNITIES WERE PRESENT AS OBSERVERS AT THE MEETING.

THE KEYNOTE SPEECH WAS DELIVERED BY THE RIGHT HONOURABLE BRIAN MULRONEY, PRIME MINISTER OF CANADA.

MINISTERS REVIEWED INTERNATIONAL DEVELOPMENTS AFFECTING AGRICULTURE, IN PARTICULAR THE LAUNCHING OF A NEW ROUND OF TRADE NEGOTIATIONS UNDER THE GATT AND THE OUTCOME OF THE RECENT MEETING OF MINISTERS OF OECD COUNTRIES, AND DISCUSSED OPTIONS FOR FUTURE ACTION BY THE GROUP.

MINISTERS WELCOMED THE INITIATIVE OF CANADA IN OFFERING TO HOST THE MEETING AND NOTED THAT THIS WAS CONSISTENT WITH THE STRONG SUPPORT GIVEN BY CANADA TO THE GROUP'S ACTIVITIES SINCE ITS INCEPTION AND CANADA'S COMMITMENT TO AGRICULTURAL TRADE REFORM.

MINISTERS NOTED THAT THE CAIRNS GROUP HAS ACHIEVED NOTABLE SUCCESSES IN THE NINE MONTHS SINCE THEY FIRST MET IN CAIRNS, AUSTRALIA.

THE GROUP HAD PLAYED A CRUCIAL ROLE AT THE GATT MINISTERIAL MEETING AT PUNTA DEL ESTE, URUGUAY, IN SEPTEMBER 1986, IN ENSURING THAT FOR THE FIRST TIME AGRICULTURE WOULD BE PLACED AT THE CENTRE OF THE STAGE AND COMPREHENSIVELY DEALT WITH IN A ROUND OF MULTILATERAL TRADE NEGOTIATIONS.

THIS HAD BEEN FOLLOWED IN JANUARY 1987 BY SUCCESS AT THE GATT IN GENEVA IN ACHIEVING A WORKABLE NEGOTIATING STRUCTURE WHICH CLEARED THE WAY FOR ESSENTIAL BACKGROUND WORK TO BE COMPLETED AND PROPOSALS FOR AGRICULTURE TRADE REFORM TO BE LODGED BY END OF 1987.

MINISTERS NOTED THAT GROUP COOPERATION AND THE CONCERTING OF POSITIONS HAD BEEN CONSOLIDATED AND ENHANCED FOLLOWING A MEETING OF SENIOR OFFICIALS IN BANGKOK, THAILAND IN FEBRUARY 1987.

SINCE THAT TIME THERE HAVE BEEN SEVERAL PRODUCTIVE MEETINGS OF EMBASSY REPRESENTATIVES IN KEY CAPITALS TO DISCUSS TRADE AND AGRICULTURAL POLICY DEVELOPMENTS IN HOST COUNTRIES.

ADDITIONALLY, A SYSTEM OF CONTACT POINTS IN EACH CAIRNS MEMBER COUNTRY HAS BEEN ESTABLISHED TO ALLOW FOR TIMELY COMMUNICATION ON MATTERS OF MUTUAL CONCERN.

MINISTERS WELCOMED THE FACT THAT CLOSE GROUP COOPERATION HAD BEEN PARTICULARLY EVIDENT IN THE CRITICAL PREPARATORY PHASE OF NEGOTIATIONS IN GENEVA.

AS AGREED IN BANGKOK, THE GROUP HAS WORKED CLOSELY ON ISOLATING THE BASIC PROBLEMS IN AGRICULTURAL TRADE AND THEIR CAUSES AND IN IDENTIFYING BASIC PRINCIPLES WHICH SHOULD UNDERPIN THE NEGOTIATION OF REFORMS IN THE GATT ROUND. THIS COLLABORATION WAS INFLUENTIAL DURING DISCUSSIONS ON AGRICULTURE IN GENEVA IN FEBRUARY.

MINISTERS NOTED THAT THERE HAVE BEEN ENCOURAGING PARALLEL DEVELOPMENTS IN OTHER INTERNATIONAL MEETINGS.

THEY WELCOMED THE PROPOSALS AND ANALYSIS WHICH WERE PROVIDED BY AUSTRALIA'S PRIME MINISTER AT DAVOS, SWITZERLAND, IN JANUARY AND BY CANADA'S MINISTER FOR INTERNATIONAL TRADE AT THE MEETING HOSTED BY THE NEW ZEALAND GOVERNMENT AT LAKE TAUPO IN MARCH. THESE INITIATIVES HAVE GIVEN CONSIDERABLE IMPETUS TO THE TRADE REFORM DEBATE.

MINISTERS WELCOMED THE WIDE AND GROWING ACCEPTANCE OF THE URGENT NEED FOR REFORM AND IN THIS CONTEXT, WELCOMED THE FAR-REACHING OUTCOME OF THE RECENT OECD MINISTERIAL COUNCIL MEETING IN PARIS IN WHICH AGRICULTURE FEATURED PROMINENTLY. THEY NOTED THAT THE OECD COMMUNIQUÉ CONTAINED AN IMPORTANT SET OF PRINCIPLES ON WHICH AGRICULTURAL REFORM IN ALL COUNTRIES COULD BE BASED. MINISTERS AGREED THAT EARLY ACTION WAS NEEDED TO DE-ESCALATE GLOBAL TENSIONS IN AGRICULTURE.

THEY WELCOMED THE EXPLICIT RECOGNITION BY OECD MINISTERS THAT EXCESSIVE SUPPORT POLICIES ARE AT THE ROOT OF THE DISTORTIONS WHICH PLAGUE AGRICULTURAL TRADE. THEY SAW THIS RECOGNITION AS A MAJOR STEP IN THE DEVELOPMENT OF POLITICAL WILL ESPECIALLY AMONG KEY OECD COUNTRIES, WHICH IS NECESSARY IF THE RHETORIC OF AGRICULTURAL REFORM IS TO BE TRANSLATED INTO CONCRETE COMMITMENTS TO IMPROVE ACCESS AND PROGRESSIVELY PHASE-OUT ALL FORMS OF SUBSIDIES WHICH ADVERSELY AFFECT TRADE.

MINISTERS WELCOMED IN PARTICULAR RECOGNITION BY THE OECD OF THE IMPACT OF AGRICULTURAL TRADE DISTORTIONS ON DEVELOPING COUNTRIES. ACTION TO REMOVE MEASURES DISTORTING TRADE IN COMMODITIES WILL MAKE AN IMPORTANT CONTRIBUTION TO EXPORT PROSPECTS FOR COMMODITY-DEPENDENT DEVELOPING COUNTRIES. THEY NOTED THE SPECIAL IMPORTANCE OF THESE MEASURES FOR THOSE FACING ONEROUS DEBT BURDENS.

MINISTERS NOTED, HOWEVER, THAT EXISTING POLITICAL WILL NEEDS TO BE TRANSLATED INTO ACTUAL REFORM IN THE URUGUAY ROUND CONTEXT. IN THIS REGARD THEY WELCOMED AGREEMENT BY OECD MINISTERS TO PURSUE NEGOTIATIONS VIGOROUSLY AND THE CALL FOR COMPREHENSIVE NEGOTIATING PROPOSALS TO BE TABLED PROMPTLY.

THEY ALSO NOTED THAT ATTENTION HAD BEEN DRAWN IN PARIS TO THE FACT THAT THE PUNTA DEL ESTE DECLARATION PROVIDES FOR AGREEMENTS REACHED AT AN EARLY STAGE TO BE IMPLEMENTED ON A PROVISIONAL OR DEFINITIVE BASIS BY AGREEMENT PRIOR TO CONCLUSION OF THE NEGOTIATIONS. THEY CONSIDERED THAT SUGGESTIONS OF AN "EARLY HARVEST" OR MID-TERM PACKAGE IN THE GATT ROUND SHOULD INCLUDE INTER ALIA, BOTH AGRICULTURE AND TROPICAL PRODUCTS. THEY RECOGNIZED THE PARTICULAR IMPORTANCE OF TRADE IN TROPICAL PRODUCTS FOR A LARGE NUMBER OF DEVELOPING COUNTRIES.

FINALLY, MINISTERS WELCOMED THE COMMITMENT OF OECD COUNTRIES TO REFRAIN FROM INITIATING ACTIONS WHICH WOULD STIMULATE PRODUCTION OF COMMODITIES IN SURPLUS, OR ISOLATE DOMESTIC MARKETS FURTHER FROM INTERNATIONAL MARKETS TO ACT RESPONSIBLY IN DISPOSING OF SURPLUS STOCKS AND REFRAIN FROM CONFRONTATIONAL AND DESTABILIZING TRADE PRACTICES.

MINISTERS AGREED THAT IT WAS VITAL THAT HEADS OF GOVERNMENTS OF ECONOMIC SUMMIT COUNTRIES, AT THEIR MEETING IN VENICE, ITALY IN JUNE, GIVE AGRICULTURE HIGH PRIORITY ON THEIR AGENDA IN ORDER TO REINFORCE THE OECD POLICY COMMITMENTS AND TO PROVIDE IMPETUS TO COMPREHENSIVE NEGOTIATIONS ON AGRICULTURE IN THE GATT ROUND. MINISTERS NOTED, HOWEVER, THAT IN SPITE OF INTENSE ACTIVITY INTERNATIONALLY ON AGRICULTURE OVER THE PAST YEAR, THE PROBLEMS OF LOW PRICES AND SURPLUS PRODUCTION HAD WORSENER. THEY THEREFORE EMPHASIZED THE IMPORTANCE OF KEEPING UP THE POLITICAL MOMENTUM FOR REMEDIAL ACTION TO BE TAKEN IN THE SHORT TO MEDIUM TERM WHILE THE GATT NEGOTIATIONS ARE IN PROGRESS.

MINISTERS EXHORTED THE EUROPEAN COMMUNITY, THE UNITED STATES AND JAPAN TO LIVE UP TO THE SPIRIT AND THE LETTER OF THE COMMITMENTS WHICH WERE EMBODIED IN THE GATT PUNTA DEL ESTE DECLARATION AND IN THE OECD COMMUNIQUÉ OF MAY 13.

WHILE WELCOMING COMMITMENTS TO NEGOTIATE REFORM OF AGRICULTURAL TRADE, MINISTERS NOTED THAT THERE WERE NEVERTHELESS DISTURBING SIGNS THAT FURTHER TRADE DISTORTING MEASURES WERE BEING CONTEMPLATED IN CERTAIN MAJOR TRADING COUNTRIES.

FOR EXAMPLE, WHILE THERE HAVE BEEN POSITIVE SIGNS OF PRICE SUPPORT RESTRAINT IN THE EC WHICH ARE TO BE COMMENDED, MINISTERS EXPRESSED SERIOUS CONCERN OVER PROPOSALS BY THE EUROPEAN COMMISSION TO INTRODUCE A CONSUMER TAX ON VEGETABLE AND MARINE OILS AND FATS. THE MINISTERS WERE OF THE VIEW THAT SUCH A MEASURE WOULD BE INCONSISTENT WITH THE COMMITMENT TO A STANDSTILL WHICH WAS ADOPTED AT PUNTA DEL ESTE. THEY AFFIRMED THAT IT WOULD ADVERSELY AFFECT THE TRADE OF SEVERAL FAIR TRADING COUNTRIES AND WOULD RISK A SERIOUS AND DESTABILIZING TRADE DISPUTE.

IN THE UNITED STATES, MINISTERS NOTED, THE SITUATION POTENTIALLY IS EVEN MORE SERIOUS. DESPITE EFFORTS BY THE ADMINISTRATION DESIGNED TO SUBSTANTIALLY CUT NET EXPENDITURE ON AGRICULTURE, PROTECTIONIST TRADE LEGISLATION CURRENTLY BEFORE THE CONGRESS COULD, IF PASSED, DAMAGE INNOCENT TRADING PARTNERS, BREACH USA GATT OBLIGATIONS AND SEVERELY IMPACT UPON THE INTERNATIONAL CLIMATE FOR REFORM.

NOTABLE AMONGST THESE PROPOSED MEASURES IS THE EXTENSION OF AND INCREASED FUNDING FOR THE EXPORT ENHANCEMENT PROGRAM WHICH HAS ALREADY SO ADVERSELY AFFECTED WORLD GRAIN PRICES.

MINISTERS CALLED UPON ALL COUNTRIES TO RESIST PROTECTIONIST PRESSURES AND URGED AN EARLY COMMITMENT TO INSTITUTING A TRUCE.

AGAINST THIS BACKGROUND, MINISTERS DISCUSSED HOW THE URUGUAY ROUND NEGOTIATIONS ON AGRICULTURE SHOULD PROCEED.

THEY AGREED THAT BASIC PROPOSALS FOR THE NEGOTIATIONS SHOULD BE TABLED IN GENEVA BEFORE THE END OF THE YEAR AND THAT OFFICIALS SHOULD CONTINUE TO WORK ON DEVELOPING PROPOSALS IN A COORDINATED FASHION FOR CONSIDERATION BY THEIR RESPECTIVE MINISTERS, AND WHICH COULD BE SUBMITTED IN GENEVA BY SEPTEMBER.

IN THIS CONTEXT THEY WELCOMED THE INTENTION OF THE UNITED STATES TO TABLE A PROPOSAL FOR THE NEGOTIATIONS AT THE JULY MEETING OF THE URUGUAY ROUND NEGOTIATING GROUP ON AGRICULTURE.

MINISTERS AGREED THAT NEGOTIATIONS SHOULD PROCEED IN GENEVA AT SUCH A PACE THAT, BY THE END OF 1988, AGREEMENT IS REACHED ON AN INTERNATIONAL PROGRAM TO REFORM AND LIBERALISE INTERNATIONAL TRADE IN AGRICULTURE. IN THE INTERIM, MINISTERS URGED THAT ALL GOVERNMENTS FREEZE AND REDUCE SUBSIDY PROGRAMS THAT DISTORT WORLD TRADE, AND THAT THEY SHOULD DO SO AS SOON AS POSSIBLE IN ORDER TO IMPROVE THE NEGOTIATING CLIMATE.



MINISTERS AGREED THAT TO BE SUCCESSFUL, THE NEGOTIATIONS SHOULD INCLUDE THE FOLLOWING BASIC OBJECTIVES:

- INCLUSION OF ALL MEASURES WHICH ADVERSELY AFFECT TRADE IN AGRICULTURE
- A RAPID AND SUBSTANTIAL REDUCTION IN THOSE LEVELS OF SUPPORT FOR AGRICULTURE WHICH DISTORT THE INTERNATIONAL MARKET PLACE.
- ESTABLISHMENT OF NEW GATT RULES OR DISCIPLINES TO ENSURE THE LIBERALISATION OF AGRICULTURAL TRADE.
- AGREEMENT ON SPECIFIC MEASURES FOR THE PHASE-DOWN OF MARKET ACCESS BARRIERS TO TRADE IN AGRICULTURE, AND SUBSIDIZATION AND ALL OTHER MEASURES WHICH HAVE A NEGATIVE EFFECT ON WORLD AGRICULTURAL TRADE.
- AGREEMENT ON PRINCIPLES TO PREVENT DISRUPTION OF WORLD MARKETS IN THE COURSE OF CONTAINMENT OR REDUCTION OF STRUCTURAL SURPLUS STOCKS.

MINISTERS RE-AFFIRMED THAT THE PRINCIPLE OF DIFFERENTIAL AND MORE FAVOURABLE TREATMENT FOR DEVELOPING COUNTRIES AS EMBODIED IN THE GATT AND RELATED INSTRUMENTS AS WELL AS IN THE PUNTA DEL ESTE MINISTERIAL DECLARATION APPLIED TO NEGOTIATIONS ON AGRICULTURE.

MINISTERS AGREED THAT THE VENICE ECONOMIC SUMMIT PROVIDED A SIGNIFICANT OPPORTUNITY FOR THE LEADING ECONOMIC POWERS TO COMMIT THEMSELVES TO REDUCING ALL SUBSIDIZATION AND OTHER

MEASURES WHICH HAVE A NEGATIVE EFFECT ON WORLD AGRICULTURAL TRADE AND TO ADVANCING NEGOTIATIONS TO LIBERALIZE AGRICULTURAL TRADE IN THE URUGUAY ROUND.

MINISTERS COMMENDED THE PRIME MINISTER OF CANADA, THE RIGHT HONOURABLE BRIAN MULRONEY, FOR PLAYING A KEY ROLE IN HAVING AGRICULTURE ADDRESSED AS A MAJOR ITEM OF IMPORTANCE AT THE TOKYO ECONOMIC SUMMIT IN 1986.

MINISTERS HOPED THAT PRIME MINISTER MULRONEY WOULD BE PREPARED TO PLAY A SIMILAR ROLE AT THE VENICE ECONOMIC SUMMIT BY CONVEYING THE IMPORTANCE ATTACHED BY THE GROUP TO A COMMITMENT BY SUMMIT PARTICIPANTS TO ADDRESS URGENTLY THE NEED FOR EARLY AGRICULTURAL TRADE REFORM.

MINISTERS CONGRATULATED THE GOVERNMENT OF CANADA FOR ITS INITIATIVE IN CONVENING THIS MEETING AND EXPRESSED THEIR GRATITUDE FOR ITS HOSPITALITY.

THE NEXT MINISTERIAL MEETING WILL BE HELD IN ARGENTINA AT A TIME TO BE AGREED, IN THE LIGHT OF DEVELOPMENTS.

OTTAWA, 23 MAY 1987

MINISTERIAL MEETING OF THE CAIRNS GROUP

MINISTERIAL STATEMENT

FRIDAY 26 FEBRUARY 1988

BARILOCHE

MINISTERS AND REPRESENTATIVES OF THE MEMBERS OF THE CAIRNS GROUP (ARGENTINA, AUSTRALIA, BRAZIL, CANADA, CHILE, COLOMBIA, HUNGARY, INDONESIA, MALAYSIA, PHILIPPINES, NEW ZEALAND, THAILAND AND URUGUAY) MET IN BARILOCHE 23-26 FEBRUARY 1988. MINISTERS WERE HONOURED BY THE PRESIDENT OF ARGENTINA, DR RAUL ALFONSIN, WHO FORMALLY CLOSED THE MEETING.

IN REVIEWING DEVELOPMENTS SINCE THEY LAST MET, MINISTERS NOTED WITH SATISFACTION THAT KEY OBJECTIVES WHICH THEY HAD SET IN OTTAWA IN MAY 1987 HAD BEEN REALISED. THEY EXPRESSED APPRECIATION FOR THE ROLE WHICH HAD BEEN PLAYED BY PRIME MINISTER BRIAN MULRONEY OF CANADA IN CARRYING THE GROUP'S MESSAGE TO THE VENICE ECONOMIC SUMMIT AND IN GAINING REAFFIRMATION OF THE OECD'S CALL FOR THE URGENT REFORM OF WORLD AGRICULTURAL TRADE.

MINISTERS NOTED ALSO THAT THE GROUP'S CALL FOR THE TABLING OF NEGOTIATING PROPOSALS BY ALL OF THE MAJOR PARTICIPANTS IN THE URUGUAY ROUND HAD BEEN MET. THE TABLING OF THE CAIRNS GROUP PROPOSAL, BY THE AUSTRALIAN PRIME MINISTER BOB HAWKE, IN OCTOBER 1987 WAS A MAJOR ACHIEVEMENT. IN PARTICULAR,

MINISTERS EXPRESSED SATISFACTION AT THE WORK UNDERTAKEN BY THE CAIRNS GROUP AND THE CONSTRUCTIVE SPIRIT WHICH HAD BEEN SHOWN BY ITS MEMBERS TO ENABLE THE TABLING OF THE MOST COMPREHENSIVE AND CONCRETE PROPOSAL BY ANY PARTICIPANT.

MINISTERS REVIEWED PROGRESS IN THE URUGUAY ROUND GROUP FOR NEGOTIATIONS ON AGRICULTURE IN LIGHT OF THE NEGOTIATING PROPOSALS LODGED IN GENEVA OVER THE COURSE OF 1987. THEY EXAMINED THE VARIOUS POINTS OF SIMILARITY AND DIFFERENCE CONTAINED IN THESE PROPOSALS. WHILE WELCOMING THE PROGRESS ACHIEVED TO DATE AND AGREEING THAT THE PROPOSALS HAD PROVIDED A SUFFICIENT BASIS FOR MOVING THE NEGOTIATING PROCESS INTO ITS SUBSTANTIVE PHASE, MINISTERS RECOGNISED THAT A MAJOR CHALLENGE CONFRONTING THE GROUP WAS TO MAINTAIN THE MOMENTUM OF THE NEGOTIATIONS IN 1988.

WHILE ENCOURAGED BY THE THRUST OF INTERNATIONAL DEBATE WHICH CONTINUES TO RECOGNISE THE NEED TO ADDRESS AGRICULTURAL TRADE PROBLEMS AND TO FOCUS ON THE REFORM OF DOMESTIC SUPPORT POLICIES, MINISTERS EXPRESSED DISAPPOINTMENT AT THE SIGNIFICANT AND GROWING GAP BETWEEN RHETORIC AND PRACTICE. THEY NOTED THAT ACTIONS TO REDUCE SUBSIDIES AND INCREASE ACCESS BY THE MOST TRADE DISTORTING COUNTRIES FELL WELL SHORT OF WHAT IS REQUIRED FOR SUSTAINED REFORM. SINCE THEIR LAST MEETING, MINISTERS NOTED THAT COMPETITIVE SUBSIDY PRACTICES HAVE INTENSIFIED AND REDUCTIONS IN MARKET ACCESS OPPORTUNITIES

HAVE OCCURRED OR ARE CURRENTLY THREATENED FOR SOME COMMODITIES, INCLUDING VEGETABLE OILS, APPLES, BEEF, SHEEPMEAT, GRAINS, FLOUR, DAIRY PRODUCTS AND POULTRY.

IN THIS REGARD, MINISTERS NOTED WITH DEEP CONCERN THAT THE COMMITMENTS AND SPIRIT OF STANDSTILL AND ROLLBACK ENTERED INTO AT PUNTA DEL ESTE AND REINFORCED BY THE OECD MINISTERIAL MEETING AND VENICE ECONOMIC SUMMIT HAD NOT GENERALLY BEEN OBSERVED IN THE CASE OF AGRICULTURE, AND CALLED UPON ALL PARTICIPANTS TO HONOUR THESE COMMITMENTS. MINISTERS DECIDED TO KEEP THIS MATTER UNDER CONTINUAL REVIEW.

MINISTERS IDENTIFIED THE MINISTERIAL MID-TERM REVIEW OF THE URUGUAY ROUND SCHEDULED FOR EARLY DECEMBER 1988 IN MONTREAL AS A PARTICULARLY APPROPRIATE AND IMPORTANT OPPORTUNITY TO ACHIEVE SUBSTANTIVE INTERIM RESULTS IN THE AGRICULTURE NEGOTIATIONS. THE OUTCOME OF THE MID-TERM REVIEW SHOULD SECURE A FIRM COMMITMENT ON THE ELEMENTS OF A LONG-TERM FRAMEWORK FOR AGRICULTURAL REFORM. THIS FRAMEWORK SHOULD BE UNDERPINNED BY APPROPRIATELY REFORMED AND STRENGTHENED GATT RULES, PARTICULARLY IN RESPECT OF ELIMINATING BOTH DOMESTIC AND EXPORT SUBSIDIES AND QUANTITATIVE AND OTHER IMPORT RESTRICTIONS NOT EXPLICITLY PROVIDED FOR IN THE GATT.

MOREOVER, IN ORDER TO REINFORCE THE POLITICAL COMMITMENT AND TO PROVIDE EARLY IMPROVEMENTS IN THE AGRICULTURAL TRADING

ENVIRONMENT, MINISTERS AGREED THAT THE GROUP SEEK FROM THE MID-TERM REVIEW ACCEPTANCE OF A PROGRAM OF MEASURES FOR IMMEDIATE IMPLEMENTATION, WITHOUT PREJUDICE TO OTHER PRIORITIES ESTABLISHED IN THE PUNTA DEL ESTE DECLARATION. SUCH MEASURES WOULD INCLUDE A CONTRACTUAL FREEZE AND PHASED REDUCTION OF AGRICULTURAL SUPPORT AND PROTECTION FOCUSED ON THE MOST TRADE DISTORTING POLICIES. THIS WOULD CONSTITUTE A GENUINE DOWN-PAYMENT ON LONG-TERM REFORM. SHORT-TERM ACTION MUST BE DIRECTLY LINKED TO AND CONSISTENT WITH LONG-TERM REFORM.

IN THIS REGARD, MINISTERS AGREED THAT THE RESULT OF THE MID-TERM REVIEW SHOULD ENCOMPASS:

- . FREEZE FOLLOWED BY REDUCTIONS IN GLOBAL SUPPORT FOR AGRICULTURE IN 1989-90.
- . FREEZE FOLLOWED BY REDUCTION IN PRODUCTION AND EXPORT SUBSIDIES IN 1989-90.
- . IMMEDIATE INCREASES IN ACCESS OPPORTUNITIES IN 1989-90.
- . AGREEMENT ON THE MANAGEMENT OF SURPLUSES, SO AS TO AVOID THE DISRUPTION OF WORLD MARKETS.

MINISTERS CONSIDERED THAT SUCH AN OUTCOME WOULD CONSTITUTE A PRODUCTIVE FIRST STEP TOWARDS THE OBJECTIVES AGREED IN

THE URUGUAY DECLARATION. TO THAT END, THEY CALLED UPON OTHER PARTICIPANTS TO SHARPEN THEIR FOCUS ON WHAT IS NECESSARY IN 1988 TO ESTABLISH THE OUTLINE OF A LONG-TERM FRAMEWORK FOR WORLD TRADE IN AGRICULTURE.

MINISTERS OUTLINED THE ELEMENTS OF A STRATEGY AND PROGRAM OF ACTION THAT WOULD BEST ACHIEVE THE GROUP'S OBJECTIVES FOR 1988. THEY AGREED:

. THAT THERE EXISTED A NEED TO MORE CLEARLY DEFINE THE ELEMENTS OF A COMPREHENSIVE FRAMEWORK AND FURTHER REFINE AND ELABORATE THE CONCEPT OF A DOWN-PAYMENT ON LONG-TERM REFORM. THIS SHOULD BE DONE BEFORE MID-YEAR.

. THAT THE CAIRNS GROUP WOULD UTILISE ALL AVAILABLE AND APPROPRIATE OPPORTUNITIES OPEN TO ITS MEMBERS TO SEEK THE WIDEST POSSIBLE SUPPORT FOR THE GROUP'S OBJECTIVES. THESE WOULD INCLUDE INFORMAL MEETINGS OF WORLD TRADE OR ECONOMIC LEADERS.

. THAT THIS YEAR'S OECD MINISTERIAL MEETING, WORLD FOOD COUNCIL MEETING, AND TORONTO ECONOMIC SUMMIT WOULD BE IMPORTANT OPPORTUNITIES FOR MAINTAINING THE PRESSURE FOR REFORM, AND MEMBERS AGREED TO UTILISE THEIR RESOURCES TO INFLUENCE POSITIVELY THE OUTCOME OF THESE MEETINGS.

. THAT THE GROUP SHOULD EXTEND THE DIALOGUE WITH OTHER PARTICIPANTS, INCLUDING IN PARTICULAR OTHER DEVELOPING COUNTRIES, WITH AN INTEREST IN AGRICULTURAL TRADE. PARTICULARLY WITH REFERENCE TO NET IMPORTING DEVELOPING COUNTRIES, THEY AGREED TO FOCUS ON THE FACT THAT THE PRESENT AGRICULTURAL SITUATION LEADS TO A CONCENTRATION OF SUPPLY IN THE HANDS OF COUNTRIES WHOSE TREASURIES ARE ABLE TO SUPPORT AND SUBSIDISE AGRICULTURAL PRODUCTION AND EXPORTS. SHOULD THIS CONTINUE, DEVELOPING COUNTRIES WILL INCREASE THEIR DEPENDENCE ON FOOD IMPORTS, AFFECTING THEIR FOOD SECURITY.

REFERRING TO THE MAIN DEVELOPED COUNTRIES, MINISTERS NOTED THE NEED TO FURTHER PROMOTE LIBERALISATION, WITH PARTICULAR EMPHASIS ON ACCESS TO MARKETS. FURTHER DEVELOPMENT OF THE POSITIONS OF THESE COUNTRIES WILL BE NECESSARY IN ORDER TO ACHIEVE PROGRESS IN THE NEGOTIATIONS.

MINISTERS URGED THAT THE CHAIRMAN OF THE AGRICULTURE NEGOTIATING GROUP ESTABLISH AN INFORMAL GROUP OF WIDELY REPRESENTED INTERESTED PARTIES AT AN EARLY STAGE.

MINISTERS REAFFIRMED THEIR COMMITMENT TO THE APPLICATION OF THE PRINCIPLE OF DIFFERENTIAL AND MORE FAVOURABLE TREATMENT FOR DEVELOPING COUNTRIES, AS PROVIDED FOR IN THE PUNTA DEL ESTE DECLARATION AND ELABORATED IN THE CAIRNS GROUP'S AGRICULTURE NEGOTIATING PROPOSAL. THEY AGREED THAT THE GROUP WOULD



FURTHER ELABORATE THIS ELEMENT OF ITS PROPOSAL, INCLUDING MODALITIES OF ITS APPLICATION AS SOON AS POSSIBLE IN 1988.

IN RECOGNITION OF THE NEED TO MINIMISE THE TRADE IMPACT OF SANITARY AND PHYTOSANITARY MEASURES AND REMOVE AND PROHIBIT THE FUTURE USE OF THOSE MEASURES THAT REPRESENT UNJUSTIFIED TRADE BARRIERS, MINISTERS ALSO RESOLVED THAT THE GROUP SHOULD FURTHER DEVELOP ITS PROPOSALS AND SEEK TO GIVE IMPETUS TO NEGOTIATIONS IN THIS AREA. MINISTERS AGREED THAT THE GROUP WOULD ESTABLISH A TECHNICAL WORKING GROUP FOR THESE PURPOSES.

IN ORDER TO DEVELOP THE GROUP'S POSITIONS, MINISTERS SAW A CONTINUING NEED FOR CLOSE LIAISON AND COOPERATION IN GENEVA, INCLUDING AS APPROPRIATE FURTHER MEETINGS OF CAPITAL-BASED OFFICIALS.

THE MINISTERS REITERATED THEIR SUPPORT EXPRESSED IN THEIR OTTAWA MEETING ON THE NEED TO OBTAIN AN EARLY RESULT ON TROPICAL PRODUCTS. PROGRESS ON THIS SUBJECT SHOULD NOT BE LINKED WITH OTHER AREAS OF THE NEGOTIATIONS.

THEY AGREED THAT MINISTERS WOULD NEED TO BE CLOSELY INVOLVED IN THE PREPARATION OF THE GROUP'S POSITIONS FOR THE MID-TERM REVIEW, AND WOULD MEET AS NECESSARY LATER THIS YEAR.

FINALLY, MINISTERS CONGRATULATED THE GOVERNMENT OF ARGENTINA FOR ITS INITIATIVE IN CONVENING THIS MEETING AND EXPRESSED THEIR GRATITUDE FOR ITS HOSPITALITY.

10-12 November 1988

Ministerial Meeting of the Cairns Group  
Ministerial Statement

Saturday 12 November 1988  
Budapest

Ministers and representatives of members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay) met in Budapest 10-12 November 1988. Ministers were honoured by the presence of His Excellency Károly Grósz, Prime Minister of Hungary, who delivered the opening address.

Representatives from the European Economic Community, Japan and the United States attended as observers the opening session of the meeting.

Ministers reviewed the progress made by the Cairns Group in developing and seeking support for its negotiating position in line with undertakings given when they met in Bariloche last February. Ministers noted with satisfaction that all the major elements of the Group's work program and strategy had been met.

Ministers at Bariloche identified the Mid-Term Review of the Uruguay Round to be held in Montreal in December as a unique opportunity to achieve substantive interim results

on agriculture. In support of its Mid-Term Review objectives, the Cairns Group tabled in Geneva in July the most comprehensive set of proposals of any participant in the negotiations.

These proposals call for participants at the Mid-Term Review to register a firm commitment to negotiate a long-term framework for world agricultural trade involving a program of progressive reductions in trade distorting agricultural support and protection and resulting in a reformed and strengthened GATT regime for agriculture. In addition the proposals seek agreement at Montreal to a package of early action measures for immediate implementation, including a freeze on, and reduction in, trade distorting agricultural support in 1989 and 1990.

Ministers also expressed satisfaction that the Cairns Group proposals for the Mid-Term Review had begun the elaboration of the Group's ideas for the application of differential and more favourable treatment for developing countries. They requested officials to further develop the Group's ideas on this aspect as the negotiating process evolves.

Ministers commended work carried out in recent months aimed at further developing the Group's ideas on the construction and use in the negotiations of an aggregate measure of support, the application of the "freeze" concept in down-payment, and approaches to negotiations on sanitary and phytosanitary measures.

Ministers noted that support for the Cairns Group's Mid-Term Review objectives had been pursued through active and effective ministerial and official representations in appropriate bilateral and plurilateral fora. Informal consultations with

a range of participants in the negotiations had also provided opportunities to explain and discuss the Group's proposals and to present the case for a substantive and early outcome on agriculture.

Ministers reviewed the various political and economic influences that had shaped the negotiating environment over the course of 1988. They noted that although the Toronto Economic Summit declaration had sought to give impetus to the negotiations in calling for the establishment at Montreal of a framework approach covering short-term and long-term elements, events and developments particularly in the United States and the European Community had not been conducive to generating the momentum that had characterised the initial stages of the negotiations. Ministers regretted the fact that standstill and rollback commitments entered into at Punta del Este had not been honoured by major trading partners.

Ministers also noted that recent improvements in a number of agricultural markets had proved a mixed blessing. While providing welcome relief to farmers, some governments had seen these developments as diminishing the urgency to seriously tackle agricultural trade problems. Ministers stressed that failure to undertake a concerted effort to alter the extent and structure of agricultural support arrangements would inevitably return world markets to the depressed conditions prevailing throughout the first half of this decade.

Ministers considered the impact of the Cairns Group's proposals on the agricultural negotiations, against the background of the evolving positions of other participants. Many in the negotiations had recognised the positive and constructive character of the Group's proposals and

indicated that aspects could serve as a possible basis for further negotiations. Ministers regretted however that other major participants had not been prepared to enter into substantive negotiations on that basis. There appeared to be insufficient common ground particularly between the positions of the United States and the European Community to facilitate progress in addressing key outstanding issues. Furthermore, the lack of negotiating flexibility displayed by those two participants posed a serious threat to achieving a successful outcome not only from the Mid-Term Review but also from negotiations over the remainder of the round.

Ministers noted that the United States was seeking agreement at Montreal to the complete removal of all trade-distorting agricultural support and had effectively made this a precondition for progress on other aspects of the negotiations, including short-term actions. Ministers reconfirmed the Cairns Group's support for the long-term goal of full and comprehensive agricultural trade liberalization. They regretted that some participants had not shown a readiness to commit themselves to the attainment of this goal by the time of the Mid-Term Review and stressed that long-term reform of agriculture remains the key to a successful outcome of the Uruguay Round. Ministers were therefore convinced that political decision on long-term elements of the type contained in the Cairns Group proposal for a framework approach must be taken at the time of the Mid-Term Review to ensure that the two years that remain for negotiations are used productively.

Ministers expressed their concern that the latest elaboration of US views contained nothing meaningful on a freeze and first steps towards long-term reform. It was not sufficient to indicate a readiness to discuss the terms and conditions after the Montreal meeting was over. This US

approach represented a serious threshold obstacle to the Mid-Term Review negotiating process. It was important that the United States provide a clear, unqualified undertaking to seek agreement at Montreal to a package of early-action measures to initiate multilateral agricultural reforms with the simultaneous acceptance by other trading partners of the need and objectives of long-term reform. An elaborated US response to the ideas proposed by the Cairns Group on downpayment was urgently required.

Ministers welcomed the emphasis placed by the United States on the need for agricultural reform to be based firmly on policy-specific adjustments, an approach central to Cairns Group thinking. In this respect, they noted the ideas recently advanced by the United States for a "tariffication" approach to reductions in border protection combined with a program to address all direct and indirect subsidies. It was envisaged that these ideas would be studied closely in 1989 along with other proposals which warranted further consideration.

Ministers expressed serious disappointment at the lack of definition of the European Community's long-term position. Community proposals tabled thus far were found to be inadequate, failing to provide any clear indication on the direction and pace of longer-term agricultural reform. In addition, the reform mechanism proposed by the Community, with respect to both the long and short term, offered no guarantee of concerted action to directly address those policies that lie at the heart of agricultural trade problems. This deficiency was particularly apparent in the Community's proposals for the short term which lacked any commitment to improve access opportunities and wind back the use of subsidies. Even the Community's notion of a freeze would provide no certainty that use of protectionist and support

policies would be restricted to current levels. Accordingly ministers called upon the European Community urgently to clarify and elaborate its proposal in order that serious negotiations can be engaged to remove distortions in agricultural trade.

Ministers welcomed recent moves by Japan to begin the liberalisation of parts of its agricultural regime and the more active role it was seeking to take in the negotiations. However Japan's call for certain basic foodstuffs to be exempted from the full force of multilateral reform was considered inconsistent with the comprehensive reform objectives of the agricultural negotiations.

Ministers noted, however, that many developing countries were concerned to ensure that future agricultural and trade reform mechanisms did not prejudice their domestic food requirements in the framework of overall economic development.

Ministers reaffirmed their support for the Mid-Term Review objectives and principles set out in Cairns Group's proposals tabled in July this year. They noted the importance of the Mid-Term Review to provide a framework which would give impetus and guidance to negotiations over the remainder of the Round. The early action measures proposed by the Cairns Group were realistic in scope and well within the grasp of participants.

Agreement at Montreal to take immediate and initial reform steps, in the form of a freeze followed by cutbacks in trade distorting support and protection, including increases in access opportunities and reductions in subsidies, consistent with long-term goals would help consolidate and extend



recent improvements in world markets. It would also provide a much needed expression of political commitment to agricultural negotiations aimed at a long-term framework involving progressive reductions in trade distorting support and protection and the application of appropriately strengthened GATT rules and disciplines.

Cairns Group ministers urged other participants to enter into immediate and substantive negotiations to ensure a successful outcome on agriculture in Montreal and thereby provide a sound basis for negotiations over the remainder of the round. They cautioned, however, that continued resistance on the part particularly of the United States and European Community to demonstrate the requisite degree of negotiating flexibility could seriously jeopardise the Mid-Term Review.

Failure to reach positive results on agriculture in Montreal would mean failure of the Mid-Term Review. This would seriously jeopardise overall prospects for the Uruguay Round and represent a serious set-back in efforts to strengthen the international trading system.

Ministers welcomed the kind offer of the Government of New Zealand to host the next Ministerial Meeting of the Cairns Group at the time to be determined.

Finally, Ministers congratulated the Government of Hungary on its initiative in convening this meeting and expressed their gratitude for its hospitality.

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MTN.TNC/W/17  
21 March 1989

Special

Distribution

CAIRNS GROUP MINISTERIAL STATEMENT OF  
SUNDAY, 19 MARCH 1989

Ministers and representatives of members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay) met in Waitangi 17-19 March 1989.

Representatives from the Commission of the European Communities, Sweden and the United States attended as observers at the opening session of the meeting.

The purpose of the meeting was to assess developments in the negotiations on agriculture since the Group last met at Ministerial level in Budapest in November 1988 and the mid-term review meeting in Montreal in December, and to determine the Group's position for negotiations leading to the meeting of the Trade Negotiations Committee to be held in Geneva in early April. That meeting will review the entire package of Uruguay Round topics, including agriculture and the three other issues which could not be resolved at Montreal.

Ministers reiterated their deep disappointment at the failure of the Montreal meeting to contribute to a satisfactory agreement on agriculture. They regretted also the serious loss of momentum of the Uruguay Round negotiations in the first quarter of this year. This had resulted from a lack of flexibility on the part of the United States and the European Community and their failure to demonstrate the political commitment needed to bridge fundamental differences over objectives for long-term reform of agricultural trade.

Ministers regretted that the impasse between the United States and the European Community at Montreal had prevented detailed consideration of the Group's own proposals. In particular no serious consideration had been given at Montreal to proposals for short term action in the form of a freeze and cutback in trade distorting support and protection to the end of the Round.

Against this background, Ministers considered it vital that negotiations over the coming weeks succeed in establishing the framework for long-term reform resulting in substantial, progressive and sustained reductions in agricultural support and protection. This framework, to be elaborated during the subsequent process of the negotiations, should be based on the objective of full liberalization of agriculture and its complete integration into the general rules and disciplines of the GATT. It should encompass, as outlined in proposals by the Cairns Group, the elaboration of new GATT rules and disciplines, including the elimination of country specific exceptions and the determination of the measures and actions to be taken for implementing the reform process.

Ministers considered that adoption of target dates for developing new GATT rules, for examining the rôle in the negotiations of aggregate measures of support, and for indicating how national policies would be modified to conform with new rules, would help focus negotiations on the reform process.

Ministers reaffirmed the importance of securing agreement to both a freeze and cutback in support and protection. Such short term commitments were necessary to demonstrate the willingness of the major industrialized countries to arrest and reverse a major cause of tension in world trade. A freeze capturing the status quo in agricultural support would prevent backsliding and would be a necessary pre-condition for embarking on long-term agricultural reform. Cutback would be the start of this process.

Ministers agreed that, to be effective, the freeze and cutback would need to be specifically applied to administered support prices, export subsidy expenditures, both overall and commodity specific, and production control arrangements. In this context Ministers also agreed that market access levels be maintained and improved.

In this regard Ministers reaffirmed their view that the basic ingredients for progress on both the short and long-term elements remained as outlined in the Group's own comprehensive negotiating proposal.

Ministers noted that there had been some changes in the negotiating environment since Montreal. In particular, the United States and European Community had recently commenced a dialogue aimed at narrowing differences.

Ministers welcomed indications of flexibility on the part of the United States. They considered, however, that more evidence was required of United States' preparedness to negotiate fundamental adjustments to its farm policy in both the short and long-term, including commitments on export subsidization, market access and supply controls. Moreover they were disturbed to note recent reports suggesting that the United States was prepared to intensify competitive export subsidization aimed at exercising leverage in the negotiations.

Ministers expressed regret however, that this changed atmosphere had yet to result in substantive progress in the consultations convened by Mr. Arthur Dunkel.

Ministers expressed their particular concern at the stance of the European Community. The Community has given no clear indication of its commitment to comprehensive long-term agricultural reform. The Community continues to advocate use of an overall measure of support as the basic tool for reform in both the long-term and short-term and has been reluctant to consider commitments bearing directly on fundamental elements of the Common Agricultural Policy, such as administered support prices, export subsidies, and market access barriers.

The Community has been insisting on credit for reforms of the Common Agricultural Policy undertaken since 1984. While recognizing that some steps had been taken by the Community, Ministers noted that measures had been adopted unilaterally by a number of countries, among them many developing countries, which

have also had a positive effect on agricultural trade. They considered however, that any incorporation of credit into the long-term reform programme should be based on the demonstrated positive impact of measures instituted since the beginning of the Uruguay Round, balanced against actions that have had a negative effect. Ministers believe that, in any case, the question of credit should not be addressed in relation to short-term commitments.

Ministers noted that the Community has been seeking to rebalance protection and support amongst agricultural sectors in a manner which would allow some commodities to receive increased protection. They firmly rejected this approach which was contrary to the trade liberalization objectives of the Uruguay Round.

Ministers urged the European Community to modify its negotiating position in a way which would contribute constructively towards a negotiating framework that would provide for the establishment of an open, fair and market-oriented agricultural trading system and to bring agriculture fully within strengthened GATT rules and disciplines. This framework would be effected through negotiation of a reform process driven by progressive and sustained action to reduce agricultural support and protection across the full range of trade distorting policies.

The Cairns Group would continue to analyse carefully the implications for the treatment of access barriers of the "tariffication" concept introduced into the negotiations last year. Ministers consider it to be a constructive contribution to the debate on reform mechanisms and one that should be analysed in depth in post-April negotiations.

Ministers urged Japan to play a more active rôle in the process of agricultural reform. Japan's proposal to insulate certain "basic foodstuffs" from the full force of the liberalization process was also examined. Ministers considered that product-specific exemptions were inconsistent with the comprehensive nature of the reform effort and would threaten to

perpetuate existing distortions in agricultural trade. In this context Ministers stressed that food security cannot serve as a disguised form of protectionism.

At the same time, Ministers noted that many developing countries were concerned to ensure that future agricultural and trade reform mechanisms did not prejudice their domestic food requirements in the framework of overall economic development.

Ministers reaffirmed their commitment to the principle of differential and more favourable treatment for developing countries. They expressed the need for participants in the consultations to reach consensus on the Group's approach to this issue, noting at the same time that a considerable number of countries have already expressed their support for it. They referred, in particular, to the part of the proposal that developing countries be exempted from contributing to short term undertakings.

Ministers indicated that in negotiating the long-term framework the modalities of application of differential and more favourable treatment for developing countries should be specified.

Ministers noted the concerns expressed by some food importing developing countries over the possible adverse impact on their economies of agricultural trade reform. Ministers acknowledged the importance of continued dialogue with those countries with a view to identifying the problems associated with the process of reform and to what extent they could be addressed within the GATT framework and in cooperation with other institutions. At the same time Ministers confirmed their view that all participants would benefit from liberalization of trade in agriculture and other areas of interest to developing countries covered by the Uruguay Round.

Ministers noted that there appeared to be emerging consensus among participants on the broad objectives for the negotiations on sanitary and phytosanitary measures, including greater transparency and harmonization of regulations, the basing of

measures on sound scientific evidence and the need to recognize the principle of equivalence, technical assistance for developing countries and the establishment of consultative and dispute settlement mechanisms.

As a result of their discussions, Cairns Group Ministers stressed that the consultative process in Geneva would not be successfully concluded if the views of the Cairns Group were not taken fully into account.

Ministers expressed their commitment to securing a positive result on agriculture at the TNC meeting in April. This would be essential to restore momentum to the Uruguay Round. On the other hand, Ministers cautioned that a lack of political will to secure a satisfactory agriculture agreement would mean failure in the TNC meeting in April. This would seriously jeopardize overall prospects for the Uruguay Round and represent a serious setback to efforts to strengthen the multilateral trading system.

Ministers welcomed the kind offer of the Government of Thailand to host the next Ministerial meeting of the Cairns Group at a time to be determined.

Finally, Ministers congratulated the Government of New Zealand on its initiative in convening this meeting and expressed their gratitude for its hospitality.

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MTN.GNG/NG5/W/175  
24 July 1990

Special

Distribution

Original: English

Negotiating Group on Agriculture

SANTIAGO MEETING OF CAIRNS GROUP MINISTERS: 4-6 JULY 1990

PRESS COMMUNIQUE AND CONCLUSIONS

Submitted by Australia on Behalf of the Cairns Group

Communiqué

1. Ministers and representatives of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Philippines, New Zealand, Thailand and Uruguay) met in Santiago de Chile from 4-6 July 1990. Poland attended the meeting and participated in all the working sessions as an observer. Observers from the European Community and the United States also attended the public sessions.
2. The Ministers were honoured by the presence of the President of Chile, Don Patricio Aylwin A., who addressed the meeting.
3. Ministers expressed deep concern at the slow progress in the agriculture negotiations, and, with only five months of the Uruguay Round remaining, Ministers stressed the danger of a crisis developing from the failure of others to move the negotiations forward. They urged the major industrial countries to commit themselves to an ambitious and comprehensive agricultural reform package so as to allow an acceptable framework to be agreed at the meeting of the Trade Negotiations Committee in Geneva in the week beginning 23 July.
4. Ministers noted the major economic restructuring efforts and trade liberalizing programmes being implemented by many countries in Latin America, Central and Eastern Europe, and the



Asia/Pacific region. Ministers called upon the industrialized countries to recognize that a successful outcome to the Uruguay Round, including significant agricultural reform and trade liberalization, is critical to the continuation of this trend.

5. Ministers stressed that participants at the Summit of major industrialized countries meeting in Houston from 9-11 July would need to ensure that the Uruguay Round, especially agriculture, was given top priority.

6. In this regard, Ministers welcomed the overall thrust of the proposal for an agriculture "profile" put forward recently by the Chairman of the Uruguay Round Agriculture Negotiating Group. In particular they welcomed the fact that his text called for specific commitments on the four essential elements; namely internal support, border protection, export competition and sanitary and phytosanitary provisions. Ministers agreed on the importance of strengthening GATT rules and disciplines and making them operationally effective.

7. Ministers welcomed the emphasis in the Chairman's text on market access liberalization being provided through the conversion of non-tariff measures to tariffs and the subsequent reduction of existing and converted tariff barriers. In this context Ministers reiterated that the concept of re-balancing involving sustained or increased levels of protection and trade distortion for any product was totally unacceptable.

8. Ministers welcomed the provision for export subsidies to be submitted to disciplines which would ensure they were driven down at a faster rate than other elements of the reform package. Indeed, Ministers emphasized that they continued to regard the progressive elimination of export subsidies as a key objective for the Round.

9. Ministers were disappointed that the Chairman's text confined reductions in internal support to use of an aggregate measure rather than specific policy commitments.

10. Ministers, while welcoming the recognition given in the Chairman's text to the legitimate needs of developing countries consider that in several respects it falls short of the Cairns Group proposal. Ministers agreed that special consideration should be given to rural poverty alleviation and environmental protection programmes.

11. Ministers reiterated, in the context of the war against drugs, the need for support to be given to producers in areas in some developing countries to encourage diversification away from illicit narcotic crops, as noted in the Chiang Mai Ministerial Statement. Accommodation of these matters would need to be found in the course of the negotiations.

12. Despite the misgivings noted above, Cairns Ministers recognized the effort the Chairman had made to provide a way forward in the limited time available. They were therefore prepared to accept his text as a minimum basis for negotiations post July, on the understanding that the four major elements earlier mentioned are jointly negotiated.

13. In this same light, Cairns Ministers urged all other participants to accept the text as the basis for on-going negotiations. They commended this view to the Houston Summit of industrial nations. In this regard, they particularly called on the European Community, the United States and Japan, as major trading powers, to meet their responsibilities and to make the contributions required of them in these negotiations.

14. Finally, Ministers renewed their determination that the Round cannot and will not conclude, in whole or in part, without a substantial outcome on agriculture. They agreed that if necessary they would meet again in advance of the Brussels Trade Negotiations Committee meeting to reach a final determination on the agricultural package. In the interim, Ministers will maintain close co-ordination in order to ensure that Cairns' objectives would be achieved.

### Conclusions

1. Ministers and representatives of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, the Phillipines, New Zealand, Thailand and Uruguay) met in Santiago de Chile from 4-6 July 1990. Poland attended the meeting and participated in all the working sessions as an observer. Observers from the European Community and the United States also attended the public sessions.

2. The meeting provided an opportunity for Cairns Group Ministers to assess the current state of the agriculture negotiations in the Uruguay Round, and to consider the Group's approach over the last months of the Round.
3. Ministers reviewed the contribution of the Cairns Group to the evolution of the negotiations in Geneva since their last meeting in Chiang Mai, Thailand. Ministers noted the positive impact of the Cairns Group comprehensive negotiating proposal of November 1989 on the negotiations and the contribution that Cairns Group countries had since made to the elaboration of trade liberalization objectives in the Geneva negotiations. These efforts had maintained a central rôle for the Cairns Group - a rôle that Ministers were adamant must continue over the remaining months of the Round given the importance of world agricultural trade reform to their economies.
4. Ministers also welcomed the contribution which the Cairns Group had made towards achieving a draft text on the trade related aspects of sanitary and phytosanitary measures. Ministers underlined that effective multilateral disciplines in this area, aimed at reducing the use of such measures as unjustified barriers to trade, are a necessary condition for an agricultural package. They urged other participants to make maximum progress by demonstrating greater readiness to accept GATT disciplines over their actions in this field.
5. Ministers expressed deep concern that the rate of progress in the agriculture negotiations generally remained dangerously slow, despite the insistence of Cairns Group countries that work should be accelerated. With less than five months of the negotiating period remaining there was not yet agreement on the modalities needed to meet the Ministerial mandate of substantial and progressive reductions in support and protection and the correction and prevention of trade distortions.
6. Ministers noted the major economic restructuring efforts and trade liberalizing programmes being implemented by many countries in Latin America, Central and Eastern Europe, and the Asia/Pacific region. Restructuring must be accompanied by growth and agriculture trade reform is a key ingredient in this. Ministers called upon the industrialized countries to recognize

that a successful outcome to the Uruguay Round, including major agricultural reform and trade liberalization, is critical to the continuation of this trend. Continued political support for open trade policies in these countries would be severely prejudiced if the Uruguay Round did not result in substantial trading opportunities in areas where they enjoyed comparative advantage.

7. Ministers also recognized that the shrinking of markets of interest to developing countries due to protectionist measures can cause serious damage to the environment. Low income for farmers, and limited access to markets and new technologies, can lead to inadequate use of land and over-exploitation of forestry resources with a negative impact on the environment.

8. Ministers found unacceptable the lack of recognition by some other participants in the negotiations of the need for, and urgency of, substantial progress in the negotiations. They pointed out that despite temporarily improved commodity prices in 1989, total support for agriculture in industrialized countries in that year amounted to US\$245 billion. They noted that without substantial reform in the Uruguay Round the full burden of a renewed agricultural crisis would once again fall unfairly on Cairns Group and other efficient agricultural producing countries, particularly developing countries.

9. In this connection Ministers stressed the danger of a crisis developing from the failure of others to move the agriculture negotiations forward. They urged the major industrial countries, meeting in Houston from 9-11 July, to commit themselves to an ambitious and comprehensive agricultural reform package so as to allow an acceptable framework to be agreed at the meeting of the Trade Negotiations Committee in Geneva in the week beginning 23 July. Failure to reach such an agreement by that time, given the task of negotiating the details of all elements of a trade liberalizing package over the remainder of this year, would seriously jeopardize the outcome of the Round as a whole.

10. Ministers emphasized that for this time-table to be met, Summit participants would need to ensure that the Uruguay Round, especially agriculture, was given top priority at the Houston meeting. They reiterated that the Summit countries must focus on the need for the outcome on agriculture to encompass specific commitments to substantial reductions or elimination of trade distortions in the following areas: internal support, border protection, export subsidies and sanitary and phytosanitary measures.

11. Ministers stated that a comprehensive package of agriculture reforms, encompassing specific commitments in each of the above key areas and covering the full range of agricultural products, was a necessary condition for the successful conclusion of the Uruguay Round negotiations as a whole. Commitments should reflect the relative degrees of distortion between countries' support and protection levels.

12. Ministers stressed the need for transparent, secure and predictable commitments on agricultural reform, pointing out that this was what was being asked of Cairns countries in other areas of the Round. They stressed, furthermore, that without a concrete result on agriculture there would not be results in other areas of the Round. Ministers agreed on the importance of strengthening GATT rules and disciplines and making them operationally effective.

13. In this regard, Ministers welcomed the overall thrust of the proposal for an agriculture "profile" put forward recently by the Chairman of the Uruguay Round Agriculture Negotiating Group. In particular they welcomed the fact that his text called for specific commitments on each of the necessary reform elements, thus serving as a minimum basis for future negotiation.

14. Ministers welcomed the emphasis in the Chairman's text on market access liberalization being provided through the conversion of non-tariff measures to tariffs and the subsequent reduction of existing and converted tariff barriers. They noted in this regard that the price gap methodology was not suitable for countries whose border measures did not support domestic two-price systems. They noted also that a safeguards mechanism should allow scope for countries to handle adverse situations of

import surges.

15. Cairns Group Ministers in this context also reiterated that the concept of re-balancing involving sustained or increased levels of protection and trade distortion for any product was totally unacceptable.

16. Ministers welcomed the provision for export subsidies to be submitted to disciplines which would ensure they were driven down at a faster rate than other elements of the reform package. This provision gave partial recognition to the particularly trade distorting effect that subsidized exports have on world markets. However, Cairns Ministers emphasized that they continued to regard the progressive elimination of export subsidies as a key objective of the Round.

17. Ministers considered that in a number of areas the proposed profile falls short of what is necessary to fulfil the Ministerial mandates of Punta del Este and the Mid-Term Review.

18. Ministers while welcoming the recognition given in the de Zeeuw paper to the legitimate needs of developing countries consider that in several respects it falls short of the Cairns Group proposal which, for example, calls for a clearer commitment to longer timeframes for adjustment and provides greater scope and flexibility for the use of direct and indirect government measures to encourage agricultural and rural development. Ministers agreed that special consideration should be given to rural poverty alleviation and environmental protection programmes. 19. Ministers reiterated, in the context of the war against drugs, the need for support to be given to producers in areas in some developing countries to encourage diversification away from illicit narcotic crops, as noted in the Chiang Mai Ministerial Statement. Accommodation of these matters would need to be found in the course of the negotiations.

20. Ministers were disappointed that the Chairman's text envisaged commitments on internal support reductions being confined to aggregate measures of support (AMS) and noted that this approach seemed similar to that preferred by the European

Community. They contrasted this with the Cairns position that internal support reductions should be agreed upon in terms of commitments to adjust specific policies, with an AMS performing complementary rôles including that of ensuring a substantial reduction of overall support levels.

21. Ministers noted that the Chairman's text neglected the issue of product coverage. They recalled that the Cairns Group sought commitment on all agricultural products. Recognizing that uncertainty on the coverage of various market access groups was impeding effective negotiations they called for this issue to be clarified by the time of the July TNC.

22. Despite these misgivings and the improvements to the Chairman's proposal that they desired, Cairns Ministers recognized the effort he had made to provide a way forward in the limited time available. They were therefore prepared to accept his text as a minimum basis for negotiations post July, on the understanding that the four major elements earlier mentioned are jointly negotiated. In this same light, Cairns Ministers urged all other participants to accept the text as the basis for ongoing negotiations. They commended this view to the Houston Summit of industrial nations.

23. Ministers also accepted the 1 October deadlines proposed by the Chairman for the submission of necessary data and country lists to be tabled by participants so as to allow negotiations to proceed on the amount and duration of reductions in support and protection. Given the short period remaining, there must be no slippage in these deadlines and Cairns Ministers will ensure that the necessary work is done by their countries.

24. Agreement on framework for agricultural reform at the TNC meeting this month will still leave progress on agriculture well behind that achieved in other negotiating areas in the Round. This is further reason why all participants will need to make their substantive contribution to the agricultural negotiation without delay, respecting fully the letter and the spirit of their commitments under the Punta del Este and Mid-Term Review Agreements.

25. Ministers expressed their expectation that reason would prevail amongst all the major participants in the Round and that this opportunity to reform world agricultural trade and ensure that the multilateral trading system was effectively strengthened would not be lost. They particularly called on the European Community, the United States and Japan, as major trading powers, to meet their responsibilities and to make the contributions required of them in these negotiations.

26. Ministers renewed their determination that the Round cannot and will not conclude, in whole or in part, without a substantial outcome on agriculture. They agreed that if necessary they would meet again in advance of the Brussels Trade Negotiations Committee meeting to reach a final determination on the agriculture package. In the interim, Ministers will maintain close co-ordination in order to ensure that Cairns' objectives would be achieved.

27. Ministers welcomed the participation in this meeting of the Polish Secretary of State for Foreign Economic Relations as a welcome indication of Poland's commitment to the objectives of the Cairns Group, and expressed their wish to maintain and strengthen contact with the Polish Government in the months ahead.

28. Ministers welcomed the generous offer by Brazil to host the next Ministerial Meeting of the Cairns Group.

29. Ministers concluded by thanking the Government of Chile for its initiative in calling the meeting and expressed their sincere thanks for its generous hospitality. They expressed their particular appreciation to the President of Chile for his attendance at the meeting and for the encouragement and guidance he provided.





MINISTERIAL MEETING  
**CAIRNS GROUP**  
Chiangmai Thailand

21-23 November 1989

MINISTERIAL STATEMENT

Thursday 23 November 1989  
Chiangmai

Ministers and representatives of members of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand and Uruguay) met in Chiangmai, Thailand from 21-23 November 1989.

The meeting provided the opportunity to review developments in the negotiations over recent months, to consider the terms of a negotiating proposal by the Cairns Group and to discuss future strategy.

At the meeting, Ministers agreed on a comprehensive Cairns Group proposal for the global reform and liberalisation of agricultural trade over a period of 10 years or less. They were confident that the formal tabling of the proposal at the November meeting of the Negotiating Group on Agriculture will reinforce the ongoing key role of the Cairns Group in the Uruguay Round negotiations. It should give new and much needed impetus to the negotiating process during the final critical twelve months of the Round.

The comprehensive proposal (a copy of which is attached) provides for the development of a more open and equitable trading system, based upon fair and universally applicable rules and disciplines.

The main elements of the integrated package of reform measures include:

- . substantial improvements in market access opportunities and greater transparency in the provision of border protection, including through the conversion of non-tariff measures to tariffs, combined with subsequent reductions and bindings of those tariffs at low or zero levels
- . prohibition of new, and phase out of existing, export subsidies

substantial reductions in, and disciplines on, the internal support provided to agriculture, with a focus on policy specific cuts to the most trade distorting forms of support and allowing scope for flexibility in the choice of reform mechanisms

- . greater disciplines on countervailing duty procedures and enforcement of all trade reform obligations through multilaterally agreed provisions
- . elaboration of the development dimension of trade in agriculture of interest to developing countries. The concerns of net food importing developing countries are also taken into account

modalities for special and differential treatment for developing countries which are integrated into elements of the proposed reform process. As with other elements of the proposal, these will be developed and specified further as the negotiations evolve.

Ministers agreed that the proposal is a challenging, yet a realistic negotiating document. It fully meets the trade liberalising objectives for agriculture agreed at the April meeting of the Trade Negotiations Committee (TNC). While it sees the benefits and burdens of reform shared between all MTN participants, the proposal points out that liberalisation commitments should be proportionate to current support and protection levels.

Ministers said that this proposal, taken in conjunction with the Cairns Group paper on sanitary and phytosanitary measures tabled in September 1989, constituted a complete and pragmatic approach to reform and would provide a sound basis for negotiations in 1990.

In discussing the Cairns Group's ongoing strategy for the Uruguay Round negotiations on agriculture, Ministers stated that the negotiations were now entering a crucial phase which would require constructive contributions from all participants.

Ministers welcomed the tabling of the constructive U.S. proposal on agriculture last month. They called on other participants, in particular the European Community and Japan, to advance comprehensive proposals that would give effect to the mandate for substantial, progressive reductions in agricultural support and protection agreed at the April TNC. This would move the negotiations forward at an early date.

They expressed disappointment at recent proposals and statements by some MTN participants which had indicated little more than a desire to maintain the status quo. Indeed in some instances positions taken were regressive in terms of liberalisation and sought to reinterpret TNC commitments in a negative direction or to gain exemptions from the ongoing reform process.

Ministers recalled the serious and continuing damage caused to the economies of agricultural exporters, many of them developing countries, by protectionist policies and massive subsidisation in the major industrial countries. Ministers agreed that the Uruguay Round provided an historic opportunity to reform and liberalise world agricultural trade.

They noted that the Round was scheduled for completion at a Ministerial meeting in Brussels in December 1990 and the key position of agricultural liberalisation within it.

They emphasised that without a substantial outcome on agriculture the Round cannot and will not be successfully concluded. For this reason Ministers reiterated that it was vital that momentum in the agriculture negotiations be maintained and that they not be allowed to drift in the early part of next year. In this respect Ministers considered it important that target dates be established for the first half of 1990 so that the stage can be set for a successful conclusion to the Round.

Ministers reaffirmed that the Cairns Group would continue to work closely together to achieve a fairer and more liberal world trading system for agriculture. As necessary this would involve the Group continuing its efforts to narrow the differences between other MTN participants so that a satisfactory outcome to the negotiations could be achieved by the end of next year.

Ministers noted statements by some Cairns Group participants concerning the need for support to be given to producers in remote areas to encourage diversification away from the growing of illicit narcotic crops.

Ministers noted that there is an urgent need for some other Governments to increase their efforts to better explain the advantages of agricultural trade reform.

6.

Ministers welcomed the offer of Chile to host the next Ministerial meeting of the Cairns Group at a time to be determined.

Ministers congratulated the Government of Thailand on its initiative in convening this meeting and expressed their sincere thanks for its hospitality.



"URUGUAY ROUND JEOPARDIZED BY EC DITHERING ON AGRICULTURE"

At the conclusion of their meeting in Geneva today Cairns Group Ministers asserted that the European Community's failure to show flexibility at the negotiating table over the past 3 weeks had placed the entire Uruguay Round in jeopardy.

The Ministers called upon the Community to table its agricultural offer immediately in order that negotiations could proceed.

While they regarded the likely EC proposals as inadequate Ministers said that officials would engage constructively in the negotiations to test the limits of the Community's flexibility on this key objective.

In reaffirming their determination that the Uruguay Round would not conclude without a satisfactory package of reforms on agriculture, Ministers stated that unless significant progress is achieved by mid November, all participants in the negotiations would need to assess the implications for the further conduct of the Round, and for the future of the entire multilateral trading system.

Ministers decided that a Cairns Group delegation would be going to European capitals in the next few days in order to convey their deep concern to European Ministers about the threat that the EC attitude to the negotiations on agriculture posed to the Round as a whole.

Ministers considered that by this lack of action, the Community showed total disregard for undertakings given in the Punta del Este Declaration which launched the Uruguay Round in 1986, the Mid-Term Review Agreement of April 1989 and the July 1990 agreement to put offers on the table by 15 October.

Cairns Ministers also recalled that at the Houston Economic Summit participants had emphasized that they were ready to "exercise the political leadership necessary to ensure the successful outcome of these negotiations". Ministers thus called upon the European Community to recognize that given the central importance of agricultural reform, further procrastination will put the whole endeavour of the Uruguay Round and consequently the multilateral trading system at serious risk. They should recognize as well that if the Round fails, it is the EC which must shoulder the blame.

Cairns Group Ministers called upon the Community to table its offer and country list without further delay, so as to allow negotiations on agriculture to proceed and thereby remove the blockage that had been created. It was simply unrealistic for the Community to expect progress to be made elsewhere in the Uruguay Round while it continued to stall on agriculture.

At the same time, Cairns Ministers noted with concern reports that the proposed Community offer might contemplate minimal reductions in internal support levels over the next five years, the absence of any effective opportunity for improved market access and the absence of any specific commitment to reduce export subsidies. Furthermore, Ministers were concerned at reports that Community member states might attach additional requirements, such as rebalancing and increased protection for some products which run counter to the trade liberalising objective of the Round. The Community would need to demonstrate that its offer did not have a "take it or leave it" character.

Cairns Ministers noted that such an offer would clearly be inconsistent with the de Zeeuw framework for the negotiations and fall far short of the objective, agreed by Ministers at the Mid-Term Review meeting, of achieving "substantial, progressive reductions in agricultural support and protection".

Cairns Ministers indicated that when a Community offer was tabled their officials would be directed to engage immediately in intensive negotiations to establish whether sufficient flexibility existed to secure the agreed objective of substantial and progressive reductions in support and protection; and whether the Community and others, including Japan and certain EFTA countries, are willing to engage seriously in negotiating specific commitments in the areas of internal support, import access and export subsidies, in addition to pursuing a positive outcome on sanitary and phytosanitary measures, all in accordance with agreed negotiating objectives and commitments, taking into account special and differential treatment for developing countries.



## COMMUNIQUE

### MEETING OF CAIRNS GROUP MINISTERS\* MANAUS, BRAZIL JULY 9, 1991

1. Ministers of the Cairns Group today expressed their deep concern at the current lack of serious political engagement in the Uruguay Round negotiations on agriculture. They stressed once again their disappointment over the failure of the Brussels Ministerial Meeting intended to conclude the Uruguay Round in December 1990.
2. The Cairns Ministers called upon leaders of the major industrialized countries at their forthcoming London Summit to exert leadership by facing squarely the political decisions necessary to fundamentally reform world agricultural production and trade.
3. Since the Brussels conference, agricultural trading tensions between the major industrial exporters have continued to intensify, especially through the uncontrolled and aggressive use of export subsidies. The continuing damage to the interests of Cairns Group countries caused by the failure of the multilateral system to deal effectively with the trade-distorting impact of agricultural subsidies underline the need for urgent reform. The Ministers noted that despite repeated commitments to reduce support, total transfers to agriculture by way of direct payments and consumer transfers in Organization for Economic Co-operation and Development (OECD) countries increased by 12 per cent in 1990, to US\$299 billion.
4. The Ministers noted that following the Brussels breakdown, work had resumed in Geneva in February this year and welcomed the agreed objective of specific binding commitments to reduce trade-distorting domestic subsidies, access barriers and export subsidies. Subsequent technical work has been useful and should assist the negotiation of reform commitments.
5. The Ministers took note of the comprehensive exposition of negotiating options in the paper recently prepared by GATT Director-General, Arthur Dunkel, in his capacity as Chairman of the agriculture negotiations. While welcoming Mr. Dunkel's

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\* Ministers and representatives of the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay) met in Manaus, Brazil, July 8-9, 1991. A delegation from the Republic of Poland participated in the meeting as observers. An observer from the United States attended the public sessions.

efforts in focusing initially on achieving consensus on the instruments to be used for reducing support and protection, the Ministers were concerned that many important political issues remained to be tackled before even the structure of an outcome could be settled. They therefore believed it was essential to move the negotiations to the next important phase when decisions could be taken on a common framework, with transparent methodologies, within which to negotiate substantial and progressive cuts in agricultural support and protection. Addressing these decisions cannot again be left until the eleventh hour.

6. The Ministers expressed concern that if substantive negotiations were not engaged as a matter of urgency it would not be possible to bring the Uruguay Round to an early successful conclusion. The experience of 1990 demonstrated that it would be simply unrealistic and counterproductive to expect complex agriculture negotiations to be concluded in a few weeks in order that countries could commit themselves to final results in other important areas of the Round. In these circumstances, the Summit Leaders must instruct their negotiators to take the necessary preparatory decisions at an early enough stage for the Round to be brought to a successful conclusion.

7. Therefore, the Cairns Ministers urged Summit Heads of Government to give new instructions to their negotiators and to commit themselves personally, to monitor progress and intercede as necessary in order to ensure that much needed momentum is created and maintained. The time is now past for a mere repetition of good intentions, which regrettably have not been fulfilled in the past. It is high time for substance to substitute for words and for meaning to be given to commitments by Governments to fulfil the objectives established when the Uruguay Round was launched at Punta del Este in 1986, as developed at the Mid-Term Review: to establish "a fair and market oriented trading system"; to achieve the objective of "progressive and substantial reductions in support and protection"; and to establish "strengthened and more operationally effective GATT rules and disciplines." Success in achieving these objectives rested above all in the exercise of political will in a liberalising direction by the leaders of the G-7 countries.

8. The Cairns Ministers underlined their own continued preparedness to play their part in advancing the negotiating process across all areas of the Uruguay Round. On agriculture, they remain ready to negotiate flexibly, as they have in the past, and will support efforts to achieve an outcome as soon as possible, provided it is comprehensive in product coverage and equitable. The central concern for the Cairns Group is to secure an irreversible commitment to fundamental change in the policies affecting agricultural trade, paving the way towards the

integration of agriculture with generally applicable GATT rules and disciplines.

9. In the view of the Cairns Group Ministers, an acceptable package on agriculture needs to encompass:

- Fundamental re-instrumentation of border protection and removal of country-specific exceptions through clean tariffication, accompanied by commitments to substantial reductions in tariffs and tariff equivalents and access improvements. Tariffication should establish equivalent protection levels -- any increase in border protection, such as through re-balancing, would be totally unacceptable.
- Substantial annual reductions in trade- and production-distorting domestic subsidy programs.
- substantial annual reductions in export subsidisation, consistent with the long-term goal of its elimination, and the strengthening of interim disciplines -- to prevent circumvention of commitments, in particular with regard to food aid and concessional sales; to provide effective remedies from adverse effects of residual subsidisation; to effectively prohibit the extension of export subsidies to new products or markets; and to prohibit practices such as targeting.
- Disciplines on sanitary and phytosanitary measures which ensure that unjustified barriers are not maintained.

10. Additionally, the package must give due recognition to the position of developing countries, including, on the one hand, faster reduction in market access barriers on products of export interest to them and, on the other, lesser cuts on their access barriers and domestic subsidies over extended timeframes; and exclusion from reduction commitments of those rural and agricultural policies which are an integral part of their national development programs, including those to encourage eradication and diversification away from the growing of illicit narcotic crops.

11. The Ministers recognised that much was at stake, over and above the right of competitive agricultural countries to a fair deal on world markets. Agricultural protectionism increasingly hindered economic development, the debt-servicing capacity and employment opportunities in developing countries. A serious consequence also is the pressure on efficient farmers to adopt practices which are less sustainable environmentally, to compensate for low export returns -- resulting in potential ecological damage. Furthermore, recognition should be given to the economic reform and market orientation steps put in place by many developing countries and the economic transformation of

Central and Eastern European economies, which have been encouraged by the industrialized world, and are seriously threatened by the lack of fair market opportunities for their products.

12. Additionally, a failure of the Uruguay Round would risk continued erosion of the multilateral trading system, the danger of trading blocs becoming inward-looking and of an intensified resort to unilateral measures to gain negotiating leverage and thereby force concessions from negotiating partners. Conversely, a successful Round would strengthen and widen the multilateral system.

13. In reaffirming their commitment to bring the Uruguay Round to a successful early conclusion, the Ministers expressed the strength of their resolve that the Round could not and would not conclude, in whole or in part, without a substantial outcome on agriculture.

14. In concluding, the Ministers expressed their deep appreciation to Minister Cabrera and the Brazilian Government for their initiative in hosting the meeting and for the hospitality that had been accorded to the Cairns Group.

## COMMUNIQUE

The Cairns Group met in Geneva on 8-9 December to review developments in the Uruguay Round agriculture negotiations since its last meeting at Manaus, Brazil in July 1991 and to consider its approach to the final critical phase of the negotiations on agriculture.

Ministers renewed their determination, maintained over five years of joint effort, to achieve fundamental and irreversible reform across all agricultural products. The Uruguay Round must provide a turning point by beginning a sustained and credible process to integrate agriculture fully into the general system of world rules and disciplines.

Prior to their meeting, Cairns Ministers met with Mr Arthur Dunkel, Chairman of both the agriculture negotiations and the Trade Negotiations Committee at officials level. They received his analysis of the current state of play on agriculture and on wider Uruguay Round negotiations and were briefed on his plans to achieve a political package of agreements in all areas by 20 December.

Ministers expressed their strong and continuing support for Mr Dunkel's efforts to narrow differences and establish reform mechanisms. They regard the concepts and framework contained in the Dunkel November working papers as providing important elements essential to an acceptable outcome, although there is a need for greater precision in many areas and further development of concepts.

Recalling that at their Manaus meeting they had urged G7 countries to exercise leadership in promoting domestic agricultural reform and trade liberalisation through the Uruguay Round, Cairns Ministers welcomed recent high-level efforts by the United States and European Community to progress outstanding agricultural issues. However, while bilateral discussions of this kind can assist in narrowing differences over key issues, they cannot substitute for the active participation of all parties in genuine multilateral Uruguay Round negotiations. Ministers made it clear that any acceptable outcome must address the objectives of the Cairns Group.

Noting reports that recent EC/U.S. discussions have focussed on cuts over a 5-6 year period only and of a lesser overall magnitude than sought by the Cairns Group, Ministers recalled that they had indicated their preparedness to participate in an effective negotiation. However, a 5-6 year period could provide only a first substantive step and it would need to be supplemented by an unequivocal commitment to continue the process of agricultural reform.

Moreover, any flexibility on the numbers depends both on the base periods involved and also on the scope, integrity and effectiveness of the framework disciplines that will govern multilateral, formula-based reductions in support and protection applied equitably across all agricultural products. In this regard, Ministers stressed that a meaningful agricultural outcome must include:

- reinstrumentation and reduction of border protection, assured increases in current market access and in minimum access levels (created where access has not been available in the past) and rejection of any increases in protection or other form of rebalancing

- substantial reductions in export subsidies in volume and value terms, along with secure disciplines to prevent their extension to new products or new markets

- the effective reduction and reinstrumentation of domestic support, including effective disciplines on all payments linked to production

- disciplines on sanitary and phytosanitary measures which ensure that unjustified barriers are not created or maintained

- meaningful differential and more favourable treatment to deal with the development needs of developing countries

Cairns Ministers emphasised that they would not accept any result that largely maintains under other guises existing levels of support, protection and trade distortion. They called upon those participants whose policies significantly distort world agricultural trade to demonstrate their commitment and the flexibility necessary to obtain a substantial and meaningful outcome.

They renewed their resolve that the Round could not and would not conclude, in whole or in part, without a substantial outcome on agriculture. For their part, Cairns Ministers recognised that such an outcome could be achieved only through a satisfactory and balanced overall package in the Uruguay Round. It is in clear acknowledgement of this that Cairns Group countries are participating actively and constructively across the Round.

Cairns Ministers expressed serious concern at the short time available to reach a political settlement and urged all Governments taking part in the Round to work expeditiously and constructively to achieve a satisfactory resolution. Ministers called in particular upon the major participants to accept their responsibilities at a moment when the world economy strongly needs the positive thrust of a successful conclusion to the Uruguay Round.



## COMMUNIQUE

The Uruguay Round is in crisis as a result of the continued deadlock on agriculture. There are grave fears that the Round will fail unless a breakthrough on agriculture is achieved in coming weeks. The remaining differences appear neither extensive nor insurmountable, but their resolution requires the exercise of political will by world leaders. It is essential that G7 leaders demonstrate that will, their leadership and their joint responsibility to unblock the negotiations. The Cairns Group is willing to play its part in searching for a final settlement.

These were the main conclusions of Cairns Group Ministers, meeting in Geneva on 27-28 June to consider prospects and options for bringing the Uruguay Round negotiations to an early and successful conclusion.

Taking into account the serious situation in the Round, Ministers decided to remain on call and to take further action as appropriate.

\* \* \* \* \*

Since December last year with the tabling of the draft final act by GATT Director General Arthur Dunkel, a successful Uruguay Round outcome has been within grasp. However, despite efforts over the past six months, the political steps necessary to reach a final settlement have not been taken. Negotiations have drifted to bilateral discussions between major participants without positive results. As a consequence there is now a very real danger of failure.

Cairns Ministers said that while the draft final act does not realise all the demands of negotiators, it would overall deliver a trade liberalising outcome across all issues and represented the best compromise achievable after more than five years of intensive effort. Further delay will endanger a successful conclusion - without a breakthrough on agriculture, the further work required on detailed commitments across all market access areas, including services, cannot proceed.

In this context, Cairns Ministers believed that the time had come for all to judge the draft final act as a package. Cairns Ministers therefore thought it important to signal now their own governments' readiness to accept that package as the basis for concluding the negotiations and to work intensively to complete the Round. They urged all others to reciprocate that commitment.

Cairns Ministers stressed that a successful Uruguay Round and a strengthened multilateral system were now more than ever needed, by developing and developed countries alike, in the current difficult world economic environment.

It is widely acknowledged that a successful Round and renewed trade growth would assist economic recovery, debt servicing capacities and employment generation throughout the world. Conversely failure could only further restrict economic growth opportunities, encourage protectionist policies, seriously weaken the multilateral trading system and endanger the trade and economic reform steps underway - including in many developing countries.

Cairns Ministers recalled that G7 leaders had declared that no issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round. They had committed themselves to remain personally involved and ready to intervene with one another to resolve differences.

Cairns Ministers therefore called upon the G7 Summit leaders to respond to the crisis that now overhangs the negotiations - and the seriously adverse consequences that would flow from failure. They stressed that the G7 countries had a particular responsibility for resolving their differences over the package, especially on agriculture. Without such a resolution, the entire Round will remain paralysed.

Cairns Ministers understood that the remaining differences separating major agricultural trading countries had narrowed and were by no means insurmountable. The major requirement was the exercise of political will on the part of key participants.

Cairns Ministers, reaffirming their commitment to a substantial result on agriculture, noted that they remained, as they had been throughout the Round, ready to participate in the negotiations in a constructive way. The Cairns Group is therefore prepared to play a part in the search for a final settlement and in securing its acceptance multilaterally. In so doing, the key consideration is that the outcome be genuinely trade liberalising and consistent with the central principles and reform modalities in the draft final act.

Cairns Ministers stressed that it would be intolerable for the multilateral system to have the Round fail for the want of a final political step. Now is the time to take that step.



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<sup>th</sup>  
12 MINISTERIAL MEETING  
**CAIRNS GROUP**  
BANGKOK, THAILAND.  
26-27 JUNE, 1993

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**CAIRNS GROUP**

**ARGENTINA  
AUSTRALIA  
BRAZIL  
CANADA  
CHILE  
COLOMBIA  
FIJI  
HUNGARY  
INDONESIA  
MALAYSIA  
NEW ZEALAND  
PHILIPPINES  
THAILAND  
URUGUAY**

**BANGKOK DECLARATION - CAIRNS GROUP**

**27 JUNE 1993**

The Cairns Group countries meet at a Ministerial level at a time when the whole world is united by a grave economic responsibility.

The global recession has been too long and too deep and the recovery harder to sustain and strengthen than before.

At the same time new protectionist tendencies are emerging. These threaten to turn countries and regions inward, divide and diminish global economic strength and block the rewards of comparative advantage.

And everywhere there are heightened tensions over trade, fermenting disputes and the looming spectre of trade wars.

Since 1990, successive G7 Summits have acknowledged the critical importance of the Uruguay Round to the world economy. Each Summit has pledged to bring the Round to a swift and substantial conclusion.

Three years ago, at Houston the G7 leaders expressed their determination to take the difficult political decisions to do this. They resolved to achieve far-reaching substantial results across all sectors by the end of 1990.

At the London Summit in 1991 the Leaders declared that the aim of all Contracting Parties should be to complete the Round by the year's end. They committed themselves to "remain personally involved in this process".

Last year, at Munich the G7 "regretted the slow pace of negotiations" and expressed their "expectation that an agreement could be reached before the end of 1992".

Sadly, none of these commitments have been realised.

This year the world simply cannot afford another failure. The G7 should use the Tokyo Summit to provide leadership for the last, critical phase of the Uruguay Round negotiations. Deeds, not words, are required to secure a real, balanced and genuinely trade liberalising outcome this year.

The Cairns Group maintains its determination to act positively and constructively to help conclude the Round this year.

Less than six months remain. Following the G7 Summit the whole process of the negotiations should be brought back to Geneva and multilateralised as a matter of urgency.

We remind the Summit that a substantial outcome on agriculture is a central and essential part of the overall package.

We will work within the multilateral process to bring this about.

### **Essentials of Agricultural Trade Reform**

Cairns Group countries have fundamental interests in improved market access and strengthened rules being applied to agriculture. Both elements must be included for there to be an acceptable overall outcome to the Round.

The provisions of the Draft Final Act involve commitments to reduce domestic support and export subsidies and to liberalise market access.

For the last 12 months the focus for resolving remaining problems in agriculture has been on bilateral negotiations between the United States and the European Community. These talks have resulted in a bilateral agreement - the so-called Blair House accord.

In light of these developments, Cairns Group countries look forward to resuming negotiations in Geneva as soon as possible in order to secure a genuinely trade liberalising outcome to the Uruguay Round negotiations on agriculture.

### **Fundamental Importance of Market Access**

Ministers are deeply concerned that the market access negotiations on agriculture remain stalled.

The existing market access offers and recent measures taken by some major trading partners do not expand but in fact reduce agricultural trade opportunities for a number of products of importance to Cairns Group countries. In other cases, offers have not yet been tabled with commitments on domestic support, export subsidies and market access consistent with the provisions of the Draft Final Act.

An acceptable agricultural market access package will need to be genuinely equitable and trade liberalising. This will require market access to be expanded and there can be no reduction in access opportunities for individual products

because of the re-instrumentation of import protection measures. Access must be maintained on terms at least equivalent to those existing.

For the Cairns Group it is critical that a satisfactory and balanced overall package takes account of the specific interests and needs of developing countries. This must include tropical products and other products of importance to them.

### **Ensuring Time for the Multilateral Process**

In order to achieve an acceptable outcome an appropriate amount of time will be necessary to remedy shortcomings in the existing market access offers. This is why market access negotiations on agriculture must be effectively engaged in the period immediately following the Summit. If this is not done the Round could be jeopardised simply because of insufficient time.

Cairns Group countries therefore call on the G7 to immediately resolve their remaining differences on the implementation of an enhanced market access package. Failure to do this will slow the total process, complicate multilateral negotiations in Geneva and put a successful overall outcome at risk.

### **Sanitary and Phyto-Sanitary Measures**

The Cairns Group endorses the negotiated agreement on sanitary and phyto-sanitary measures. It forms a substantial part of the package and should not be re-opened.

.....

The Cairns Group stresses that failure to secure these objectives will very seriously endanger the prospects for finally bringing the Uruguay Round to a successful conclusion. Ministers restated the position that without a substantial outcome in agriculture the Round cannot and will not conclude.

.....

## **The Global Economy Needs a Positive Outcome to the Round**

**It is now seven years since we began the Uruguay Round at Punta del Este. We are three years overdue.**

**Significant progress has been made: we are within reach of an outcome which has the capacity to give a boost to the world economy in money terms of about \$US 200 billion per year.**

**The real value is much more. A bold and balanced outcome across all sectors and for all countries will at one stroke strengthen recovery, remove tension and inspire business confidence.**

**We urge the G7 Summit participants to show the vision, leadership and commitment necessary to complete the task. Consistent with our charter we will act constructively and positively for a comprehensive and genuinely liberalising package which includes a solid outcome on agriculture.**

**Now is the time to act and get the job done.**

RESTRICTED  
MTN.TNC/W/117  
29 October 1993  
Special Distribution

(UR-93-0082)

Original: English

CAIRNS GROUP - COMMUNIQUE ISSUED ON THE OCCASION OF THE THIRTEENTH  
MINISTERIAL MEETING HELD IN GENEVA ON 17-18 OCTOBER 1993

In a communication dated 28 October 1993, the delegation of Australia, as Chairman of the Cairns Group, has requested that the Group's Geneva Communiqué of 18 October be circulated to the participants in the Uruguay Round as follows.

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The Uruguay Round has only 58 days to run. The date of 15 December is a real deadline. It cannot be extended. The remaining two months must be used to ensure that the Round succeeds.

All participants in the negotiations have a responsibility to ensure that the task succeeds. The Cairns Group fully support the efforts of GATT Director-General, Peter Sutherland, and commits itself as always to work positively and constructively within this urgent timeframe to achieve a genuinely trade liberalizing outcome.

Ironically at this critical stage, some of those who have most to gain - amongst the larger industrial countries - appear to be most reluctant to make the final effort required to positively conclude the Round. Narrow interest groups in these countries must not be allowed to frustrate the successful conclusion of the negotiations.

It remains as clear now, as it has been since the Punta del Este Declaration of 1986, that the major industrial countries bear the prime responsibility for showing the necessary leadership and flexibility to bring the Uruguay Round to a successful conclusion.

The Uruguay Round will bring major benefits to the world economy. Failure will entail great economic and political costs. This is the right time to move forward and speedily resolve the outstanding issues.

The Round must be concluded on the basis of a multilaterally agreed, balanced global package. The Cairns Group rejects, as it has done since 1986, the notion that agriculture could be set aside in order to conclude interim or partial agreements.

The negotiations on agriculture cannot be completed without the full involvement of the Cairns Group and all the other parties concerned. As major stakeholders in world agricultural trade the Group insists that agriculture is not simply a trans-Atlantic affair.

Successful completion of the task in agriculture will require the negotiation of commitments which expand market access. It will also require rapid and final acceptance of all the Draft Final Act provisions to liberalize agricultural trade. These include quantity and budgetary based reductions in export subsidies and the commitments on trade-distorting domestic support measures.

The Cairns Group endorses the negotiated agreement on Sanitary and Phytosanitary measures. It forms a substantial part of the package and should not be re-opened.

The immediate task in reaching a successful conclusion to the negotiations is to secure a substantial market access package which expands trading opportunities for all participants.

Continuing differences over the elimination of all non-tariff barriers to trade and their replacement with tariff only régimes constitute the single most important impediment to the task of completing the market access package in agriculture within the timeframe adopted by all participating countries. This issue therefore must be resolved — and quickly — in a manner which ensures that there are no exceptions and a correct implementation of comprehensive tariffication.<sup>1</sup>

The agriculture package must provide improved access for all products in all markets. Offers and outcomes that have the effect of simply maintaining highly restrictive access arrangements or which reduce current access to markets for particular products are clearly not acceptable.

The Draft Final Act remains the basis for concluding the negotiations. The Cairns Group is not party to the Blair House accord, containing proposals which would dilute the Draft Final Act. The Group can only take a final position on the Blair House accord in appropriate multilateral negotiations when it has been tabled and all of the market access outcomes are known and can thus be evaluated. Notwithstanding this, it is with alarm that we note the further efforts to weaken the Draft Final Act disciplines on agriculture. Clearly such efforts seriously jeopardize an overall acceptable outcome on agriculture.

Cairns Group Ministers will closely follow developments in the negotiations over the ensuing weeks. Where other countries are taking positive action to end the Round we will support and cooperate with them. Now is the time for the biggest coalition for success to be formed.

The world has waited too long and economic growth and employment have suffered because of delays in the Round. Now is not the time for special pleading, diversions and delaying tactics. It is a time for positive, constructive action to achieve economic growth.

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<sup>1</sup>Canada, however, remains of the view that important measures consistent with the disciplines of a clarified and strengthened Article XI should not be subject to tariffication provided they are accompanied by meaningful access commitments fully in conformity with the trade liberalization objectives of the Round.

**CAIRNS GROUP MEETING  
MONTEVIDEO 19-20 MAY 1994  
JOINT COMMUNIQUE**

Ministers of the fourteen member countries of the Cairns Group met in Montevideo, Uruguay on 19 and 20 May to review the outcome of the Uruguay Round negotiations on agriculture, and to agree on a future work program and strategy for the group.

At the outset Cairns Group Ministers noted that this was the first meeting of the group since the conclusion of the Round. They recalled the mutual benefits that had been derived from working closely together throughout the negotiations on agriculture and declared their intention to continue to work together in the post Uruguay Round environment as an effective force promoting fair trade in agriculture and improved access to major markets for agricultural products.

Cairns Ministers noted with satisfaction the achievement of the Uruguay Round in bringing agricultural support and protection more into line with GATT rules. The key features of that outcome had been the tariffication of quantitative restrictions on imports, the reduction on both a volume and value basis of export subsidies, reductions in domestic support, and a sanitary and phytosanitary agreement (SPS Agreement). These measures are expected to have a progressive impact on the trade and production distorting policies of the major agricultural exporting and importing nations, and an overall positive effect on world trade. It was also recognised that in the future, countries including those acceding to the GATT/WTO would be required to ensure that their policies reflect the trade liberalising thrust of the Round outcome on agriculture.

Cairns Ministers expressed disappointment however, that more was not achieved, especially in the area of improved access to key markets. Disappointment was also expressed that in the final stages of the negotiations a bilateral settlement between the United States and the European Commission had resulted in a weakening of the outcome on domestic support and export subsidy disciplines, which will have a negative impact on specific export interests in a number of Cairns Group countries.

Against this background, Cairns Ministers stressed the critical importance of ensuring that the agreements reached in the Round be strictly adhered to by all participants. They emphasised that they would be vigilant, in Geneva and elsewhere, in ensuring that specific commitments entered into, including those in the SPS Agreement, are fully respected in line with the program of progressive



implementation laid down in the agreements in order to ensure that the maximum trade liberalisation available from the negotiated outcomes would be fully realised to the benefit of all.

Cairns Group Ministers agreed that it was important to ensure that new or revised support policies do not undermine the commitments on export subsidies. They indicated that for that reason, they would insist on a strict interpretation of the provisions in the Agreement on Agriculture relating to circumvention and in general the GATT 1994 rules on dumping and unfair trade distorting practices as they relate to agriculture.

Cairns Group Ministers also stressed that the Uruguay Round outcome on agriculture was clearly only a beginning and that much more remained to be achieved to ensure that the welcome change in direction achieved in the Round would deliver a genuinely more market oriented approach to agricultural policies on production and trade in the future.

Cairns Group Ministers also emphasised the critical importance of implementation of the Round outcome on agriculture from 1 January 1995 and called on the majors in particular to ensure that ratification procedures were finalised in time to achieve this. The negotiations had taken more than seven years. Implementation of the results by January next year would already represent a four year delay beyond the time frame envisaged when the Round was launched in 1986 at Punta del Este. Further delays would inevitably raise questions about the commitment of the majors to the outcome.

Cairns Ministers stressed the importance of the role of the Committee on Agriculture which is to be established as part of the WTO to oversee the implementation of the Round outcomes on agriculture and to ensure that the momentum for further reform is maintained. It was essential that the terms of reference of the Committee are sufficiently broad to ensure that all aspects of the Agreement on Agriculture can be effectively monitored. Cairns Ministers indicated their intention to take a very close interest in the coming months in the preparations in Geneva for the establishment of the Committee, and said that Cairns countries would take a very active role in the work of the Committee following its establishment. Similar close attention will be given to the establishment of the Committee on SPS Measures.

Cairns Ministers also indicated their intention to take a close interest in the future development of agricultural protection and support policies in those countries which have a significant impact on world agricultural trade. To this end Cairns Group countries will co-operate closely in monitoring and sharing perspectives on

policy developments in major agricultural markets so that future support policies continue to move in a direction which progressively reduces distortions to both production and trade.

Finally Cairns Ministers pledged themselves to continue to work closely together as an informal association of fair trading nations committed to further agricultural policy reform and trade liberalisation with a view to preparing for the future negotiations on reducing support and protection as foreshadowed in the Uruguay Round Agreement.



**CAIRNS GROUP**  
**15th Ministerial Meeting**  
26-27 May 1995  
Manila, Philippines

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**CAIRNS GROUP**

ARGENTINA  
AUSTRALIA  
BRAZIL  
CANADA  
CHILE  
COLOMBIA  
FIJI  
HUNGARY  
INDONESIA  
MALAYSIA  
NEW ZEALAND  
PHILIPPINES  
THAILAND  
URUGUAY

**JOINT COMMUNIQUE**

**27 MAY 1995**

CAIRNS GROUP MEETING  
MANILA - 26-27 MAY 1995  
JOINT COMMUNIQUE

The fourteen members of the Cairns Group had their fifteenth Ministerial Meeting in Manila, the Philippines, on 26-27 May to review achievements since the previous Ministerial meeting in Uruguay and to plan activities for the next twelve months. Observer delegations from both South Africa and Paraguay attended the meeting.

Cairns Ministers also welcomed the participation in the meeting of the Director-General of the World Trade Organisation, Mr Renato Ruggiero.

Cairns Group Ministers reiterated their determination to continue their work to achieve a global system of agricultural trade free of distortions and consistent with market principles. Cairns Ministers noted that the Uruguay Round outcome on agriculture was a significant first step towards this objective, but that Cairns Group members would take every opportunity to press for further trade liberalisation in agriculture.

Cairns Ministers commended the cooperation that had taken place in Geneva on issues of common concern since the last Ministerial meeting in Montevideo, Uruguay in May 1994. Much attention had been given to developing procedures for the monitoring and implementation of the Uruguay Round Agreement on Agriculture. Cairns representatives in Geneva also cooperated closely in important multilateral negotiations concerned with agriculture, such as the accession of new member countries to the World Trade Organisation (WTO), and jointly studied a number of specific problems identified at the Montevideo meeting. They had also carried out important work in developing principles on sustainable agriculture for the third session of the Commission on Sustainable Development in New York in April 1995.

In Washington, Tokyo and Brussels, Cairns countries had also initiated arrangements during 1994 to maintain contact on matters of common concern. This had proven especially useful in Washington in relation to monitoring developments relevant to the new United States Farm Bill due to be dealt with by the United States Congress later in 1995.

Cairns Ministers noted with satisfaction arrangements worked out in Geneva since the last Ministerial meeting in Uruguay for terms of reference for the WTO Committee on Agriculture, as well as setting up appropriate working procedures including notification procedures for both the Committees on Agriculture and on Sanitary and Phytosanitary Measures.

Cairns Ministers stressed the importance they placed on the role of the Committee on Agriculture in ensuring that Uruguay Round outcomes on agriculture are fully implemented and respected. Ministers noted that this would require closer cooperation between Cairns Group countries on these issues in Geneva over the coming 12 months. Cairns Ministers said this was of particular importance with regard to: the full implementation of market access commitments, including ensuring that administrative procedures and the Special Safeguard do not operate in ways which undermine access commitments; domestic support commitments being strictly adhered to and not being circumvented by attempts to exclude production and trade distorting policies from annual reduction commitments; and the full implementation of export subsidy reduction commitments in strict accordance with the

Uruguay Round Agreement, whilst preventing circumvention by the use of practices not specifically addressed in the Agreement.

Cairns Ministers also stressed the importance they attach to the role of the WTO Committee on Sanitary and Phytosanitary Measures in ensuring that the SPS Agreement in the Uruguay Round is similarly implemented in strict accordance with all the provisions and principles laid down in it. In this regard, Ministers noted the key role which needed to be played by the international standards-setting bodies.

Cairns Group Ministers called upon the major agricultural producing and importing countries to ensure that changes to domestic programmes introduced subsequent to the conclusion of the Uruguay Round negotiations are fully consistent with the commitments and with the reform direction charted in the Uruguay Round Agreement on Agriculture, namely away from production and trade distorting forms of support towards more decoupled forms of support, and the further dismantling of export subsidy practices. Cairns Group Ministers noted that any temptation to circumvent disciplines would be against the spirit and letter of the Uruguay Round Agreement.

Cairns Ministers will press for the continuation of agriculture policy liberalisation through accession and other important negotiations in the WTO context and through the review mechanisms provided in WTO agreements, in particular the Trade Policy Review process. Cairns Ministers also stressed the importance of encompassing genuine trade liberalisation on agriculture in any future regional trade liberalisation arrangements.

Cairns Ministers recognised the contribution that further liberalisation of agriculture can make on sound environmental policies.

Looking ahead to the further liberalisation of trade in agriculture on a fully multilateral basis, Cairns Ministers noted the built-in agenda in the Marrakesh protocol for future negotiations on further liberalising agricultural trade. Cairns Ministers expressed their determination to begin negotiations again as soon as possible. They also expressed their support for any broadly based agreement to accelerate Uruguay Round outcomes on agriculture. Ministers noted that the first WTO Biennial Ministerial meeting would take place in Singapore in the final weeks of 1996 and that this would provide the first opportunity to review the future trade negotiating agenda.

Against this background Cairns Ministers committed themselves to consider over the next twelve months how the Uruguay Round outcome on agriculture might best be built upon later through further negotiations on the reduction of support and liberalisation of trade policies. Ministers undertook to place this issue on their agenda for further development and consideration of a set of future negotiating goals at their next meeting.

Finally, Ministers stressed that in the development of any future broadly based multilateral agenda for further trade negotiations, including acceleration of Uruguay Round outcomes, agriculture must be an integral part of the negotiations.

Ministers also noted their agreement to meet in Colombia in the first half of 1996.



**CAIRNS GROUP**  
**16th Ministerial Meeting**  
**13 -14 JUNE 1996**  
**Cartagena, Colombia**

**CAIRNS GROUP**

**ARGENTINA**  
**AUSTRALIA**  
**BRAZIL**  
**CANADA**  
**CHILE**  
**COLOMBIA**  
**FIJI**  
**HUNGARY**  
**INDONESIA**  
**MALAYSIA**  
**NEW ZEALAND**  
**PHILIPPINES**  
**THAILAND**  
**URUGUAY**

**JOINT COMMUNIQUE**

**14 JUNE 1996**

**CAIRNS GROUP MEETING**  
**CARTAGENA - 13-14 JUNE 1996**  
**JOINT COMMUNIQUE**

The members of the Cairns Group held their sixteenth Ministerial Meeting in Cartagena, Colombia on 13-14 June. An observer delegation from South Africa attended the meeting.

Ministers noted that this year marked the tenth anniversary of the establishment of the Cairns Group. They agreed that the achievements of the Group in its first decade had strengthened their individual and collective determination to continue work to achieve a global system free of distortions for agricultural trade.

Ministers expect the first Ministerial Conference of the World Trade Organization in Singapore in six months time to be a major focus of this ongoing work.

Cairns Group Ministers reaffirmed their commitment to the liberalisation of agricultural trade recognizing the very significant and positive contribution that an open world trading environment can make to economic growth and living standards around the world in both developed and developing countries.

Ministers noted also that further effective agricultural trade liberalisation would make a positive contribution to world food security. In this context, Ministers emphasised the importance of actively and positively participating in the World Food Summit in Rome and agreed to consult closely on their approach to this meeting.

Cairns Ministers noted that the Uruguay Round outcome on agriculture was important in charting a new direction for agricultural trade liberalisation, but was a first step only. They noted in particular:

the market access improvements secured through the elimination of quantitative restrictions on imports, the binding of all tariffs on all agricultural products, and tariff reductions;

the negotiated reductions in export subsidies which are helping to put global agricultural trade on a less distorted and more market-oriented basis; and

the implementation of the SPS Agreement which is helping discipline the use of unjustified barriers to trade.

Cairns Group Ministers noted that greater effort was required to achieve the elimination of export subsidies, to discipline trade-distorting domestic support - recognising that many forms of such support have been exempted from commitments - and to achieve further significant improvements in market access.

Cairns Ministers noted the important work carried out by the Committee on Agriculture since the introduction of the Uruguay Round agreements in January 1995 in conducting the important task of monitoring and surveillance of the implementation of Uruguay Round commitments. During this first period, the work was especially addressed to monitoring implementation of market access commitments.

Ministers noted the significance of the SPS Agreement to trade liberalisation and emphasised in this context the importance of the effective functioning of the SPS Committee in monitoring implementation and as a forum for consultation.

Ministers agreed that the implementation of the Uruguay Round commitments on agriculture was proceeding well but that some specific problems had been identified that would be brought to the attention of Ministers in Singapore. Similarly, concerns were expressed about the maintenance of unjustified sanitary and phytosanitary measures which restricted access to markets.



Ministers therefore stressed the importance they attach to all WTO members implementing fully their Uruguay Round commitments on Agriculture and SPS measures. Ministers called for the first WTO biennial Ministerial meeting in December 1996 to carry out a thorough review of the implementation of commitments.

Cairns Group Ministers recalled that Article 20 of the Uruguay Round Agreement on Agriculture provides for further multilateral negotiations on agricultural trade liberalisation to take place before the end of the decade. Similarly, they noted that Article 12 of the SPS Agreement mandates a review of the operation and implementation of that Agreement by 1997.

While expressing their clear support for the time-frames established in the Uruguay Round for the commencement of further negotiations on agriculture, Cairns Ministers indicated their clear readiness to begin negotiations at an earlier date, if a consensus to do so could be achieved.

Recognising the commitment to further liberalisation of agriculture set out in the "built-in agenda", Ministers adopted a "Cartagena Compact" to pursue through the Committee on Agriculture and at the WTO Ministerial meeting a commitment to a realistic and balanced program of work to prepare for the resumption of negotiations. This program of work should be in accordance with Article 20 of the Agreement on Agriculture, would not prejudge the outcome of the negotiations and should start in 1997. It should cover all the key areas that are expected to be the focus of further negotiations on agriculture - including, in particular, issues relating to domestic support, market access and export subsidies - so that further negotiations when resumed can be completed speedily and successfully.

Cairns Ministers also called on all WTO members to ensure that the Marrakesh Ministerial Decision on "Measures Concerning the Possible Negative Effects of the Reform Program on Least Developed and Net Food Importing Developing Countries" is fully implemented. This should include, where necessary, dialogue with other international institutions primarily responsible for formulating appropriate policies relating to food aid, technical assistance and financing problems.

In this context, Cairns Ministers noted that the current problems being encountered by net food importing countries, particularly the least developed countries, stem primarily from temporary market conditions for agricultural products rather than the implementation of commitments negotiated in the Uruguay Round. Cairns Ministers declared their firm intention to oppose export restrictions which would limit the supply of agricultural products on world markets and exacerbate problems faced by net food importing countries, applying the concept of "responsible liberalisation".

Ministers expressed strong concern about unilateral and extra-territorial actions which create dangerous precedent and potential threat to the multilateral trade and investment regime.

Cairns Ministers reiterated their concern to ensure an early conclusion of a multilateral understanding on agricultural export credits.

Finally, Cairns Ministers reiterated their commitment to further multilateral liberalisation of agricultural trade being an integral and essential part of any further broad ranging multilateral negotiations as envisaged by the outcome of the Uruguay Round negotiations.

## **CARTAGENA COMPACT**

**THE WTO COMMITTEE ON AGRICULTURE (COA) IS MANDATED TO UNDERTAKE A COMPREHENSIVE, BALANCED PROGRAM OF PREPARATORY WORK FOR THE NEXT ROUND OF NEGOTIATIONS IN ACCORDANCE WITH ARTICLE 20 OF THE AGRICULTURE AGREEMENT INCLUDING IN THE THREE AREAS OF: MARKET ACCESS, INTERNAL SUPPORT AND EXPORT SUBSIDIES. THE PREPARATORY WORK PROGRAM IN EACH OF THESE THREE AREAS SHOULD ENCOMPASS ISSUES RELATED TO:**

- 1. THE IMPLEMENTATION OF URUGUAY ROUND CONCESSIONS AND COMMITMENTS;**
- 2. FURTHER IMPROVEMENTS WITHIN THE FRAMEWORK OF RULES AND SPECIFIC BINDING COMMITMENTS ALREADY AGREED TO;**
- 3. CHANGES IN THE FRAMEWORK OF THE URUGUAY ROUND AGREEMENT ON AGRICULTURE; AND**
- 4. ELEMENTS OF THE URUGUAY ROUND AGREEMENT ON AGRICULTURE WHICH ARE CONSIDERED TO BE TRANSITIONAL.**

*Ministerial Meeting*

# *Cairns Group*

CG/MM/XVII/3

*Rio de Janeiro BRAZIL  
5-6 June 1997*

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## CAIRNS GROUP

Argentina  
Australia  
Brazil  
Canada  
Chile  
Colombia  
Fiji  
Hungary  
Indonesia  
Malaysia  
New Zealand  
Paraguay  
Philippines  
Thailand  
Uruguay

## CAIRNS GROUP STATEMENT AND COMMUNIQUE

6 JUNE 1997

## MINISTERIAL STATEMENT

Ministers of Cairns Group countries met in Rio de Janeiro, Brazil on 5-6 June 1997 and adopted the attached communiqué. In addition, the following Statement was agreed.

While recognising that some limited progress on agricultural reform had occurred as a result of the Uruguay Round, and domestic developments in major countries, world trade in agricultural products remains seriously distorted and inequitable.

Ministers therefore stressed that Cairns Group countries will be seeking far reaching and ambitious reform of world agricultural trade when negotiations commence in 1999, as mandated under Article 20 of the Agreement on Agriculture. ))

To this end Ministers have instructed officials to undertake as a matter of urgency the necessary analysis and preparation of options and strategies for all the key areas of agriculture requiring reform by the time of the next Cairns Ministerial meeting in 1998.

Ministers stressed that the Committee on Agriculture should act with sufficient speed to ensure that by the time of the 1999 negotiations the agenda, negotiating framework and modalities are already agreed.

Ministers resolved to ensure the next negotiations will commence on time in 1999, will be pursued expeditiously, and will achieve fundamental reform to place agricultural trade on the same basis as other areas of world trade.

Ministers also concluded that, given the growing demands as the negotiations approach, Ministers and officials of the Cairns Group will intensify their co-ordination in Geneva and capitals.

## COMMUNIQUE

The seventeenth ministerial meeting of the Cairns Group was held in Rio de Janeiro, Brazil on 5-6 June 1997. Observer delegations from Bolivia and South Africa also participated in the meeting.

Ministers formally welcomed Paraguay as the newest member of the Cairns Group. They noted that the participation of Paraguay would strengthen the capacity of the group to work for a fairer and freer international agricultural trading system.

In this connection, Ministers agreed that among the principal strengths of the Cairns Group were the diversity of its membership and the broad span of its members' interests in the full range of trade in agricultural products. Over the next two years, the Cairns Group would give priority to fostering even broader support for further agricultural liberalisation. Ministers indicated their willingness in this regard to consider applications from possible new members who were prepared to commit themselves to the shared principles of the Cairns Group and pursue further substantial liberalisation of trade in agriculture.

Ministers examined a range of international agricultural market and policy developments and concluded that there were some positive signs of potential for further substantial agricultural trade reform. They urged the European Union to continue with the process of reforming its common agricultural policy and to ensure that such reform would be consistent with a further substantial, sustained reduction in agricultural protection. They welcomed the continuing implementation of the United States' FAIR Act and the reform being undertaken of the agriculture sector in the United States. Ministers encouraged all countries to continue with the process of liberalising agriculture, noting the benefits agricultural liberalisation offered to consumers and efficient producers throughout the world.

Ministers agreed that the accession to the World Trade Organisation of current and potential important agricultural exporters and importers would have a major effect on agricultural trade. They expressed support for new WTO members on terms which were acceptable to all WTO members and which maintained the integrity of the rules based system. Ministers highlighted that new WTO members would need to comply fully with WTO disciplines, particularly those relating to market access, domestic support and export subsidies. Ministers confirmed in this regard that export subsidies were not acceptable in the absence of such measures in the most recent representative three year period. Ministers also expected WTO applicants to agree to a standstill commitment during the accession negotiations and to commit themselves to providing effective and trade creating market access opportunities to all WTO members.

Ministers expressed disappointment that to date negotiations in the OECD had failed to develop effective disciplines on the use of export credits on agricultural products and agreed to urge all participants to make further efforts to complete this work as soon as possible.

Ministers reaffirmed the need for all countries to refrain from actions which might destabilise international agriculture and called on the European Union and the United States to continue to show restraint in the use of export subsidies, and urged them not to introduce export restrictions.

Ministers reaffirmed the importance of the full implementation of the WTO Agreements on Agriculture and Sanitary and Phytosanitary Measures. Ministers emphasised the need to ensure that WTO members respect both the letter and the spirit of the disciplines in all areas of these agreements. They welcomed the fact that the WTO Committee on Agriculture had moved beyond market access issues in its monitoring and surveillance of the implementation of Uruguay Round commitments and had begun to give more attention to export subsidies and domestic support. They noted that WTO members' experience in the implementation of commitments would be an important input into preparations for the next round of agriculture negotiations. Ministers were also pleased to note that the WTO's Committee on SPS had made some progress, including through placing more emphasis on trade issues and providing a forum for discussing SPS related trade concerns. They agreed to coordinate effectively in the review of the SPS Agreement that will take place in 1998.

Ministers welcomed the steps taken in the WTO Committee on Agriculture to implement the decision taken at the WTO Ministerial Conference held in Singapore in December 1996 to undertake a focused work program of analysis and information exchange (AIE). Ministers noted the role that issues raised in the implementation of the Agriculture Agreement would play in the analysis and information exchange process.

Ministers also noted, however, that the scope of the AIE process related to all relevant provisions of the Agriculture Agreement, including issues other than implementation concerns. Ministers noted the constructive role played by the other WTO members in initiating the AIE process and looked forward to this continuing as the consultations began to address a broader range of issues in more detail. Ministers expected that the analysis and information exchange would allow all Members to build a thorough understanding of issues and help identify those that would need to be tackled in the Agriculture Negotiations scheduled to beginning in 1999.

Ministers noted that the half-way point between the end of the Uruguay Round and the start of the new round on agriculture negotiations had now been reached. They stressed the importance of adequate preparations for the next round of agriculture negotiations in order for such negotiations to begin on time and to be concluded expeditiously. They affirmed their determination to work constructively with all WTO members in preparing for these negotiations.

Ministers reaffirmed the contribution that removing agricultural trade restrictions and distortions can make to sustainable development and promoting the objective of mutually supportive trade and environment policies and agreed to pursue this issue further, including through the WTO Committee on Trade and Environment.

Ministers affirmed their determination to work together to ensure that the interests of the Cairns Group were actively and effectively pursued at the WTO Ministerial Conferences which would be held before the commencement of the next round of agriculture negotiations.

Ministers reiterated their commitment to further multilateral liberalisation of agricultural trade as an integral and essential part of the development of the multilateral trade system. They emphasised the importance of the next agricultural negotiations providing the framework for an outcome in the three areas of export subsidies, domestic support and market access which

would bring the treatment of agriculture in the WTO into line with other sectors. Ministers agreed that a balanced outcome in the three areas was required and in a way that would encourage economic growth and employment opportunities for all WTO Members, and acknowledge the legitimate needs of developing countries.



## **18th Cairns Group Ministerial Meeting Sydney, Australia**

### **COMMUNIQUE**

The members of the Cairns Group held their eighteenth Ministerial Meeting in Sydney, Australia on 1-3 April.

Ministers welcomed South Africa as the newest member and the first African member of the Cairns Group. They noted that the participation of South Africa would strengthen the capacity of the Group to work for a fairer and freer international agricultural trading system.

Ministers also welcomed the inaugural meeting in Sydney of Cairns Group Farm Leaders and their strong statement in support of the Group's efforts to further liberalise agricultural trade in renewed WTO agriculture negotiations to commence in 1999.

Ministers recalled the joint objective agreed at their 1997 Rio Meeting that the next WTO agriculture negotiations achieve fundamental reform to place agriculture on the same basis as other areas of world trade. In this connection Ministers agreed upon the attached "Vision Statement" setting out the Cairns Group's objectives in the three key areas of export subsidies, market access and domestic support.

Ministers called upon the May Ministerial meeting of the WTO to launch a preparatory process which will allow the mandate and structure of the agriculture negotiations, agreed as part of the Uruguay Round "Built-in Agenda" to be efficiently settled so that substantive negotiations can commence by end 1999.

Ministers also agreed to use all opportunities, including work in other fora and contacts in relevant regional organisations and other groupings, to promote the Cairns Group's "Vision". Between now and the 1999 negotiations the Group will intensify its links and contacts with other WTO members and, in particular, work to demonstrate that the agricultural reform process will benefit all developing and least developed countries.

In reviewing the work program agreed at their 1997 Rio Meeting, Ministers agreed that the Group will continue to coordinate closely - in particular on full implementation of commitments on agriculture and sanitary and phytosanitary measures, including provision of technical assistance; to ensure that new WTO members comply fully with WTO agriculture disciplines; in discussions on the links between trade and the environment; and in the process of analysis and information exchange related to the renewed negotiations.

Ministers agreed that the SPS review should not be used as a pretext to relax present disciplines on the ground of non-scientific arguments. A clear distinction should be made between concerns based on objective and scientific considerations and those based on subjective perceptions. The SPS review should contribute to improve the notification procedures, to provide more transparency and to avoid unjustified and arbitrary barriers to trade.

They noted that despite the undertaking in the Uruguay Round Agriculture Agreement, negotiations in the OECD had as yet failed to develop effective disciplines on the use of agricultural export credits and urged all participants to seriously pursue effective disciplines as a matter of urgency.

Ministers viewed the impact of the Asian financial crisis with great concern. They agreed that the maintenance of liberal and open world markets would facilitate the quick recovery of those countries affected.

Ministers agreed that the Cairns Group would next meet at Ministerial level in May at the WTO Ministerial Meeting to consider further Group strategies and again at Mar del Plata, Argentina in 1999.

## **Cairns Group "Vision" for the WTO agriculture negotiations "Completing the Task"**

The Cairns Group of Agricultural Fair Traders reaffirms its commitment to achieving a fair and market-oriented agricultural trading system as sought by the Agreement on Agriculture. To this end the Cairns Group is united in its resolve to ensure that the next WTO agriculture negotiations achieve fundamental reform which will put trade in agricultural goods on the same basis as trade in other goods. All trade distorting subsidies must be eliminated and market access must be substantially improved so that agricultural trade can proceed on the basis of market forces.

The Uruguay Round provided a rules-based framework for agricultural trade and took an important first step in reducing agricultural support and protection. Levels of support in OECD countries, however, remain at very high levels, with US\$280 billion in total transfers to agriculture in 1997.

Also, for many products major impediments continue to constrain market access opportunities. The negotiations, to commence in 1999, must deliver major improvements to the rules, the elimination of subsidies that distort prices, production and trade, and substantial cuts to protection levels.

Completing the task of liberalising agricultural trade will bring important benefits in terms of economic growth, improved welfare, food security and sustainable development.

Food security will be enhanced through more diversified and reliable sources of supply, as more farmers, including poorer farmers in developing countries, are able to respond to market forces and new income generating opportunities, without the burden of competition from heavily subsidised products. Export restrictions must not be allowed to disrupt the supply of food to world markets, in particular to net food importing countries.

In many cases agricultural subsidies and access restrictions have stimulated farm practices that are harmful to the environment. Reform of these policies can contribute to the development of environmentally sustainable agriculture.

The principle of special and differential treatment for developing countries, including least developed countries and small states, must also remain an integral part of the next WTO agriculture negotiations. The framework for liberalisation must continue to support the economic development needs, including technical assistance requirements, of these WTO members.

As preparations for the agriculture negotiations intensify, the Cairns Group will push for a comprehensive framework which addresses all areas affecting agricultural trade. A central part of this will be further, far reaching, and specific commitments in each of the three reform areas.

### Export Subsidies

There is no justification for maintaining export subsidies. It is essential that the 1999 negotiations ensure the early, total elimination and prohibition of all forms of these distortive and inequitable policies. There must be clear rules to prevent all forms of circumvention of export subsidy commitments. Also agricultural export credits must be brought under effective international discipline with a view to ending government subsidisation of such credits.

### Market Access

Access opportunities for agricultural products should be on the same conditions as those applying to other goods and should be commercially viable. Tariffs must be the only form of protection, tariff escalation must be removed and tariff peaks curtailed. The 1999 negotiations must result in deep cuts to all tariffs, tariff peaks and tariff escalation. They must provide a major expansion of market access opportunities for agricultural products, including value-added products. The removal of non-tariff barriers must be completed without exception. Trade volumes under tariff rate quotas must be increased substantially. The administration of tariff rate quotas must not diminish the size and value of market access opportunities, particularly in products of special interest to developing countries.

### Domestic Support

Overall levels of domestic support for agriculture remain far in excess of subsidies available to other industries. The 1999 negotiations must result in major reductions in domestic support for all agricultural products. All trade distorting domestic subsidies must be eliminated with only non-distorting forms of support permitted. Close attention will be paid to compensation for the shift away from price support and the Cairns Group will work to ensure that income aids or other domestic support measures are targeted, transparent and fully decoupled so that they do not distort production and trade.

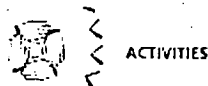
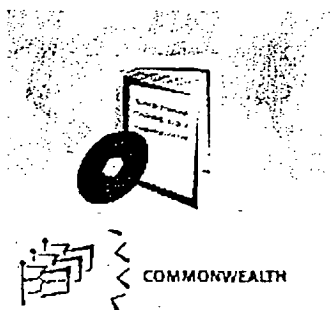
The WTO agriculture negotiations are mandated to begin before the end of 1999. The Cairns Group will work to ensure that the necessary preparations have been undertaken so that the negotiations begin on time, and are completed as soon as possible. The reform process must continue unabated and the outcome must put trade in agricultural goods on an equal footing with trade in other goods.

Cairns Group Ministerial Meeting, Sydney, Australia

3 April 1998

## COMMONWEALTH HEADS OF GOVERNMENT MEETINGS

October 18-24, 1989	Kuala Lumpur, Malaysia
October 16-21, 1991	Harare, South Africa
October 21-25, 1993	Limassol, Cyprus
November 10-13, 1995	Auckland, Australia
October 24-27, 1997	Communique - Edinburgh, England
November 12-14, 1999	Communique - Durban, South Africa
2001	Communique - Australia



# **COMMONWEALTH**

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## **NEWS RELEASE**

**Commonwealth Heads of Government Meeting  
Durban, South Africa 12-15 November 1999**

The Fancourt Commonwealth Declaration on  
Globalisation and People-Centred Development  
Communiqué  
Commonwealth Ministerial Group on Small States  
Commonwealth Functional Co-operation Report of  
the Committee of the Whole

**The Fancourt Commonwealth Declaration on  
Globalisation and People-Centred Development**  
In today's world, no country is untouched by the forces of globalisation. Our destinies are linked together as never before. The challenge is to seize the opportunities opened up by globalisation while minimising its risks.

On the positive side, globalisation is creating unprecedented opportunities for wealth creation and for the betterment of the human condition. Reduced barriers to trade and enhanced capital flows are fuelling economic growth.

The revolution in communications technologies is shrinking the distance between nations, providing new opportunities for the transfer of knowledge and the development of skills-based industries. And technological advance globally offers great potential for the eradication of poverty.

But the benefits of globalisation are not shared equitably. Prosperity remains the preserve of the few. Despite the progress of the past fifty years, half the world's population lives on less than two US Dollars per day. Many millions live in conditions of extreme deprivation. The poor are being marginalised. Expanded capital flows have also

brought with them the risk of greater financial instability, undermining the hope that a commitment to open markets can lift the developing world, especially the least developed countries, out of poverty and debt.

The persistence of poverty and human deprivation diminishes us all. It also makes global peace and security fragile, limits the growth of markets, and forces millions to migrate in search of a better life. It constitutes a deep and fundamental structural flaw in the world economy.

The greatest challenge therefore facing us today is how to channel the forces of globalisation for the elimination of poverty and the empowerment of human beings to lead fulfilling lives.

The solution does not lie in abandoning a commitment to market principles or in wishing away the powerful forces of technological change. Globalisation is a reality and can only increase in its impact. But if the benefits of globalisation are to be shared more widely, there must be greater equity for countries in global markets.

We call on all nations fully to implement the Uruguay Round commitments to dismantle barriers to trade for the mutual benefit of all. Moreover, recognising in particular the significant contribution that enhanced export opportunities can make for reducing poverty, we call for improved market access for the exports of all countries, particularly developing countries, and the removal of all barriers to the exports of the least developed countries.

Strong export growth remains a key element in the ability of developing countries to improve their living standards to the levels enjoyed in the industrialised world. We support efforts that would enable developing countries to build up their skills and manufacturing capacities, including the production and export of value-added goods, so as to enhance growth and achieve prosperity.

Likewise, we urge that the forthcoming Ministerial Meeting of WTO to launch the next round of global negotiations on trade be one with a pronounced developmental dimension, with the aim of achieving better market access in agriculture, industrial products and services in a way that provides benefits to all members, particularly developing countries. The Round should be balanced in process, content and outcome.

We fully believe in the importance of upholding labour standards and protecting the environment. But these must be addressed in an appropriate way that does not, by linking them to trade liberalisation, end up effectively impeding free trade and causing injustice to developing countries.

We also call on the global community to establish innovative mechanisms to promote capital flows to a wider number of countries; and to urgently initiate reform of international financial architecture to minimise financial instability and its impact on the poor.

We believe that the elimination of poverty is achievable - but only if we take determined and concerted action at national and international levels. We reiterate our commitment to work for a reversal of the decline in official development assistance flows. Urgent action is also required to tackle the unsustainable debt burden of developing countries, particularly the poorest, building on the recent initiatives agreed internationally. We believe such development assistance must be focused on human development, poverty reduction and on the development of capacities for participating in expanding world markets for goods and capital. Above all, we recognise the responsibilities of national governments to promote pro-poor policies and human development.

If the poor and the vulnerable are to be at the centre of development, the process must be participatory, in which they have a voice. We believe that the spread of democratic freedoms and good governance, and access to education, training and health care are key to the expansion of human capabilities, and to the banishment of ignorance and prejudice. Recognising that good governance and economic progress are directly linked, we affirm our commitment to the pursuit of greater transparency, accountability, the rule of law and the elimination of corruption in all spheres of public life and in the private sector.

We are concerned at the vast gap between rich and poor in the ability to access the new technologies, at the concentration of the world's research resources in market-driven products and processes, the increasing tendency to claim proprietary rights on traditional knowledge, and at bio-piracy. We call on the world community to use the opportunities offered by globalisation for adopting practical measures for overcoming these challenges; for example, by extending the benefits of global medical research through the provision of drugs at affordable prices to the poor in developing countries.

We welcome the spread of ideas, information and knowledge in building civil support for social equality, and in opposing all forms of discrimination and other injustices based on ethnicity, gender, race and religion. But, while better communications have increased human contact, there is for some a growing sense of social exclusion and a general failure of moral purpose. Persistence of inequalities faced by women, continued high levels of youth unemployment, lack of adequate support systems for the aged, children and the disabled in many parts of the world and increased threats to the diversity of cultures and beliefs all contribute to the undermining of just and stable society. We therefore call for a renewed commitment to eliminate all forms of discrimination and to take measures that promote respect for the diverse languages, cultures and beliefs, and traditions of the world, which enrich all our lives.

Recognising that the full exploitation of the opportunities for development created by globalisation is not possible without security, political stability and peace, we commit ourselves, in partnership with civil society, to promote processes that help to prevent or resolve conflicts in a peaceful



manner, support measures that help to stabilise post-conflict situations, and combat terrorism of all kinds.

Good governance requires inclusive and participatory processes at both national and international levels. We call on the global community to search for inclusive processes of multilateralism which give a more effective voice in the operations of international institutions to developing countries, and which recognise the particular vulnerabilities of small states.

We believe that the Commonwealth, an association of diverse sovereign nations reflecting different stages of development and united by common values, has a vital role to play in promoting consensus at national and international levels and in providing practical assistance for the creation of capacities needed to promote people-centred development. At the threshold of a new millennium, we look to the Commonwealth, and its family of organisations, to contribute significantly to making the above aspirations a reality.

Fancourt  
George,  
South Africa  
14 November 1999

#### THE DURBAN COMMUNIQUÉ

1. Commonwealth Heads of Government met in Durban from 12 to 15 November 1999. Of the 52 countries which attended the Meeting, 47 were represented by Heads of State or Prime Ministers. The Meeting was chaired by His Excellency Mr Thabo Mbeki, President of the Republic of South Africa.
2. The Opening Session of the Meeting included an address by Her Majesty Queen Elizabeth II, Head of the Commonwealth.
3. Heads of Government believed that their Meeting was highly symbolic, being their first meeting on the soil of a democratic South Africa, and recalling in this context the leading role which the Commonwealth had played in the global campaign to eradicate apartheid. They deemed it particularly appropriate that their meeting in South Africa should also mark the 50th Anniversary of the modern Commonwealth. They recognised the significance of the Meeting as one which would launch the Commonwealth into the next millennium.
4. They extended a warm welcome to President Olusegun Obasanjo as the democratically elected leader of Nigeria and expressed satisfaction at the full return of the country to the Commonwealth fold. They also welcomed Nauru's participation in the Commonwealth Heads of Government Meeting for the first time following its accession to full Commonwealth membership.
5. Heads of Government conveyed their appreciation for the excellent arrangements for their Meeting and

the warm hospitality extended by the Government and people of South Africa, as well as for the Chairman's admirable stewardship.

6. Heads of Government adopted the Fancourt Declaration on Globalisation and People-Centred Development.

#### **Review of the Role of the Commonwealth**

7. Heads of Government decided that a High-Level Group should be established to review the role of the Commonwealth and advise on how best it could respond to the challenges of the new century. The group would be chaired by the President of South Africa and include the Heads of Government of Australia, Fiji, India, Malta, Singapore, Tanzania, Trinidad and Tobago, United Kingdom and Zimbabwe. It would report to the next CHOGM in Australia in 2001.

#### **Chairperson-in-Office**

8. Heads of Government believed that the Chairperson of each CHOGM should be able to play a representational role, especially in other intergovernmental organisations in the period between Heads of Government Meetings.

#### **Fifty Years of the Modern Commonwealth**

9. Heads of Government recalled that the modern Commonwealth traced its origin to the 1949 London Declaration. They celebrated the completion of 50 years since that landmark and believed that this Anniversary marked another important milestone in the history of the association. They noted that the sustained increase in the membership of the Commonwealth, including the return of old members and interest from aspiring members, was testimony to the growing strength and relevance of the association. Fundamental Political Values

10. Heads of Government renewed their commitment to the Commonwealth's fundamental political values of democracy, human rights, the rule of law, independence of the judiciary and good governance. They reiterated that fundamental political values and sustainable development were interdependent and mutually reinforcing, and that economic and social progress worked to enhance the sustainability of democracy. They called for increased international co-operation to support democracies in achieving benefits for the poor.

11. Heads of Government noted that the Commonwealth had made commendable progress in making democracy a way of life in the association and believed that it needed to be deepened. They felt that not only governments but all political parties, other organs of civil society and the public at large also had equal responsibility for upholding and promoting the democratic ethic. They recognised the parliaments and legislatures of the Commonwealth as essential elements in the exercise of democratic government, and endorsed the efforts of the Commonwealth Parliamentary Association as the parliamentary partner of the Commonwealth's governmental and non-governmental sectors in advancing the democratic culture of the Commonwealth.

12. Heads of Government commended the valuable contribution made by the Secretary-General's good offices role, at the request of the concerned member governments, to peace, democratic order and political stability, through the prevention and resolution of conflict situations in member countries. They also commended the effective use of Special Envoys by the Secretary-General in this context.

13. Heads of Government reaffirmed gender equality as an essential component of human equality and basic human rights and as a particular Commonwealth challenge, urged member governments to take action for the promotion and advancement of women by strengthening their national machineries to implement gender mainstreaming for the acceleration of women's empowerment in political, economic and social activities in the 21st Century.

#### **Commonwealth Ministerial Action Group's Report**

14. Heads of Government received with appreciation the Report of the Commonwealth Ministerial Action Group on the Harare Commonwealth Declaration.

15. Heads of Government expressed concern at the continued existence of the Schedule to Decree no. 89, which proscribes the political activities of certain political parties and individuals in The Gambia and urged its repeal. They welcomed an invitation extended by the President of The Gambia for CMAG to visit that country and assess first-hand The Gambia's compliance with the Harare Principles. They requested the Secretary-General to continue the provision of technical assistance to The Gambia to consolidate democratic processes and institutions.

16. Heads of Government expressed their support for the Lomé Peace Agreement on Sierra Leone and called for its immediate, full and effective implementation. They deplored the recent violations of the Agreement and called upon all parties to fulfill their commitments, urging the co-operation of all groups with the process of disarmament, demobilisation and reintegration. They commended the efforts of ECOWAS and its Monitoring Group, ECOMOG, in bringing peace and stability to Sierra Leone and upholding the legitimacy of the elected government. They expressed the Commonwealth's support for the United Nations Mission in Sierra Leone (UNAMSIL) in its role of consolidating the Lomé Peace Agreement.

17. Heads of Government requested CMAG to remain engaged with the post-conflict reconstruction and development and peace-building in Sierra Leone. They also requested the Secretary-General to continue his good offices role in consultation with the United Nations, and that the Commonwealth Secretariat should remain in close liaison with other members of the international community through the International Contact Group on Sierra Leone. They called on the international community to assist Sierra Leone in the task of national reconstruction within the framework of the Commonwealth Action Plan for Sierra Leone.

18. Heads of Government condemned the

unconstitutional overthrow of the democratically elected Government in Pakistan on 12 October 1999. They believed that no legitimacy should be accorded to the military regime and called for the restoration of civilian democratic rule without delay. They endorsed CMAG's decision to suspend the military regime in Pakistan from the councils of the Commonwealth, pending the restoration of democracy in that country.

19. Heads of Government requested CMAG to keep the situation in Pakistan under review and be prepared to recommend further measures to be taken by the Commonwealth if progress to democracy is not made speedily.

20. Recognising the unconstitutionality of the regime, Heads of Government urged that Prime Minister Nawaz Sharif and others detained with him be released immediately and that the rule of law in Pakistan be duly observed.

21. Heads of Government commended the role played by CMAG as a custodian of the Harare Principles. They agreed that CMAG should continue to address serious or persistent violations of those Principles and that its future mandate should be considered further by the Commonwealth High-Level Group. They decided that, for the ensuing biennium, CMAG should consist of Ministers from Australia, Bangladesh, Barbados, Botswana, Canada, Malaysia, Nigeria and the United Kingdom. They further agreed that, beginning with the new membership of CMAG, no country should serve for more than two consecutive two-year terms.

#### Cyprus

22. Heads of Government reaffirmed their support for the independence, sovereignty, unity and territorial integrity of the Republic of Cyprus. They called for the implementation of United Nations Resolutions on Cyprus, and in particular Security Council Resolutions 365 (1974), 550 (1984), 1250 and 1251 (1999), and for the withdrawal of all Turkish forces and settlers, the return of the refugees to their homes, the restoration and respect for human rights of all Cypriots, and the accounting for all missing persons. They emphasised that the demand for recognition of a separate state in the occupied part of Cyprus is unacceptable.

23. Reiterating their deep concern that continued efforts to achieve a just and lasting solution should at last bear fruit, they strongly endorsed the United Nations Security Council's request to the United Nations Secretary-General to invite the two communities on Cyprus to negotiations under his auspices before the end of 1999. They noted that these negotiations would be comprehensive and based on the four principles of: no preconditions, all issues being on the table, commitment in good faith to continue the negotiations until a settlement is reached, and full consideration of relevant United Nations Resolutions and Treaties. They pledged their full support for the United Nations Secretary-General in pursuit of this objective, and expressed their warm appreciation for the willingness of the Government of the Republic of Cyprus to respond positively to an invitation to

negotiations based on the four principles endorsed by the United Nations Security Council.

24. They requested the Secretary-General to convene the Commonwealth Action Group on Cyprus whenever appropriate.

#### **Belize**

25. Heads of Government reaffirmed their support for the territorial integrity, security and sovereignty of Belize and expressed the hope for continued improvement in relations between Belize and Guatemala. They called for dialogue at the highest levels with a view to reaching a mutually beneficial and definitive solution. They mandated the Secretary-General to convene the Commonwealth Ministerial Committee on Belize whenever necessary.

#### **Guyana**

26. Heads of Government expressed their firm support for and solidarity with the Government and people of Guyana in the maintenance of their territorial integrity and sovereignty. They also commended the continued commitment to a peaceful settlement to the controversy between Guyana and Venezuela.

27. Heads of Government took note that relations between the two countries had been conducted over recent years in an atmosphere of mutual understanding and respect, and through the development of programmes of functional co-operation. They expressed the hope that both countries would resolve their differences on this matter peacefully, and welcomed the good offices process of the United Nations Secretary-General.

28. Heads of Government mandated the Commonwealth Secretary-General to establish a ministerial group on Guyana to monitor further developments in respect of the existing controversy.

#### **East Timor**

29. Heads of Government acknowledged the contribution of Commonwealth countries, at the request of concerned member governments, to conflict resolution and the promotion of democracy not only within member countries but also in their respective regions. They acknowledged the contribution of Commonwealth and other countries to the success achieved by INTERFET, the multinational force led by Australia under a UN mandate, in restoring peace and security in East Timor and in facilitating the delivery of humanitarian assistance. They thanked the wide range of Commonwealth members including Canada, Kenya, Malaysia, New Zealand, Singapore and the United Kingdom and other countries who contributed contingents to the multinational force or other resources. They welcomed the current discussions with the Fiji Islands and Mozambique about possible contributions from those members.

30. Heads of Government welcomed the establishment of the United Nations Transitional Administration in East Timor (UNTAET) and looked forward to the early transition from INTERFET to a United Nations peacekeeping force. They noted the

significant scale of international assistance required for reconstruction in East Timor and called for further contributions to this effort from Commonwealth and other countries. They also urged all parties in East Timor to work strenuously towards reconciliation.

#### **Democratic Republic of Congo (DRC)**

31. Heads of Government welcomed the signing of the Lusaka Ceasefire Agreement on the DRC and urged all the parties to the conflict to strictly adhere to the letter and spirit of the agreement. They appealed to the international community to extend the necessary support to the Organisation of African Unity and the Joint Military Commission to enable them to carry out their mandate without further delay. They further urged the United Nations to speedily deploy a peacekeeping force in the DRC in accordance with the Lusaka Ceasefire Agreement. They encouraged the Congolese people to expedite the national dialogue.

#### **Angola**

32. Heads of Government expressed their grave concern over the continuing suffering of the people of Angola due to UNITA's non-compliance with the Lusaka Protocol and the relevant United Nations Security Council resolutions on Angola. In this respect, they urged the international community to increase, as a matter of urgency, the humanitarian assistance, especially to the displaced persons. Recognising that UNITA is largely responsible for the breakdown of the peace process they urged the international community to fully support and respect the implementation of the United Nations Security Council Sanctions imposed on UNITA. They further called upon the international community to support the work of the United Nations Security Council Sanctions Committee on Angola.

#### **Terrorism**

33. Heads of Government reaffirmed their strongest condemnation of acts of terrorism in all its forms and manifestations, which destabilise the political, economic and social order of sovereign states. They reiterated their determination to promote international and regional co-operation and to strengthen the international legal framework to ensure that terrorists do not find safe haven in any part of the world. They welcomed the adoption of the Convention on the Suppression of Terrorist Bombings as the latest in the series of United Nations enactments on this subject and United Nations Security Council Resolution 1269 of 19 October 1999. They called for the adoption at the current session of the United Nations General Assembly, of the International Convention on the Suppression of Acts of Terrorist Financing, and welcomed the agreement on elaborating, on a priority basis, a Comprehensive Convention Against International Terrorism. Recognising the linkages between terrorism, illegal trafficking in drugs, arms, and of persons, and money laundering, they further called on all states to enact laws to prevent financing of terrorists and terrorist organisations. They also called for firm deterrent measures by the United Nations Security Council against states, entities and organisations which harbour and train terrorists or promote international terrorism.

**Children and Armed Conflict**

34. Heads of Government expressed grave concern at the harmful and widespread impact of armed conflict on children and the long-term consequences of this for peace, security and development. They strongly condemned the targeting and abuse of children in situations of armed conflict and the recruitment and use of children in armed conflict in violation of international law, calling on all parties concerned to put an end to such practices. They welcomed United Nations Security Council Resolution 1261 of 25 August 1999, and the current efforts to draft an Optional Protocol to the Convention on the Rights of the Child and Involvement of Children in Armed Conflicts and encouraged efforts by all relevant actors at the national and international level to develop more coherent and effective approaches to the issue of children and armed conflict.

35. In the same context, Heads of Government also welcomed the adoption in June 1999 by the International Labour Organisation of the Convention on the Worst Forms of Child Labour. They noted that a large number of Commonwealth countries had signed the Convention and urged its ratification by as many member governments as possible.

**Small Arms**

36. Heads of Government expressed concern at the destabilising accumulation and proliferation of small arms, ammunition, and light weapons, which had contributed to the intensity and duration of armed conflicts as well as to international terrorism. They noted that many Commonwealth governments were adversely affected by the excessive and destabilising accumulation, and the uncontrolled flows of these lethal weapons. They believed that the challenge posed by the proliferation of small arms involved security, humanitarian and development dimensions. They welcomed the Statement made by the President of the United Nations Security Council on this subject on 29 September 1999 and emphasised the need for urgent action by the international community to curb and prevent illicit production and trafficking. They urged member countries to support and encourage the initiatives underway globally and regionally, and particularly in the United Nations on this complex problem, including the international conference scheduled to be held in 2001.

**Protection of Civilians in Armed Conflict**

37. Heads of Government expressed their deep concern at the targeting of civilians, especially women and children, including recent attacks on humanitarian personnel, noting that these acts which violate international law are often undertaken with impunity. Recognising the negative impact this can have on the building of durable peace, reconciliation and sustainable development, they encouraged all Commonwealth countries to promote compliance with international humanitarian, human rights and refugee law.

**Debt**

38. Heads of Government stressed that the Commonwealth should continue to be a driving force in international efforts to secure a lasting exit from

debt for the poorest and most indebted countries in the world. They welcomed the enhanced HIPC initiative, agreed at the autumn 1999 meetings of the Interim and Development Committees. They reiterated the Commonwealth commitment to support the swift implementation of the recent agreements to provide deeper, wider and faster debt relief, with the overarching aim of reducing poverty in HIPC countries. It is important that the procedures relating to the poverty reduction strategies should not delay access to timely debt relief.

39. To this end, they called for the enhanced HIPC framework to be financed in a way that provided additional resources and also avoided adverse effects on other poor developing countries. They emphasised the need for adequate debt relief and technical assistance from the international community to reinforce poverty reduction strategies in debtor countries and help them achieve internationally agreed poverty reduction and development targets by 2015.

40. They also requested that consideration be given to strengthening of the focus on the fiscal burden of debt in assessing sustainability and the shortening of the required track record of reform of up to six years.

#### **Good Governance and the Elimination of Corruption**

41. Heads of Government emphasised that corruption has become global in reach and that it must be tackled comprehensively through action at both national and international levels. They welcomed the report of the Commonwealth Expert Group on Good Governance, and endorsed the Framework for Principles for Promoting Good Governance and Combating Corruption, proposed by the Group, as the basis for pursuing concerted strategies based on zero tolerance for all types of corruption at national and global levels. They underscored that the Commonwealth commitment and work in promoting good governance and preventing corruption must be credible, tangible and visible. They instructed the Secretary-General to formulate strategies to facilitate the implementation of the Framework and for reviews of its progress to be reported at regular intervals.

#### **Civil Society**

42. Heads of Government declared that people-centred development implied that people must be directly involved in the decision-making process and in the implementation of development plans and programmes through their own organisations. They noted the significance of civil society in empowering people to benefit from globalisation, in contributing towards the goals of poverty elimination, equal opportunity and fair distribution of resources and in helping to deal more effectively with ethnic, racial and religious conflicts. They acknowledged the need to enable capacity-building efforts of local and regional non-governmental organisations. They noted the report of the Commonwealth Foundation on Citizens and Governance and the Communiqué of the Third Commonwealth NGO Forum and asked Senior Officials at their next meeting to study the issue of the Forum presenting its views to the next CHOGM.



**Financial Services**

43. Heads of Government affirmed the right of member countries to compete in the international financial markets, through the provision of both onshore and offshore financial services. They recognised the substantial importance of financial services to the economies of certain member countries. They also recognised the need for improvements in the existing framework to regulate international financial transactions and markets, given their increasing volume, size and complexity occasioned by globalisation. They requested the Secretariat to offer assistance to member countries to improve, where appropriate, their operating practices and regulatory standards relating to this activity, in order to safeguard the international banking and financial system and to prevent financial crime, notably money laundering.

**Environment and Development**

44. Heads of Government agreed that the Commonwealth should continue to help to build consensus and strengthen international co-operation towards the conservation of biological diversity to avert existing and new threats to the global environment especially to small island and other vulnerable states from the impact of climate change. They emphasised the need to resolve outstanding issues and to bring the Kyoto Protocol into force as soon as possible. They expressed concern about the effects of deforestation and called upon the Commonwealth Secretariat and other international organisations, upon request by member states, to initiate studies to increase the availability of alternative, sustainable and affordable sources of energy especially in Africa south of the Sahara

45. They called for the adoption of a balanced and effective Biosafety Protocol under the Convention on Biological Diversity at the resumed Extraordinary Conference of the Parties (ExCOP) which takes place from 24 to 28 January 2000.

**Commonwealth Business Council**

46. Heads of Government warmly commended the efforts of the Commonwealth Business Council and received the report of the Commonwealth Business Forum, held in Johannesburg from 9 to 11 November 1999. They recognised the essential role of the private sector as a partner in shaping globalisation with equity. They noted the Forum's recommendations on trade, investment, ethics, corruption and corporate governance, infrastructure development and Commonwealth-CBC co-operation. Heads of Government expressed support for the work of the Commonwealth Business Council and for the proposed Commonwealth guidelines on corporate governance developed by the Commonwealth Association for Corporate Governance.

**Small States**

47. Heads of Government received with appreciation the attached Report of the Chairperson of the Ministerial Group on Small States.

48. Heads of Government recognised the vulnerability of small states and the development

needs they face. They called for the Commonwealth to continue to take a leading role in promoting the interests of small states. They welcomed the Interim Report of the Commonwealth Secretariat/World Bank Task Force, 'Small States: Meeting Challenges in the Global Economy', as a landmark document that confirmed these special problems, vulnerabilities and needs. They noted the areas identified in the Interim Report for further work, including the criteria for the classification of small states and called on the Joint Task Force to complete its report in time for the meeting of the Development Committee of the World Bank and the IMF in Spring 2000 after the fullest consultations with governments of small states, and key multilateral agencies.

49. They agreed that members of the Ministerial Mission should continue to act as a monitoring mechanism and play an advisory role until completion of the work of the Task Force and its final report, and that implementation of the final report's recommendations be similarly tracked.

50. Heads of Government underscored the need for the Secretary-General to continue the Commonwealth's collaborative efforts with all partner organisations to ensure the implementation of the Report.

51. Heads of Government urged the next WTO Ministerial Meeting in Seattle to consider special measures, including special and differential treatment, for vulnerable small states.

#### **Multilateral Trade Issues**

52. Recalling their Fancourt Declaration on Globalisation and People-Centred Development, Heads requested the Secretariat to continue its support of multilateral trade issues to Commonwealth developing countries, especially small states, in building their capacities for negotiating, updating legislation and strengthening domestic trade policy institutions. They welcomed the contribution which the Trade and Investment Access Facility has made to providing this support, and hoped to expand its resources. In addition, they called on the Secretariat to work with other multilateral bodies and bilateral donors to give practical effect to pledges in international fora and to co-ordinate with others in developing effective, practical programmes of capacity-building for trade, for example by extending the principles of the Integrated Framework more widely.

53. They also requested the Secretary-General to increase the contribution of the Commonwealth to multilateral trade negotiations through the use of expert groups and other methods to explore issues and promote consensus; and to consult Commonwealth governments about convening a meeting of Commonwealth ministers responsible for international trade at an appropriate time to promote progress in WTO negotiations.

54. Heads of Government recognised the importance for a large number of Commonwealth countries of ACP-EU negotiations on post-Lomé-IV arrangements, and urged during a transitional period that the historical benefits upon which ACP countries

depend for access to EU markets be retained.

#### **HIV/AIDS**

55. Heads of Government expressed grave concern over the devastating social and economic impact of HIV/AIDS, particularly in sub-Saharan Africa. They agreed that this constituted a Global Emergency, and pledged personally to lead the fight against HIV/AIDS within their countries and internationally. They urged all sectors in government, international agencies and the private sector to co-operate in increased efforts to tackle the problem, with greater priority given to research into new methods of prevention, the development of an effective vaccine and effective ways of making affordable drugs for the treatment of HIV/AIDS accessible to the affected population.

#### **Education**

56. Heads of Government reaffirmed their commitment to education and training as essential foundations of human development and emphasised their central importance in equipping people with the knowledge and skills to meet the challenges of development and to take advantage of the opportunities presented by globalisation. They recognised the contribution of the Commonwealth of Learning in supporting the efforts of Commonwealth developing countries to benefit fully from the new information and communication technologies in developing their human potential through distance education.

#### **Commonwealth Functional Co-operation**

57. Heads of Government considered various aspects of Commonwealth functional co-operation, which they reaffirmed as essential for translating the benefits of membership, particularly to developing member states. They approved the attached Report of the Committee of the Whole. They requested the Secretariat to intensify its efforts to establish priorities in its areas of responsibility based on the Commonwealth's comparative advantage.

#### **New Secretary-General**

58. Heads of Government unanimously elected Mr Don McKinnon to succeed Chief Anyaoku as Commonwealth Secretary-General for a four-year term beginning 1 April 2000. They paid warm tribute to Chief Emeka Anyaoku for his exceptional services to the Commonwealth as Secretary-General over the last ten years and during his near 34 years of service to the Commonwealth. They believed that his contribution to the strengthening of the Commonwealth would be long remembered.

#### **Next Meeting**

59. Heads of Government reaffirmed their earlier decision to accept the kind offer of the Government of Australia to host their next Meeting in 2001.

### **COMMONWEALTH MINISTERIAL GROUP ON SMALL STATES**

Chairperson's Report to CHOGM

#### **Introduction**

1. The Commonwealth Ministerial Group on Small States held its fourth meeting on 11 November at Durban on the eve of the Commonwealth Heads of Government Meeting. The meeting was chaired by the Hon Mrs Nkosazana Zuma, Minister of Foreign Affairs, Republic of South Africa. Representatives of 37 member governments and observers from the World Bank, IMF, the European Commission and CARICOM attended the meeting.

2. In his introductory remarks, the Commonwealth Secretary-General, Chief Emeka Anyaoku, highlighted the main focus of the meeting, the interim report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States. He drew attention to the main themes of the report, including the acute vulnerability of small states, and transitional costs of adjusting their economies into a more globalised world economy. He urged the international community to provide assistance for small states to achieve this transformation successfully.

3. Following her election, the Chairperson said that the meeting had a key responsibility of not only reviewing an important report prepared by the Commonwealth Secretariat and the World Bank but also to consider follow-up action to its recommendations. The chairperson urged the meeting to focus on priority areas in order to assist the two institutions to finalise the report and initiate action on the recommendations.

4. The Group adopted the draft agenda without amendment. The report of the Task Force was introduced by Sir Humphrey Maud, Co-Chairman of the Task Force, on behalf of the Commonwealth, and Mr Masood Ahmed, the Co-Chairman from the World Bank. Mr Frits van Beek of the IMF and Professor Francisco Granell of the European Commission also provided brief comments on the report.

#### Interim Report of the Task Force

5. On the interim report of the Task Force, Ministers:

- welcomed the interim report of the Task Force, *Small States: Meeting Challenges in the Global Economy*, as a landmark document with high political profile. They recognised that it had benefited from the close collaboration between the World Bank and the Commonwealth Secretariat in its preparation, as well as the strong support from the IMF, WTO, UNCTAD and the European Commission;
- reviewed the report, noting that it was work in progress, emphasising the need to finalise it before the meeting of the Development Committee of the Bank and the Fund in April 2000, and calling for a continuation of the process of consultations with governments, key multilateral agencies and regional organisations to ensure that the final report is broadly acceptable to all stake-holders;
- urged all partner organisations to review and, where possible, enhance their policy statements before finalisation of the report;
- emphasised the need for follow-up work to

pay particular attention to: globalisation and the transitional costs of integrating small states into a more globalised economy; risk management; deepening regional co-operation; and public and private sector arrangements to finance the rehabilitation and replacement of infrastructure damaged through disasters;

- expressed broad support for the recommendations of the report, in particular calls for the international community to provide assistance to small states to integrate their economies into a more liberal trading environment, and for special treatment for vulnerable small states in the WTO, with inclusion of an in depth examination of this issue in the Organisation's post-Seattle work programme;
- recognised the regular incidence of natural disasters and their deleterious effects on the development of many small states and called for strengthening international mechanisms for providing assistance to meet the pre-and post-disaster needs of vulnerable countries;
- urged the international community to pay particular attention to capacity building needs of small states in designing their programmes of assistance to these countries;
- welcomed with the Commonwealth Secretariat proposals in the report to assist small states and asked the Secretary-General to give priority to these in designing programmes for its next strategic plan, so that the Commonwealth continued to take a lead role in promoting the interests of small states in the international system, and requested that adequate resources be made available for this purpose;
- agreed that members of the Ministerial Mission, which was instrumental in establishing the Task Force, should continue to act as a monitoring mechanism and play an advisory role until completion of the work of the Task Force and its final report, and that implementation of the final report recommendations be similarly tracked;
- urged CHOGM to take into account the main elements of the report's recommendations in its own messages to members of the Commonwealth and the international development community;
- underscored the need for the Secretary-General to continue collaborative efforts with all partner organisations in order to ensure the implementation of the report's recommendations. They called for a Commonwealth co-ordinator to assist in this process with the UN system and others, and for agencies to come together in establishing regional facilities in support of small states; and
- thanked the Co-Chairmen of the Task Force for their excellent work in preparing the report.

6. There being no other business, the Chairperson thanked fellow ministers for their valuable contributions and closed the meeting.

## COMMONWEALTH FUNCTIONAL CO-OPERATION

### Report of the Committee of the Whole

1. The Committee of the Whole met on 11 November 1999 in Durban to consider Commonwealth functional co-operation.

#### **Commonwealth Fund for Technical Co-operation**

2. The Committee reaffirmed its strong support for the Commonwealth Fund for Technical Co-operation (CFTC), noting the valuable technical assistance delivered by the Secretariat over the last two years in filling key strategic gaps in skills, expert policy advice and other areas to developing member countries, particularly small states. It expressed appreciation for the flexible and cost-effective nature of the CFTC's response to the requests of member states, which underscored its position as the primary instrument of development co-operation in the Commonwealth.

3. The Committee noted with satisfaction the process of reform initiated by the Secretary-General to make the CFTC more cost-effective and sharply focused, based on the report CFTC: A Rethink, which had been endorsed by the CFTC's Board of Representatives.

4. The Committee expressed its concern at the continued decline in CFTC resources notwithstanding increased pledges by a number of developing member countries over the last several years. It recalled the commitment made by Heads of Government in 1995 to restore CFTC resources to 1991/92 levels in real terms and expressed appreciation to those member countries which had increased their contributions. It strongly urged all governments in a position to do so to enhance their contributions to the Fund, with a view to achieving the 1995 commitment. The Committee also urged that pledges made to the CFTC be paid in timely fashion, noting that the earlier the payment of pledges in any financial year, the greater would be the CFTC's capacity to effectively deliver its programme of assistance.

5. The Committee welcomed progress made under the Trade and Investment Access Facility (TIAF) since the Edinburgh CHOGM in responding to the trade and investment-related needs of member countries. The TIAF remains open for further contributions from governments wishing to extend its beneficial impact. The Committee further expressed its appreciation of the Secretariat's efforts to give strategic direction to the future activities of the TIAF and believes these should focus on member countries' needs in WTO.

#### **Environment**

6. The Committee noted the fact that the Commonwealth Consultative Group on the Environment (CCGE) had met before the 1999 Special Session of the United Nations General Assembly on the review of the 1994 Barbados

Programme for the Sustainable Development of Small Island Developing States (SIDS), and expressed satisfaction at the initiatives agreed by the CCGE for accelerating the sustainable development of SIDS, an aim to which the Committee attached importance.

7. The Committee considered a report from the Commonwealth Secretariat on international mechanisms for disaster relief and called for the strengthening of mechanisms which provide assistance to meet the pre- and post-disaster requirements of vulnerable countries, including through the creation of new windows of support from international financial institutions, and the development of partnerships with the private sector to promote post-disaster reconstruction and rehabilitation.

8. The Committee welcomed the successful mobilisation of additional resources from a coalition of Commonwealth and non-Commonwealth donors to accelerate the implementation of the Commonwealth's Iwokrama Rain Forest Programme. It further urged member governments to support the initiatives of the Board of the Programme in intensifying the mobilisation of increased financial and other material assistance from non-Commonwealth countries to address funding gaps.

9. The Committee also urged the Commonwealth Secretariat to initiate studies upon request to find alternative sources of energy especially for developing member countries of the Commonwealth.

10. The Committee noted the debate on the development and commercialisation of genetically modified organisms, which raised important policy issues concerning their potential benefits for global food production and human health and their impact on the environment, food safety, the control of agricultural technology and the direction of agricultural change. It called upon participating States to seek the finalisation and adoption of an effective and meaningful Protocol on Biosafety at the resumed session of the Extraordinary Conference of the Parties in January 2000.

11. The Committee welcomed the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change as a first step towards reducing greenhouse gas emissions and called for its effective implementation by all the parties concerned. In this context, it urged member governments to work towards resolving outstanding issues of the Protocol, under the Buenos Aires Plan of Action, by the end of 2000.

#### **Human Settlements**

12. The Committee welcomed the establishment of a Commonwealth Consultative Group on Human Settlements (CCGHS) and the Group's report, Focus on the Habitat Agenda: The Commonwealth Development Framework for Human Settlements which underscored the need for practical ways to secure Commonwealth implementation of the Habitat Agenda, including greater international co-operation towards that end.

**Debt**

13. The Committee commended the initiatives of the Commonwealth Secretariat to improve the HIPC framework. The greater emphasis on growth and poverty eradication as the ultimate objective of debt relief is indeed encouraging. While it was recognised that the enhanced HIPC represented a step change improvement on the original framework, it still fell short of expectations of many HIPC countries. In order for HIPC countries to get timely access to the initiative, they may require additional technical assistance from the international community. Ensuring the effective implementation of the enhanced HIPC framework in a manner which is not at the expense of other developing countries is important and will also depend on the means of mobilising additional resources, including non-debt creating ones.

**Good Governance and Combating Corruption in Economic Management**

14. The Committee took note of the Report of the Expert Group established by the Secretary-General to study issues relating to the promotion of good governance and combating corruption in economic management at both national and global levels. It believed that the Framework for Commonwealth Principles on Promoting Good Governance and Combating Corruption constituted a basis for a concerted strategy and action to achieve these ends. It emphasised the Commonwealth's zero tolerance for all types of corruption and further believed that popular support should be mobilised throughout society against corruption and that in exposing corruption, all areas of corporate activity, whether local or international, be examined.

**Money Laundering**

15. The Committee encouraged member countries to continue to implement the recommendations of the Financial Action Task Force (FATF) on money laundering. It welcomed the efforts to launch a Commonwealth Eastern and Southern African group to co-ordinate anti-money laundering strategies and urged the early entry into force of the Memorandum of Understanding that would enable the Group to begin its work. It commended the work of the Caribbean FATF and called on Commonwealth countries from the Asia/Pacific region which had not yet joined the Asia/Pacific Group on Money Laundering to consider doing so in order to strengthen regional anti-money laundering efforts within the Commonwealth. It requested the Secretariat to continue its work on the problems of parallel economies and assist in improving regulatory standards in all financial centres, where appropriate, in order to combat money laundering.

**Private Investment and Capital Flows**

16. The Committee welcomed the establishment of the Tiona Fund for the Caribbean region under the Commonwealth Private Investment Initiative. It expressed satisfaction at the work of the three other regional funds already in operation for Africa, the Pacific and South Asia. It noted the intention to establish successor funds for the African and Pacific regions of the Commonwealth. It expressed confidence that these Commonwealth initiatives



would promote investment and economic growth in the Commonwealth developing countries involved.

17. The Committee welcomed the Code of Good Practice for Promoting Private Capital Flows and Coping with Capital Market Volatility endorsed by Commonwealth Finance Ministers and called for the implementation of the policies and measures set out in the Code and the options delineated for dealing with sudden surges of capital inflows and outflows. It endorsed the call for multilateral infrastructure to be established to help countries cope with the potential or actual volatility of private flows. Recognising that the Code is a necessary though not a sufficient condition for ensuring economic and financial stability, it noted that policy options available to economies should not be confined to standard policy prescriptions. The recent experience indicated that flexibility in the choice of policy instruments in times of crisis could be considered at the same time as pursuing structural reforms.

#### **Electronic Commerce**

18. The Committee noted the progress made by the Secretariat in promoting Electronic Commerce and urged the Secretariat and member governments to assist in building the capacity of the less developed members in developing this business medium, particularly in support of the small and medium size enterprise sector.

#### **Public Service Reform**

19. The Committee reiterated the need for sustained reform of the public sector and public services and welcomed the further steps taken by the Secretariat towards that end. In this context, it noted the report of a conference held in Canada in April 1998 on Governance for the 21st Century: Lessons and New Directions in Public Sector Reform. The Committee also reaffirmed its support for the work of the Commonwealth Association for Public Administration and Management (CAPAM) in strengthening public management and consolidating democracy and good governance.

#### **Freedom of Access to Official Information**

20. The Committee took note of the Commonwealth Freedom of Information Principles endorsed by Commonwealth Law Ministers and forwarded to Heads of Government. It recognised the importance of public access to official information, both in promoting transparency and accountable governance and in encouraging the full participation of citizens in the democratic process.

#### **Education**

21. The Committee noted the progress made by the Secretariat in helping member countries use technology in education, such as in establishing the Commonwealth Electronic Network for Schools and Education. It also took note of other initiatives in the field of education.

#### **Health**

22. The Committee drew the attention of Heads of Government to the Message from Commonwealth Health Ministers following their meeting in Barbados in November 1998. It welcomed the efforts made in the implementation of a Commonwealth programme

of activities in the area of women and health as well as child survival, human resource development, the reduction of substance abuse and HIV/AIDS.

23. The Committee noted with grave concern the devastating social and economic impact of HIV/AIDS, particularly in sub-Saharan Africa, and that despite existing methods of prevention and control of the pandemic, morbidity and mortality continued to rise in Commonwealth developing countries. It urged Heads of Government to view the prevalence of HIV/AIDS as a Global State of Emergency and called on them to urge all sectors of their government, international agencies and the private sector to co-operate in increased efforts to address the problem, with greater priority to research into new methods of prevention, including in particular the urgent development of an effective vaccine, and effective ways of making drugs for the treatment of HIV/AIDS accessible to the affected population.

#### **Gender**

24. The Committee invited Heads of Government to endorse the Update to the 1995 Commonwealth Plan of Action on Gender and Development presented by Ministers Responsible for Women's Affairs, and to approve its presentation as the Commonwealth contribution to the Special Session of the United Nations General Assembly on the Beijing Platform for Action in June 2000. It also took note of the report by the Commonwealth Secretariat on the implementation of the 1995 Plan of Action. Heads of Government are urged to ensure provision of adequate resources to strengthen National Women's Machineries in order to achieve gender mainstreaming in all government policies, plans and programmes, in collaboration with other stakeholders, including international stakeholders.

25. The Committee invited Heads of Government to endorse the message from Ministers Responsible for Women's Affairs, to ensure future Commonwealth support to governments and the Secretariat to mainstream gender; to enhance women's participation in political decision-making and peace processes; to promote women's human rights; and to address the impacts of globalisation and macro-economic changes on women and vulnerable communities.

#### **Youth Affairs**

26. The Committee drew the attention of Heads of Government to the Message from Commonwealth Ministers Responsible for Youth Affairs, following their meeting in May 1998. It received the Commonwealth Plan of Action for Youth Empowerment (PAYE) to the year 2005, recognising that the Ministers endorsed the policy framework represented by the Plan, and noted that the PAYE offered a range of options which would enable governments to select policies that would empower young people. The Committee therefore encouraged the endorsement of the PAYE by Heads of Government as a commitment to youth empowerment and as a demonstration of international leadership in youth affairs.

27. The Committee expressed satisfaction that the

Commonwealth Youth Programme (CYP) was continuing its work in the three strategic directions of National Youth Policies, Human Resource Development and Youth Empowerment and reaffirmed its support of the Programme. The Committee further endorsed the current efforts at restructuring the operations and the strategic priorities of the CYP so that it can make an even greater impact on young people.

#### **Science and Technology**

28. The Committee took note of the review of the mandate of the Commonwealth Science Council (CSC) carried out by a Steering Group. It believed that the CSC Report Knowledge Networking for Development: Science and Technology for the Millennium provided a valuable framework for increasing the benefits to member countries.

29. The Committee recommended that Heads of Government endorse the decision of the Executive Committee of the CSC to implement the Commonwealth Knowledge Network (CKN) to assist member countries in capacity-building to use science and technology for solving development problems through increased exchange of knowledge and expertise. The Committee recognised the contribution made by the COMNET IT since its inception four years ago to the promotion of the use of information technology for policy development and good practice in the public service as well as the development of institutional networking, and encouraged Commonwealth countries to participate in its activities.

30. The Committee encouraged countries that were not yet members to join the Council and urged those members in arrears of their contributions to clear these in order to actively participate in the benefits of a revitalised CSC.

#### **Secretariat Management and Administrative Practices**

31. The Committee paid tribute to the Secretary-General's foresight in initiating reforms that would enable the Commonwealth to meet the challenges of the 21st century. It affirmed its strong support for this process and requested the Secretariat and member countries to carry forward Chief Anyaoku's vision of a re-invigorated Commonwealth promoting the goals of sustainable development, democracy, good governance, and respect for human rights by building the capacity of member countries and their supporting institutions in order to efficiently attain those goals.

#### **Parliamentary and Local Government Good Practice**

32. The Committee recognised the Commonwealth Parliamentary Association (CPA) as the parliamentary partner of the Commonwealth's governmental and non-governmental sectors in advancement of the democratic culture in the Commonwealth, and endorsed the CPA's efforts to seek financial and other support from the international community to sustain the services and programmes necessary to strengthen representative government.

33. The Committee recognised the value of partnership between the central, provincial and local spheres of government, and acknowledged the role of the Commonwealth Local Government Forum (CLGF) and its close co-operation with the Commonwealth Secretariat in the promotion of democratic values and best practices in local government. It encouraged the establishment of local government information centres at regional level and expansion of the Commonwealth Local Government Good Practice Scheme.

#### **Commonwealth Foundation**

34. The Committee welcomed the Report of the Commonwealth Foundation to Heads of Government and reaffirmed its support for the work undertaken by the Foundation in the four areas covered by its mandate, namely, capacity building, networking and collaboration among non-governmental organisations (NGOs); professional development and exchange; promotion of arts and culture; and promotion of Commonwealth understanding.

35. It noted the findings of the Foundation's Summary Report Citizens and Governance - Civil Society in the New Millennium presented to the Commonwealth NGO Forum in Durban and encouraged implementation of its recommendations. The Committee welcomed the continuing emphasis the Foundation was placing on strengthening NGO/government partnerships, particularly in the context of poverty eradication and equal opportunities for all.

36. It paid tribute to the contribution made to the work of the Foundation by the outgoing Director, Dr Humayun Khan and welcomed the new Director-designate, Mr Colin Ball.

#### **Commonwealth of Learning**

37. The Committee received with satisfaction the Report of the Board of Governors of the Commonwealth of Learning (COL) and noted COL's success in fulfilling the objectives set out in its Three-year Plan, 1997-2000, approved by Ministers of Education at their meeting in Botswana and endorsed by Heads of Government during their Meeting in Edinburgh. The Committee appreciated that COL constitutes an ideal instrument through which the Commonwealth can extend access to education and training to meet its human resource development needs and to prepare Commonwealth citizens for the challenges of a global knowledge-based society. It encouraged COL to form partnerships as appropriate to enhance its capacity to pursue the full breadth of the goals and mission envisaged for COL in the Board's Report.

38. The Committee endorsed the direction sketched out for the next Three-year Plan, 2000-2003, given the critical importance of education and training to every aspect of human, social and economic development, as well as the opportunities presented by the new information and communication technologies. The Committee encouraged Commonwealth Ministers of Education to make pledges sufficient to provide COL with a minimum of \$9 million annually to carry out this Plan.

#### **Commonwealth Partnership for Technology Management**

39. The Committee welcomed the progress made by the Commonwealth Partnership for Technology Management (CPTM) since its establishment in 1995 as a new co-operative public/private sector mechanism for promoting greater understanding of and action on key technology management issues.

40. The Committee noted the evolution of the International Dialogues on "Smart Partnership" held at the Regional Hubs in Southern Africa, the Caribbean and Asia and the establishment of National Hubs promoting national dialogues for greater economic, technological and regulatory awareness.

41. It reaffirmed support for CPTM's objectives and mission and urged the contributing Commonwealth Governments, to provide CPTM with enhanced funding - and those who are not already contributing, to consider the possibility of pledging an annual contribution which will also encourage the flow of resources from the private sector to intensify CPTM's advisory and "Smart Partnership" activities.

#### **Commonwealth Sport**

42. The Committee welcomed the Report of the CHOGM Committee on Co-operation through Sport (CCCS) and endorsed its recommendations. It commended the CCCS for its work in promoting development through sport in the Commonwealth. It therefore recommended the extension of the mandate of the CCCS for a further four year term from 1999 to 2003

43. The Committee received a presentation on the 2002 Commonwealth Games in Manchester from the Chairman of the Organising Committee, noted the progress made in its preparations, and looked forward to a further update during CHOGM in 2001.

#### **Arrears of Contributions to the Secretariat's Budgets**

44. Concerned with the rising levels of arrears of contributions to the Commonwealth Funds, the Committee approved the following measures to take effect from 1 July 2000:

(i) all countries are expected to pay their annual contribution in full. Those countries which failed to meet their obligations and were three or more years in arrears (excluding the current year) to the Commonwealth Secretariat assessed budget and had not agreed specific arrangements to pay such arrears, should not expect to be considered for technical assistance from any of the Secretariat's budgets;

(ii) when a country continued to remain in arrears in its contribution to the Secretariat's assessed budget for four years or more (excluding the current year), it would be deemed to have opted to become a special member. This would preclude attendance at Heads of Government Meetings;

(iii) in order to benefit from technical assistance from the CFTC, a country in addition to meeting its obligations to the Commonwealth Secretariat's

budget, as set out in recommendation (I) above, must have pledged at least four out of five years including the current year and should not be more than three years in arrears of payments (excluding the current year);

(iv) in the case of the CYP, in addition to meeting its obligations in recommendation (I) above, the countries must have pledged for at least four out of five years, including the current year, and must not be in arrears for more than three years, excluding the current year, in order to participate in the activities of the CYP and attend ministerial meetings;

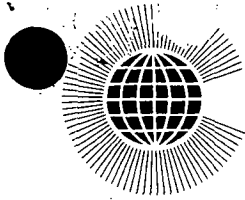
(v) for the CSC, in addition to meeting its obligations in recommendations (I) above, countries in arrears for three years or more, excluding the current year, would not be eligible to participate in the activities of the CSC and attend Council meetings;

(vi) the Secretary-General would in each case undertake prior consultations with the governments concerned in order to confirm that the measures outlined above would be applied.

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99/68 15 November 1999

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# Commonwealth News Release

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COMMONWEALTH HEADS OF GOVERNMENT  
MEETING,  
KUALA LUMPUR, MALAYSIA,  
18 - 24 OCTOBER 1989

## Communiqué

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Communiqué

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## The Langkawi Declaration on the Environment

1. We, the Heads of Government of the Commonwealth, representing a quarter of the world's population and a broad cross-section of global interests, are deeply concerned at the serious deterioration in the environment and the threat this poses to the well-being of present and future generations. Any delay in taking action to halt this progressive deterioration will result in permanent and irreversible damage.
2. The current threat to the environment, which is a common concern of all mankind, stems essentially from past neglect in managing the natural environment and resources. The environment has been degraded by decades of industrial and other forms of pollution, including unsafe disposal of toxic wastes, the burning of fossil fuels, nuclear testing and non-sustainable practices in agriculture, fishery and forestry.
3. The main environmental problems facing the world are the 'greenhouse effect' (which may lead to severe climatic changes that could induce floods, droughts and rising sea levels), the depletion of the ozone layer, acid rain, marine pollution, land degradation and the extinction of numerous animal and plant species. Some developing countries also face distinct environmental problems arising from poverty and population pressure. In addition, some islands and low-lying areas of other countries, are threatened by the prospect of rising sea level.
4. Many environmental problems transcend national boundaries and interests, necessitating a co-ordinated global effort. This is particularly true in areas outside national jurisdiction, and where there is transboundary pollution on land and in the oceans, atmosphere and outer space.
5. The need to protect the environment should be viewed in a balanced perspective and due emphasis be accorded to promoting economic growth and sustainable development, including eradication of poverty, meeting basic needs, and enhancing the quality of life. The responsibility for ensuring a better environment should be equitably shared and the ability of developing countries to respond be taken into account.
6. To achieve sustainable development, economic growth is a compelling necessity. Sustainable development implies the incorporation of environmental concerns into economic planning and policies. Environmental concerns should not be used to introduce a new form of conditionality in aid and development financing, nor as a pretext for creating unjustified barriers to trade.
7. The success of global and national environmental programmes requires mutually reinforcing strategies and the participation and commitment of all levels of society — government, individuals and organisations, industry and the scientific community.



8. Recognising that our shared environment binds all countries to a common future, we, the Heads of Government of the Commonwealth, resolved to act collectively and individually, commit ourselves to the following programme of action:

- advance policies and programmes which help achieve sustainable development, including the development of new and better techniques in integrating the environmental dimension in economic decision-making;
- strengthen and support the development of international funding mechanisms and appropriate decision-making procedures to respond to environmental protection needs which will include assisting developing countries to obtain access to and transfer of needed environmental technologies and which should take account of proposals for an international environment fund/Planet Protection Fund;
- support the work of the UNEP/WMO Intergovernmental Panel on Climate Change (IPCC);
- call for the early conclusion of an international convention to protect and conserve the global climate and, in this context, applaud the efforts of member governments to advance the negotiation of a framework convention under UN auspices;
- support the findings and recommendations of the Commonwealth Expert Group's Report on Climate Change as a basis for achievable action to develop strategies for adapting to climate change and for reducing greenhouse gas emissions, as well as making an important contribution to the work of the IPCC;
- support measures to improve energy conservation and energy efficiency;
- promote the reduction and eventual phase-out of substances depleting the ozone layer;
- promote afforestation and agricultural practices in developed and developing countries to arrest the increase in atmospheric carbon dioxide and halt the deterioration of land and water resources;
- strengthen efforts by developing countries in sustainable forest management and their manufacture and export of higher value-added forest products and, in this regard, support the activities of the International Tropical Timber Organisation and the Food and Agriculture Organisation's Tropical Forestry Action Plan, as well as take note of the recommendations of the 13th Commonwealth Forestry Conference;
- support activities related to the conservation of biological diversity and genetic resources, including the conservation of significant areas of virgin forest and other protected natural habitats;
- support low-lying and island countries in their efforts to protect themselves and their vulnerable natural marine ecosystems from the effects of sea level rise;

- discourage and restrict non-sustainable fishing practices and seek to ban tangle net and pelagic drift net fishing;
- support efforts to prevent marine pollution, including curbing ocean dumping of toxic wastes;
- strengthen international action to ensure the safe management and disposal of hazardous wastes and to reduce transboundary movements, particularly to prevent dumping in developing countries;
- participate in relevant international agreements relating to the environment and promote new and innovative instruments which will attract widespread support for protecting the global environment; and
- strengthen national, regional and international institutions responsible for environmental protection as well as the promotion of active programmes on environmental education to heighten public awareness and support.

9. We, the Heads of Government of the Commonwealth, resolve to take immediate and positive actions on the basis of the above programme. In this regard, we pledge our full support for the convening of the 1992 UN Conference on Environment and Development.

10. We call on the international community to join us in the endeavour.

*Issued by Commonwealth Heads of Government at Langkawi, Malaysia.  
21 October 1989*

## **Southern Africa: the Way Ahead the Kuala Lumpur Statement**

### **South Africa**

1. Heads of Government continued to view the system of apartheid in South Africa as a serious challenge to the values and principles of the Commonwealth and reaffirmed that its total eradication remained their shared responsibility and common goal.
2. Heads of Government reviewed the situation in South Africa against the possibility that significant changes in approach on the part of the South African regime, for which the Commonwealth had striven for so long, may yet prove to be within reach. In recent weeks, the regime had accepted a degree of peaceful political activity by the black majority and on the eve of this Meeting had released from prison eight political leaders.
3. However, they noted that the state of emergency remained in force; the ANC, the PAC and many other organisations remained banned; Nelson Mandela and other political prisoners remained incarcerated; many more continued to be detained without trial; and executions in political cases had not stopped. There had also been no action to indicate that the new South African Government was prepared to dismantle the pillars of apartheid, especially the Group Areas Act, the Population Registration Act, the Bantustan 'homelands' policy and the system of separate education.
4. Heads of Government agreed that such encouraging signs as there had been were very much the product of a combination of internal and external pressures. In this context they welcomed the role now being played by the Mass Democratic Movement in its sustained, disciplined and peaceful opposition to apartheid. They attached importance to acceptance of peaceful demonstrations and political manifestations as a test of the sincerity of the new Government and its professed desire for change.
5. In considering the way forward, Heads of Government reiterated their preference for a negotiated and peaceful settlement and in this context reaffirmed the continuing validity of the EPG's 'Possible Negotiating Concept'. Among other measures, that Concept calls for

#### **On the part of the (South African) Government:**

- (a) Removal of the military from the townships, providing for freedom of assembly and discussion and suspension of detention without trial.
- (b) The release of Nelson Mandela and other political prisoners and detainees.

- (c) The unbanning of the ANC and PAC and the permitting of normal political activity.

**On the part of the ANC and others:**

Entering negotiations and suspending violence.

They noted with satisfaction the strong preference for the path of negotiated and peaceful settlement also inherent in the 1989 Harare Declaration of the Ad Hoc Committee of the Organisation of African Unity on Southern Africa endorsed by the Non-Aligned Movement at its Belgrade Summit last month. It is agreed on all sides that the South African Government and the authentic representatives of the majority population should come to the table prepared to negotiate the future of the country and its people in good faith, in an atmosphere free of violence from either side.

6. Heads of Government had recognised in their Nassau Accord that the constitutional system was a matter for all the people of South Africa to decide. They continued to believe that the Commonwealth's role in this regard was essentially to facilitate the opening of negotiations between the South African authorities and authentic black leaders.

7. They agreed that the only justification for sanctions against South Africa was the pressure they created for fundamental political change. Their purpose was not punitive, but to abolish apartheid by bringing Pretoria to the negotiating table and keeping it there until that change was irreversibly secured. In this respect Heads of Government noted that leading personalities in the South African Government had themselves acknowledged the increasing pressures on the South African economy, and that those pressures would not be diminished until fundamental political change had taken place.

8. Heads of Government, other than Britain, also acknowledged that the impact of sanctions had begun to influence the policies of the South African regime. The effectiveness of sanctions in this regard had also been demonstrated by the Report on Sanctions commissioned by the Commonwealth Committee of Foreign Ministers on Southern Africa and prepared by a group of independent experts which was before the Meeting. They considered that the Report had made a significant contribution towards public understanding of the issues, and that its recommendations would need to be considered in the light of developments in South Africa and the region.

9. In considering what further steps they might take to advance the prospects for negotiations, Heads of Government expressed the view that this was not the time to consider any relaxation of existing sanctions and pressures. That would have to await evidence of clear and irreversible change. In the meantime, they agreed that all existing sanctions and measures should be maintained, and they called upon the wider international community to do likewise.

10. They also agreed, with the exception of Britain, that such measures should be tightened, and decided in this context

- (a) to develop new forms of financial pressure on the Pretoria regime by seeking to intensify and extend financial sanctions, in particular by

- calling on all relevant banks and financial institutions to impose tougher conditions on day-to-day trade financing, specifically through reducing the maximum credit terms to 90 days; and
  - calling on relevant governments to make trade credits harder to get by taking South Africa "off cover" with official government agencies for official trade credit and insurance purposes, and agreed that their Chairman should communicate these decisions to the relevant financial institutions and to other governments; and
- (b) to support the initiative developed by the Commonwealth Committee of Foreign Ministers on Southern Africa to strengthen the arms embargo, and continue to pursue it at the United Nations in the 421 Committee.

11. Heads of Government recognised the importance of South Africa's dealings with the international financial community and therefore, with the exception of Britain, endorsed the establishment of an independent agency to review and report on South Africa's international financial links on a regular basis, and to gather and publicise factual information on financial flows to, and policies towards, South Africa. They welcomed the offer of the Government of Australia to provide substantial initial funding.

12. Heads of Government noted that the longer apartheid remained in South Africa, the greater the challenge that would face a future government in rebuilding the South African economy. In particular they noted that the resumption of international lending to South Africa would not be automatic and that an international effort to assist in the mobilisation of resources would probably be necessary. They agreed to ask appropriate international financial institutions, and in particular the IMF, to examine now how resources might be mobilised upon evidence of clear and irreversible change.

13. Heads of Government welcomed increasing instances of dialogue among South Africans across the racial divide. They were encouraged by the proposals for negotiations, many elements of which reflected Commonwealth concepts, which had been advanced by leaders of the black majority. In this regard, they agreed to continue, individually and collectively, to take advantage of all opportunities to promote dialogue among South Africans.

14. They agreed that the Commonwealth should continue to provide support to the victims and opponents of apartheid within South Africa. Of importance were educational programmes, including in particular the Nassau Fellowships, legal and humanitarian assistance to detainees and their families, support for the trade union movement, and economic and social development programmes including low-cost housing projects.

15. They attached importance to the work of the newly established Commonwealth network of non-governmental organisations, "Skills for South Africa", to provide high-level training and work experience for victims of apartheid and so contribute both to the process of change in South Africa and the development of the skills required in a post-apartheid society. They undertook to provide support and resources to assist in the implementation and co-ordination of this work.

16. Heads of Government reaffirmed the continuing high priority of the Commonwealth effort to expose the truth about apartheid and to counter South African propaganda and censorship. They welcomed the Commonwealth strategy prepared by the Working Party set up as part of the Okanagan Programme of Action. They noted that a number of countries had already implemented and funded national action plans. They stressed the particular importance of the support being given to the embattled alternative press and other groups in South Africa resisting censorship.

### **Namibia**

17. Heads of Government welcomed the implementing of Resolution 435, and looked forward to the holding of free and fair elections leading to the emergence of a genuinely independent Namibia. They reaffirmed their full support for the United Nations Secretary-General, and the UN's efforts to ensure the integrity of the Settlement Plan. Heads of Government looked forward to welcoming a free Namibia into the Commonwealth.

18. They noted that the Report of the Commonwealth Observer Group on Namibia had identified a number of areas of urgent need if an independent Government emerging from the Resolution 435 process was to be able to govern effectively. They accordingly called for the provision of a special and enlarged multilateral package of assistance in addition to bilateral aid. To this end they requested the Commonwealth Secretary-General to send a small team of experts to Namibia as soon as practicable after the elections to advise on possible Commonwealth assistance.

19. Heads of Government also noted that the Report drew attention to what the Group had viewed as moves by the South African Government to retain a continuing ability to destabilise an independent Namibia, and they were of the view that any steps taken by South Africa to this end would inevitably call into question its declarations of good faith in respect of these and other matters, and particularly its expressed desire now to seek peaceful co-existence with its neighbours.

20. Heads of Government called on all the parties to the Resolution 435 Settlement Plan and all political groups within Namibia to fully meet their respective responsibilities and obligations, including full co-operation with the UN authorities, to conclude the process of bringing into being a free, independent and stable Namibia.

21. Heads of Government expressed their concern that a post-independence Namibia be able fully to realise its economic potential and contribute to the development of the larger Southern Africa region. In this respect, they expressed the hope that the early re-integration of Walvis Bay into Namibia in accordance with Security Council Resolution 432 (1978) would be able to be achieved, noting that compliance with this by South Africa would be a convincing demonstration of its good faith and commitment to the long-term viability of its newly independent neighbour.

### **Other Developments in the Southern African Region**

22. Heads of Government noted that notwithstanding international condemnation, South

Africa's campaign of destabilisation against its neighbours had resulted in untold misery and destruction and was graphically documented in The Destabilisation Report.

23. Despite some welcome improvement in the security situation in the south-west of the African continent, Heads of Government observed that the MNR's murderous activities continued on a major scale in Mozambique and elsewhere; and destabilisation remained a major factor in the region's security crisis. Heads of Government unreservedly condemned South Africa's support for the MNR and other acts of destabilisation. Heads of Government reiterated the view, however, that only the eradication of apartheid in South Africa would enable the region to develop in peace.

24. Special efforts were needed to strengthen and develop the economies of Southern Africa so as to relieve them of South African economic domination. Heads of Government considered that the Southern African Development Co-ordination Conference (SADCC), deserved particular support and encouragement. To that end, they mandated the Secretary-General to carry out an Action Plan in consultation with SADCC, the AFRICA Fund, the Preferential Trade Area and the interested states in the region and elsewhere, to promote trade and investment in the Front-Line and neighbouring states. In the provision of assistance to SADCC countries, efforts should also be made, where possible, to purchase capital goods and services from within the region thus stimulating regional production, employment, trade and transportation.

25. Heads of Government identified a continuing need for assistance to the Front-Line States. While there had been significant contributions in this area by a number of Commonwealth and other governments, much remained to be done to meet the security needs identified in the special report by General Olusegun Obasanjo, commissioned by the Vancouver Meeting.

26. Heads of Government welcomed the successful establishment of the Special Commonwealth Fund for Mozambique, which had augmented bilateral contributions from Commonwealth countries including those of the Front-Line States. Heads of Government recognised the importance of continuing contributions to the Fund in view of Mozambique's key geographical position and its role in Southern Africa.

#### **Continuing Review**

27. With the exception of Britain, Heads of Government commended the Commonwealth Committee of Foreign Ministers established by the Okanagan Statement for its reports, and agreed that it should continue with its work, under the chairmanship of the Canadian Secretary of State for External Affairs; that the Foreign Minister of Malaysia be added to its members; and that it report again when Heads of Government next meet. They expressed the wish that it reconvene in April, some six months after the new administration in Pretoria took office.

*Putra World Trade Centre, Kuala Lumpur  
22 October 1989*

## Communiqué

1. Commonwealth Heads of Government met in Kuala Lumpur from 18 to 24 October 1989. Of the 46 countries which attended 35 were represented by Heads of State or Prime Ministers. The Prime Minister of Malaysia, Datuk Seri Dr. Mahathir Mohamad, was in the Chair.
2. Heads of Government sent a message of felicitation to Her Majesty The Queen as Head of the Commonwealth. They welcomed with great pleasure the opportunity of meeting in Kuala Lumpur and expressed deep appreciation of the excellent arrangements made for the Meeting and the warm welcome and generous hospitality of the Government and people of Malaysia.
3. Heads of Government issued separately the Langkawi Declaration on Environment and the Kuala Lumpur Statement on Southern Africa: The Way Ahead.
4. Heads of Government unanimously welcomed Pakistan's return to the Commonwealth family of nations as an auspicious development which would enrich their discussion and help strengthen Commonwealth collective action.

### **The Commonwealth in the 1990s and Beyond**

5. At its 40th Anniversary Meeting at Kuala Lumpur all Commonwealth leaders expressed pride in the Commonwealth and appreciation for its contributions to peace, social justice and economic progress among its members and in the wider world. In looking ahead to the role of the Commonwealth in the 1990s and beyond, they recognised that the Commonwealth will continue to have a distinctive and enlarging role to play. They were conscious that in fulfilling its potential to its member countries and pursuing that role in a changing world society, the Commonwealth can derive confidence from its capacity to fashion a sense of common purpose out of diversity, its qualities of flexibility and pragmatism, and its wide-ranging network of linkages at the level of peoples. In an era of transition and change, the world had need of such attributes, and the Commonwealth a duty to harness them even more effectively to the global quest for new patterns of co-operation.
6. Accordingly, in looking more closely at the future of the Commonwealth as it faces the years ahead, Commonwealth leaders accepted the Secretary-General's proposal for a high-level group to identify possible roles which the Commonwealth might need to play, and to examine whether its institutions, including the Secretariat, are adequately equipped for the task. This wide-ranging appraisal of future Commonwealth roles and structures should be completed in time for a report to the next Heads of Government Meeting in 1991, with the new Secretary-General having a full opportunity of contributing to it.



7. Heads of Government also agreed that one area where the Commonwealth might usefully make a distinctive contribution is in the strengthening of democratic institutions in member countries. Heads of Government have long recognised a commitment to democratic processes as being among the values they most cherish. It was an ethic enshrined in the 1971 Singapore Declaration of Commonwealth Principles in which member countries undertook 'to promote in each of their territories those representative institutions and guarantees of personal freedom under the law that are our common heritage'. In reaffirming these principles and in reviewing the international political scene, Heads of Government agreed with the Secretary-General's proposal that one of the Commonwealth's contributions to strengthening democracy might be the provision of Commonwealth assistance in helping member countries to reinforce their election and other constitutional processes through a facility for mounting observer missions at the request of member governments, and in responding to such requests in other relevant ways. They requested that the modalities of such a facility and related assistance should be examined in greater detail by the high-level group on future Commonwealth roles.

8. They also requested that the group should consider the question of Commonwealth membership in the light of their discussions at Kuala Lumpur.

9. Commonwealth leaders agreed that the high-level appraisal group should comprise the Heads of Government of Australia, Bahamas, Britain, Canada, India, Jamaica, Malaysia, Nigeria, Singapore and Zambia. The Prime Minister of Malaysia would be Chairman and Co-ordinator of the Committee of Heads of Government. The high-level group would be assisted, particularly in relation to structures of Commonwealth co-operation, by a working group of experienced officials, or former officials, constituted by the Secretary-General after consultations with governments generally.

#### **Global Trends and Prospects**

10. Heads of Government welcomed the improved international political environment and the opportunity it provided for strengthening the trend towards achieving security through co-operation. They were encouraged that cold war and other confrontations were giving way to pragmatic negotiations and were hopeful that, in such an atmosphere of developing entente, a growing sense of trust between nations would foster creative international policies focusing on peace and development.

11. They recognised that the reduction in East-West tensions had stimulated significant changes in the international political environment, not only in respect of disarmament and arms limitation, but also in relation to the abatement of regional conflicts, the relaxation of long intractable situations, and the spread of democracy. In particular, they emphasised the important role of democratic processes in ensuring the freedom of choice for all peoples.

12. They observed that the improvement in the international political climate had come about as a result of initiatives and changes on a wide front and that therefore the responsibility for continuing and building on these achievements rested upon the whole world community, East and West and North and South. They noted that, while fundamental changes were taking place, the international community continued to face a range of major problems requiring global solutions.

13. Heads of Government reaffirmed their commitment to the principles and precepts of the Charter of the United Nations and to the goal of strengthening the United Nations system as the central instrument of peace, security and co-operation among nations. They welcomed the increasing role of the United Nations in contributing to conflict resolution in many regions of the world, thereby enhancing international security, and paid particular tribute to the role played by the United Nations Secretary-General. They called for enhancing the financial viability of the organisation.

### **Disarmament**

14. Heads of Government noted that the Intermediate Nuclear Force Treaty marked the first time that a decision had been made to eliminate a nuclear weapons system. They hoped that the super powers would continue to make every effort to prevent an arms race in outer space and terminate it on earth. They welcomed the progress made in Geneva towards a draft treaty that proposed to reduce significantly the number of strategic nuclear weapons on either side. This, combined with the steps taken to reduce conventional forces, would contribute to the objective of world peace and security.

15. Most Heads of Government called for an immediate suspension of and complete ban on nuclear testing. All acknowledged the central role of the United Nations as a forum for multilateral discussions and negotiations on arms control and disarmament matters.

16. Heads of Government concurred with the Final Document from the Paris Conference on Chemical Weapons held in January 1989 which advocated the complete elimination of chemical weapons. They welcomed the positive contribution of the Government Industry Conference against Chemical Weapons in Canberra in September 1989. They urged all parties to sustain the momentum towards concluding a convention on the prohibition of development, production, acquisition, stockpiling, transfer and use of chemical weapons at the earliest possible date.

17. Heads of Government urged all countries without exception to contribute to efforts in the field of disarmament.

### **Belize**

18. Heads of Government reaffirmed their full support for the efforts of the Government of Belize to maintain its territorial integrity and consolidate its independence and sovereignty. They welcomed the agreement that had been reached in 1988 between Belize and Guatemala on the establishment of a Permanent Joint Commission which would be responsible for preparing a comprehensive draft treaty which would provide a joint and honourable solution to the dispute. They hoped that speedy progress would be made in achieving a lasting settlement. Renewing their commitment to co-operate in the search for a settlement, they requested the Secretary-General to convene the Commonwealth Ministerial Committee on Belize whenever necessary. They commended the continuing role of the British Government in helping to provide for Belize's security.

## Central America

19. Heads of Government welcomed the significant advances in the Central American peace process including specific progress in terms of disengagement and demobilisation of forces and in respect of the strengthening of democracy in the region. They reiterated their appeal to all parties concerned to adopt a constructive attitude so as to generate the mutual trust necessary for achieving conditions of durable security for all states in the region and respect for their sovereignty, independence and self-determination.

20. Heads of Government supported the view expressed at the recent Non-Aligned Summit in Belgrade that the countries of Central America should resolve their problems free from external intervention or interference.

## Cyprus

21. Recalling the position they had adopted in Vancouver, Heads of Government reiterated their support for the independence, sovereignty, territorial integrity, unity and non-aligned status of Cyprus and recalled, in this respect, the proposal by the Government of Cyprus for the demilitarisation of the Republic of Cyprus. They condemned the unilateral declaration of independence by the Turkish-Cypriot leadership in November 1983, and all attempts to consolidate it. They further called upon all states not to recognise any Cypriot state other than the Republic of Cyprus.

22. Heads of Government stressed the importance of securing compliance with all the United Nations Resolutions on Cyprus and in particular Security Council Resolutions 541(1983) and 550(1984). In this connection, they emphasised the need for the speedy withdrawal of all foreign forces and settlers from the Republic of Cyprus, the return of the refugees to their homes in safety, the restoration and respect for the human rights of all Cypriots and the accounting for those missing.

23. They also expressed concern over recent statements to the effect of settling the city of Varosha and other parts of Cyprus by people other than their inhabitants and condemned all attempts aimed at altering the demographic structure of Cyprus.

24. Heads of Government welcomed the meetings between the President of the Republic of Cyprus and the leader of the Turkish Cypriot community. They expressed their belief that sustained and substantive dialogue within the framework of UN-sponsored intercommunal talks was the only way of reaching a just solution by peaceful means on the basis of the principles of the United Nations Charter, the United Nations Resolutions and the high-level agreements. They expressed regret that no progress had been reported in preparing an outline draft agreement as had been expected by the United Nations Secretary-General. They stressed their concern that obstacles to the continuation of substantive talks be speedily removed and called on all parties to co-operate fully with the Secretary-General.

25. Heads of Government agreed that the Commonwealth Action Group on Cyprus should continue to monitor developments within the scope of its terms of reference including in particular assisting the efforts of the United Nations Secretary-General.

### **The Caribbean**

26. Heads of Government welcomed continuing efforts to strengthen regional co-operation in the Caribbean reflected in the Grand Anse Declaration and Work Programme for the Advancement of the Integration Movement, issued in July 1989 at the Tenth Meeting of the Conference of Heads of Government of the Caribbean Community.

### **Indian Ocean**

27. Heads of Government noted the continuing efforts made by the Ad Hoc Committee on the Indian Ocean towards agreement on preparatory work for the long-delayed United Nations Conference on the Implementation of the 1971 Declaration of the Indian Ocean as a Zone of Peace. Most Heads of Government emphasised the need for a Conference to take practical steps for achieving the objectives of the Declaration in view of the continuing military presence of outside powers in the Indian Ocean. They reiterated the need to carry forward preparations expeditiously in order to enable the convening of the Conference at Colombo, with the participation of all concerned states, including all major maritime users, at an early date but not later than 1990 as recommended by the Ad Hoc Committee to the 43rd Session of the United Nations General Assembly.

### **Mediterranean**

28. Heads of Government expressed their concern at persistent and unresolved conflicts in the Mediterranean region. They renewed their call for restraint, stressing that compliance with United Nations Resolutions would make a significant contribution towards the relaxation of tension and improvement of international security. They reiterated the close inter-relationship that exists between security and co-operation in the Mediterranean and Europe, as well as other regions. They also noted constructive initiatives towards improving the general situation in the region.

### **Middle East**

29. Heads of Government expressed deep concern at the dangerous tensions arising from the unresolved problems of the Middle East, especially the Palestinian issue. They recognised that a just and lasting settlement should be on the basis of the relevant United Nations Resolutions, the withdrawal of Israel from territories occupied since 1967, and recognition of the rights of the Palestinian people, including their inalienable right to a homeland, as well as the right of all states in the region to live in peace within secure borders.

30. They expressed deep concern at the deteriorating situation in the Occupied Territories and their alarm at the constant increase in the number of dead and wounded. They appealed urgently to the Israeli authorities to exercise utmost restraint in the Occupied Territories, to implement Resolutions 605, 607 and 608 of the Security Council, and to respect the provisions of the Geneva Convention Relative to the Protection of Civilian Persons in Times of War.

31. Reviewing international developments in relation to the Middle East crisis, Heads of Government welcomed the growing momentum in favour of the convening of an International

Peace Conference on the Middle East under the auspices of the United Nations, with participation of all parties concerned, including the Palestinians, on an equal footing. They urged the Permanent Members of the Security Council to intensify efforts aimed at setting in motion the preparatory process for the Peace Conference. They welcomed the continuing dialogue between the United States and the Palestine Liberation Organisation as a positive contribution in the search for a durable and comprehensive peace in the Middle East.

32. Heads of Government expressed their grave concern at the situation which has threatened to rend the very fabric of Lebanon. They reaffirmed their support for the territorial integrity, independence and sovereignty of Lebanon. They welcomed the establishment of a cease-fire in Lebanon. They expressed their full support for the efforts of the Arab League Committee of Three in helping to resolve the crisis and called on all parties to co-operate with it.

### **South East Asia**

33. Heads of Government noted recent significant developments in the region, and the growing recognition of their long-held view that the only means of ensuring a just and durable peace in Cambodia and stability in the region was through a comprehensive political settlement of the Cambodia problem. They reaffirmed their support for the right of the people of Cambodia to determine their own destiny free from foreign interference. They noted that the announced withdrawal by Vietnam of its troops from Cambodia has not been verified under United Nations supervision and that it does not fall within the framework of a comprehensive political settlement.

34. Heads of Government welcomed the various initiatives, including those of the ASEAN countries, to promote the peace process and to encourage dialogue among the various concerned parties. They noted with regret the lack of progress that had been made by the Paris Conference on Cambodia in August 1989. They urged that efforts should be continued to intensify dialogue and promote negotiations to achieve a comprehensive political settlement in Cambodia and welcomed the role of Commonwealth countries in seeking to promote this objective.

35. As a further means of ensuring peace and stability in the region, Heads of Government noted with approval efforts to establish in South East Asia a zone of peace, freedom and neutrality and called on all states to fully support these efforts.

### **South Pacific**

36. Heads of Government acknowledged positive developments in the region. They welcomed the continuing influence of the South Pacific Forum on regional issues.

37. They recalled in particular the Resolution adopted at the 43rd Session of the United Nations which noted the positive measures taken by the French authorities to provide a framework for peaceful progress to self-determination of the territory of New Caledonia. They were pleased to see that initial steps had been taken towards increasing self-government by the island's inhabitants in the provincial elections and joined with the United Nations in urging all parties involved in the process to continue the dialogue and the pursuit of their goals through peaceful means. They affirmed the continuing role of the United Nations in ensuring the

completion of the decolonisation process in New Caledonia.

38. Heads of Government also commended the Tarawa Declaration on Fisheries of July 1989 by South Pacific governments, which called for the support and co-operation of the international community for the urgent conclusion of an international convention to ban pelagic drift gill-netting from the region as a first step towards a comprehensive ban on such fishing practices. Noting the particular reliance of the small island states of the South Pacific on maritime resources for economic development, they urged the relevant parties and their governments to heed regional opinion and abandon immediately this environmentally disastrous practice.

39. Heads of Government also commended the efforts of regional states to intensify co-operation for the protection and preservation of marine resources through the development of effective agreements with outside powers.

40. Heads of Government again acknowledged the importance of the South Pacific Nuclear Free Zone Treaty as a disarmament measure. They noted with appreciation the ratification of the Treaty by Solomon Islands and by Papua New Guinea. They recalled that nuclear weapon states had been asked to support the Treaty through adherence to the accompanying Protocols and that the Soviet Union and China had done so. They expressed the hope that adherence to the Protocols would be without reservation or interpretation. They also noted the fact that the United States and the United Kingdom had stated that none of their activities and practices in the Treaty area were inconsistent with the Treaty or its Protocols.

### **The Gulf**

41. Heads of Government were encouraged by the acceptance by Iran and Iraq of Security Council Resolution 598 and the cease-fire that came into effect on 20 August 1988, following the intensive efforts by the United Nations Secretary-General to promote negotiations between the parties. They reaffirmed their support for the mission of good offices of the United Nations Secretary-General and urged both parties to co-operate with him and intensify their efforts to achieve a lasting settlement of the conflict.

### **Afghanistan**

42. Heads of Government reviewed the current situation in Afghanistan. They welcomed the withdrawal of the Soviet troops from Afghanistan in accordance with the Geneva Agreements and called for a comprehensive political settlement of the Afghanistan problem.

43. Heads of Government expressed their support for the efforts of the United Nations Secretary-General, consistent with his mandate under General Assembly Resolution, 43/20 of 3 November 1988, for realising a political settlement in Afghanistan. They called for the early start of an intra-Afghan dialogue for the establishment of a broad-based government that would enjoy the widest support and in which representatives of all segments of the Afghan people would take part. Such a government would lead to the restoration of peace and normality in Afghanistan, the voluntary return of the Afghan refugees and the free exercise of the right of the Afghan people to determine their own future. They urged respect for the sovereignty, territorial integrity, independence and non-aligned status of Afghanistan.

44. Heads of Government also appealed to the international community for continued humanitarian assistance for the Afghan refugees as well as the provision of adequate resources to the United Nations Special Coordinator for the repatriation and rehabilitation of the refugees and the reconstruction of the country.

### **Hong Kong**

45. Mindful of the now long established participation by Hong Kong people in Commonwealth activities, Heads of Government stressed the importance of Hong Kong's continued success as an international trading and financial centre. They acknowledged the concerns of the people of Hong Kong and agreed that those in a position to do so would assist in any way possible in promoting the continued prosperity of Hong Kong. In this connection, Heads of Government welcomed the reaffirmation by China and Britain of their commitment to the full implementation of the Sino-British Joint Declaration on the future of Hong Kong, the success of which was vital to the maintenance of international confidence in Hong Kong.

### **Vietnamese Boat People**

46. Heads of Government recognised that the continuing exodus of boat people from Vietnam has imposed an insuperable burden on countries and places of first asylum in the region. They reaffirmed the need for concrete actions speedily to resolve the problem through repatriation, and resettlement. They welcomed the progress towards a comprehensive solution of the problem of Vietnamese boat people made at the International Conference on Indo-Chinese Refugees held in Geneva in June 1989, which had adopted a Comprehensive Plan of Action, and subsequent meetings. Countries and places of first asylum faced special difficulties in relation to the flow of boat people from Vietnam. They believed that, as a matter of priority, there should be a programme for the return to Vietnam of all those who have been determined as not being genuine refugees. They believed that the Orderly Departure Programme must remain the sole mode of departure from Vietnam, and urged that Vietnam expands and fully implements the Programme.

47. Heads of Government also called on all resettlement countries to fulfil their commitment to resettle the Vietnamese boat people who are eligible to be regarded as genuine refugees and to increase their off-take in order to cope with the increased in-flow.

### **Antarctica**

48. Heads of Government noted the growing interest of the international community in Antarctica. They recognised that Antarctica has a critical impact on the environment. They noted existing conservation measures. They shared the conviction that every effort should be made to protect and conserve that unique territory. They called on all states to work towards this end.

### **Small States**

49. Heads of Government reaffirmed their view that because of their particular problems small states merit special measures of support in safeguarding their territorial integrity. They noted with satisfaction that Maldives, in November 1988, with the help of a Commonwealth neighbour, successfully countered an externally mounted coup attempt, and expressed concern

about the continued vulnerability of small states. They called for urgent attention at all levels, bilateral, regional, and multilateral, to the establishment of security arrangements which would create an environment which buttresses the territorial integrity and general viability of these states, and expressed their support for the current initiative by Maldives at the United Nations to improve international co-operation in this respect, both within and outside the United Nations.

50. Heads of Government further reaffirmed that small states should continue to have priority in the economic and developmental programmes of the Commonwealth Secretariat.

### **Human Rights**

51. Heads of Government affirmed that all human rights and fundamental freedoms are indivisible and inter-related and that the promotion and protection of one category of rights should not exempt states from the protection of the other.

52. They reaffirmed their commitment to the observance of all human rights. They stressed the importance of the work of the Secretariat's Human Rights Unit in promoting understanding and respect for human rights within the Commonwealth, in accordance with the principles enshrined in Commonwealth Declarations and the main international human rights instruments in particular as enshrined in the two International Covenants. They urged those governments which had not done so to ratify or accede to those instruments. They asked the Secretariat to continue to facilitate exchanges of information on law reform, national institutions and domestic procedures for the promotion of human rights in Commonwealth countries.

53. Heads of Government also reiterated their respect for the rules of international humanitarian law and universally recognised humanitarian principles.

### **Terrorism**

54. Heads of Government reaffirmed their condemnation of terrorism in all its forms whether perpetrated by individuals, groups or states and reiterated their determination to combat it by every means possible through bilateral and multilateral co-operation. In particular they noted the serious terrorist threat posed to civil aviation in the form of both hijacking and sabotage. They recognised the need to enhance measures worldwide to increase aviation security and protect air travellers. In this context they welcomed the contribution made by the International Civil Aviation Organisation and its work on an initiative to make certain explosives more easily detectable. They urged all countries to strengthen their adherence to relevant legal instruments and to fulfil their obligations under international law, particularly the obligation to refrain from organising, instigating, assisting or participating in terrorist acts in other states or acquiescing in activities within their territories directed towards the commission of such acts. In particular they stressed the need to ensure that terrorists are brought to justice and are denied a safe haven.

55. They called for the immediate safe release of all hostages wherever and by whomever they are held and called upon all states to use their political influence in accordance both with the principles of international law and with humanitarian obligations to secure the safe release of all hostages and abducted persons.



## **Countering Drug Abuse and Illicit Trafficking**

56. Heads of Government recalled their long-standing concern at the incidence of drug abuse and illicit trafficking, activities which had now grown to the extent that they posed an actual threat to the governance of some countries. They recognised that the drug problem was escalating at an alarming rate so as to represent both a serious obstacle to the processes of social and economic domestic development and a threat to the international community, to which small states were especially vulnerable. Heads of Government saw the need for an urgent strengthening of the capacity of the relevant international agencies so as to equip them more appropriately to address the problems. In particular, they welcomed initiatives to these ends being taken by the Governments of Jamaica and Trinidad and Tobago in the United Nations and believed that the Commonwealth should take the lead in promoting more effective national and international action on a number of key fronts. In this context they supported the enactment of appropriate legislation to attack drug trafficking and money-laundering, including provisions for the confiscation of the illicit assets of convicted drug traffickers. They agreed to support United Nations expert group studies on all the ways of using the United Nations system to fight the drugs menace. They also attached special importance to measures to promote crop substitution programmes and, in view of the connection between supply and consumption, to educational programmes among young people designed to reduce demand.

57. Heads of Government welcomed action in Commonwealth countries to implement the Commonwealth Scheme for Mutual Assistance in Criminal Matters and looked forward to the early achievement of effective, Commonwealth-wide arrangements. They acknowledged that efficient arrangements for the extradition of fugitive offenders are central to efforts to combat international crime, and requested their Law Ministers to ensure that the requirements for intra-Commonwealth extradition are no more onerous than those for extradition as between Commonwealth and non-Commonwealth countries.

58. Heads of Government expressed their pleasure at the successful conclusion of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and urged all members of the international community to accord priority to its early ratification and implementation. Reference was also made to the proposed London Conference on Demand Reduction and Cocaine in April 1990 and the hope expressed that Commonwealth governments would be represented.

59. Heads of Government expressed their strong support for the Government of Colombia in its fight against the drugs problem, and stood ready to provide what assistance they could.

## **World Economic Situation**

60. Heads of Government reviewed developments in the world economy. Growth had been uneven. Since their Meeting in Vancouver the developed countries had sustained growth, but still faced adjustment difficulties. The developing world continued to experience protracted problems of indebtedness, adverse terms of trade, great poverty and deteriorating social conditions. Low-income and least developed countries had been particularly vulnerable.

61. Heads of Government noted that in the industrial countries sustained growth was now

threatened by inflation. While recognising the need to control inflation, they acknowledged the problems for developing countries inherent in prolonged high interest rates. They felt determined efforts should be made to avoid a recurrence of recession. They stressed the importance of closer policy co-ordination among major countries, with an appropriate mix of fiscal and monetary policies, keeping in view the impact of developed country policies on developing countries.

62. Heads of Government noted that in some developing countries economic performance continued to be strong as a result of successful economic management. They emphasised the importance of adjustment for revitalising growth in developing countries. They stressed the need to enhance competitiveness and the use of market mechanisms in order to facilitate adjustment and growth. However, despite the widespread adoption of such adjustment policies, many developing countries continued to face severe problems, aggravated by unfavourable external factors such as high international rates of interest, insufficient resource transfers, low commodity prices and increasing protectionism. They expressed their determination to work for a more supportive global economic environment.

63. Heads of Government emphasised that an important opportunity was offered by reduced East-West tensions to reinvigorate efforts to tackle other major world problems, particularly poverty. They expressed hope that assistance to support economic reform in East European countries should not result in decreased financial flows to developing countries. They called for greater global solidarity in response to the major economic and environmental challenges and for a special effort to improve development co-operation.

64. Heads of Government noted the rapid changes in the world economy. These needed continuing review, especially as regards their impact on economically weak countries. They were pleased to note that Commonwealth Finance Ministers in Kingston had asked for a Commonwealth Expert Group to examine how recent changes and emerging trends in the world economy affected the inter-relationship between developed and developing countries. They asked that major international institutions, including official and private financial institutions, should be associated with the examination. They also asked that the Expert Group should report as soon as possible, if necessary confining itself in the first instance to an interim report summarising the main issues of concern to the world community.

65. Recognising that existing economic consultations among industrial countries (G7) largely reflect the perspective of those countries, Heads of Government believed that this dialogue should be supplemented by appropriate consultations with developing countries. They noted the proposed Special Session of the United Nations General Assembly on International Economic Co-operation and Reactivation of Economic Growth and Development, and also the Four-Nation Paris Initiative for North-South consultations at summit level.

66. They felt that the Commonwealth might have a particular role to play. They believed that the global political and economic climate was much more propitious for dialogue than for many years. There was broad agreement on the principles necessary to bring about sound development. But developing countries were faced with grave resource constraints in applying those principles. They believed it might be right for the Commonwealth, within which dialogue had not been interrupted, to take matters forward. The agenda provided by the Expert Group should

be a good basis for doing so.

67. Heads of Government invited Commonwealth Finance Ministers to consider the agenda identified by the Expert Group as soon as possible. They should then make recommendations as to the appropriateness at that time of the proposal by the Prime Minister of Jamaica for a Commonwealth initiative to bring about a meeting of a representative group of Heads of Commonwealth and non-Commonwealth countries.

### **Trade Policy**

68. Recalling the Vancouver Declaration on World Trade, Heads of Government emphasised the importance of an open and non-discriminatory multilateral trading system for sustaining non-inflationary world growth. Noting that countries had not shared evenly in expanding world trade, they deplored continuing protectionism, which was particularly damaging to some exports from developing countries. There were major costs where protection had been substantial and persistent, as in agriculture and textiles. They deeply regretted the growing recourse by some major developed countries to unilateral action and bilateral pressures to settle international trade disputes.

69. Heads of Government noted that this was the last Heads of Government Meeting before the conclusion of the Uruguay Round. They expressed their concern with current progress and emphasised the need to ensure a balance between industrial and developing countries. They called on all participants in the Uruguay Round negotiations to work to secure its objectives and implement commitments made at Punta del Este and build on those at the Mid-term Review. The Round's failure would have severe consequences for the world economy and the developing countries in particular. They emphasised the crucial importance of rapid and substantive progress to produce a conclusion by the end of 1990 that was balanced and meaningful; strengthened the role of GATT and preserved the multilateral trading system; and led to further liberalisation and expansion of world trade, benefiting all countries, especially developing countries. They requested the Secretary-General to continue to provide appropriate levels of technical support to member governments during the Uruguay Round's concluding phase, including an evaluation of the Round's results.

### **Commodities**

70. Heads of Government expressed concern at the negative impact on developing countries of weak and unstable commodity prices. The Secretariat Report, *Commodity Policy for Developing Countries: Future Directions*, had predicted continued long-term weakness in commodity prices. For example, synthetics and other substitutes were eroding the market for natural fibres.

71. Heads of Government acknowledged that the contribution of international commodity agreements to the aim of reducing price and earnings fluctuations had recently been very disappointing, with the notable exception of rubber. They believed that action was required on several fronts, including enhanced market access for commodities in processed and unprocessed forms, and product development. They noted that the Common Fund for Commodities might make new commodity agreements more feasible and existing ones more effective, and that its

Second Account would assist economic diversification. They agreed that renewed attention should be given to strengthening compensatory financing arrangements.

### **Debt and Financial Flows**

72. Heads of Government gave special attention to the continuing problem of developing country indebtedness and welcomed recent steps, especially the agreement reached in Toronto and the Brady Plan, to reduce debt and debt-service, recognising that many developing countries faced great difficulties in growing out of debt. Special assistance should continue to be given to countries which are genuinely not in a position to repay their debts. They also stressed that the resource needs of countries which had been servicing their debt fully under difficult circumstances should be taken into account.

73. They welcomed the steps taken by a number of aid donors to write off debts stemming from past development assistance.

74. Heads of Government noted the progress made under the Toronto initiative for the poorest debt-distressed countries. They called for a further strengthening of these efforts, and for the initiative to cover other countries in similar circumstances outside Sub-Saharan Africa. They also emphasised the continuing need for action to reduce the commercial debt of low-income debt-distressed countries.

75. Heads of Government believed that debt owed to multilateral institutions, which cannot be rescheduled, presented special problems. They agreed that ways be explored to assist those heavily indebted countries which have a large proportion of multilateral debt.

76. Heads of Government welcomed the current approach to the problem of countries in arrears to the IMF and the World Bank and commended the role played by Commonwealth countries in this process. They urged a continuation of this approach as well as adequate and timely donor finance.

77. Heads of Government regretted the severe contraction of financial flows to developing countries, and for several countries, a negative net transfer of resources. They emphasised the importance of efforts to increase all flows. In particular, they called for a renewed commitment and effort to meet the United Nations ODA target.

### **International Financial Institutions and Growth-oriented Adjustment**

78. Heads of Government emphasised the pivotal roles of the IMF and the World Bank in promoting systemic stability, providing balance of payments support, and enhancing development finance. They called for increased support and sources to enable these institutions to fulfil further their respective roles.

79. Heads of Government observed that there was much support for greatly enlarged quotas in the IMF under the Ninth Review of quotas. They supported an increase substantial enough to meet the expanding needs of members into the 1990s. They also believed that the Managing Director's recommendation for a fresh allocation of SDRs deserved further consideration.

80. Heads of Government noted that discussions on the ninth replenishment of IDA were reaching completion. They commended IDA's role in the provision of concessional resources to low-income countries and supported a substantial increase in its replenishment.

81. Heads of Government welcomed the increased support provided by the IMF and the World Bank as well as by bilateral donors for structural adjustment. They emphasised the importance of having a medium-term framework, of adequate consultation with the recipient country governments, and of the availability of adequate external finance to support adjustment programmes.

### **Poverty Alleviation**

82. Heads of Government recognised the possible adverse social consequences of adjustment policies and their implications for the viability of democratic institutions and political stability. They recognised the need to pay more attention to the social costs of adjustment and their impact on vulnerable groups. They welcomed the World Bank's recent focus on poverty alleviation in its lending policies and also noted the IMF's concern in this respect. They called on governments and international institutions to mitigate the painful consequences of adjustment through careful and well targeted programmes for poverty alleviation.

### **Equity Fund**

83. Heads of Government noted that at their recent meeting in Kingston Commonwealth Finance Ministers had welcomed the proposal to launch a Commonwealth Equity Fund. They noted with approval the Secretariat's catalytic role in preparing the Fund in the last year. They further noted that, for the future, it was proposed that full executive responsibility for the Fund would be carried by commercial interests, who would therefore bear all financial and legal obligations for it. In these circumstances, they reaffirmed the warm welcome of Finance Ministers for an initiative which will facilitate the flow of private institutional investment to Commonwealth developing countries and which will seek out potential investment opportunities in small and low income countries. They considered that Commonwealth governments could review sympathetically relevant national provisions which affect the operations of the Fund in their countries. They looked forward to an early launch of the Fund with the first capital issue being named "the Hibiscus Issue" to reflect the symbol of this Heads of Government Meeting.

### **Management of Technological Change**

84. Heads of Government took note of the fact that technological change was continuing at a rapid pace and that great attention to science and technology management was a requirement of all countries. In this connection they reiterated their support for the activities the Secretariat was undertaking in pursuing the recommendations of the Report, *Technological Change: Enhancing the Benefits*, which had been presented to their Nassau Meeting.

85. Heads of Government endorsed the Malaysian Government's proposal for the establishment of a Commonwealth Consultative Group for Technology Management (CCGTM), based on the approach of the Commonwealth Project on Strategic Management and Planning of

Science and Technology and its Integration in National Development (COMMANSAT) with a small support unit within the Secretariat. They noted that this unit would draw on, and develop, the work of the Commonwealth network of specialists and managers in the field of technology management and would enable the Secretariat to provide an advisory service to governments, with particular reference to technology and environment assessment and management, and the inter-relationship between these issues and economic policy. They asked the Secretary-General to take early steps to implement the proposal, consulting COMMANSAT as necessary and taking resource availability into account. They expressed appreciation to those governments which had announced offers of financial support.

### **Women and Structural Adjustment**

86. Heads of Government discussed the report *Engendering Adjustment for the 1990s*, prepared by the Expert Group on Women and Structural Adjustment, which they had established at their Vancouver Meeting. They expressed great appreciation for the work of the Group. While accepting the need for structural adjustment, they were concerned that economic and adjustment difficulties in several countries were adversely affecting the already disadvantaged position of women.

87. Heads of Government commended for serious consideration the approach to adjustment recommended in the Report, designed to protect and support the vital roles women perform in society. They stressed the importance of adopting policies which facilitate women's full participation in public and private sectors. Emphasising the urgent need to redress the socio-economic inequities facing women, they stressed the importance of the total integration of women into the development process, including equitable access to education, training, credit, land and employment.

88. Heads of Government commended the Report for serious consideration, particularly the six general areas highlighted for action by governments, international agencies and NGOs. They endorsed the recommendation for more intensive and early discussion of the Report at regional levels and for the Commonwealth to promote an intergovernmental meeting, involving relevant international institutions, to focus on broader adjustment strategies which take into account the needs of women. They recommended that Commonwealth Ministers Responsible for Women's Affairs give further consideration to the Report at their meeting in Ottawa in October, 1990.

### **Child Survival, Protection and Development**

89. Heads of Government welcomed the progress being made for the survival, protection and development of the child, especially with the support of UNICEF and WHO. They called on member countries to support the concept of "Adjustment with a Human Face", in order to protect investment in social sectors such as health and education. They also noted that most major health problems and premature deaths are preventable through changes in human behaviour and effective and low-cost actions for child survival and development, such as immunisation and oral rehydration therapy, which are already saving millions of young lives worldwide.

90. Heads of Government called for the adoption of a United Nations Convention on the

Rights of the Child at the 44th Session of the United Nations General Assembly and for its early entry into force. They urged member countries to further the cause of survival, protection and development of the child, in order to sustain the gains achieved in the 1980s and accelerate them during the 1990s. They welcomed the proposal for a World Summit for Children as a means of providing a greater stimulus for national and international action for this purpose.

### **Environment and Climatic Change**

91. Heads of Government issued the Langkawi Declaration on Environment providing for a Programme of Action.

92. They discussed the subject of climate change on the basis of the Commonwealth Expert Group's Report. They asked the Secretary-General to identify a group of experts on the environment who could monitor and evaluate developments concerning climate change, taking account of the work of the Inter-governmental Panel on Climate Change, and deal with other environmental issues as needs arise.

93. Heads of Government noted with appreciation the generous offer from the President of Guyana to set aside part of Guyana's Amazonian tropical forest for a pilot project under Commonwealth auspices to study utilisation of the forest on a sustainable basis and the conservation of species. They asked the Secretary-General to organise a high level exploratory mission to pursue the offer with the Guyanese authorities.

94. Heads of Government welcomed the invitation from the Prime Minister of Australia to developing Commonwealth countries to participate in a technical assistance programme to provide training for assessing the effects of climate change on rural land productivity. They looked forward to a positive response to the letter which the Australian Prime Minister would be writing to all Heads of Government and thanked Australia for its willingness to fund the participation of trainees in this programme.

95. Heads of Government also welcomed the announcement that, to mark the Fortieth Anniversary of the modern Commonwealth, Canada will offer 40 scholarships a year for five years as an additional contribution to the CFTC. In recognition of the adoption of the Langkawi Declaration, Canada suggested that these scholarships could most appropriately be dedicated to environmental studies.

96. Heads of Government noted the positive role which NGOs (including the Commonwealth Human Ecology Council) and others could play in maintaining and increasing awareness of environmental issues, in particular climate change. They encouraged the development and strengthening of consultative arrangements between NGOs and governments to help in clarifying environmental issues.

97. Heads of Government asked the Secretariat to strengthen its ability to assist governments, on request, in the environmental field through policy development work, and through CFTC technical assistance, so as to give effect to the Programme of Action of the Langkawi Declaration. They requested the Managing Director of the CFTC to report to the next Commonwealth Senior Officials Meeting on the extent of support which can be offered through

the CFTC to programmes which address environmental concerns.

### **Natural Disasters**

98. Heads of Government recorded their deep concern at the high level of vulnerability of so many Commonwealth countries to natural disasters. They acknowledged the useful contribution of the Secretariat's work in the area of hazard assessment and mitigation with particular reference to floods and hurricanes. They welcomed the decision by Finance Ministers that the Secretariat should undertake a study of the economic consequences of disasters.

### **Least Developed Countries**

99. Heads of Government expressed serious concern at the deteriorating socio-economic condition of the Least Developed Countries (LDCs). They also expressed concern that full and effective implementation of the Substantial New Programme of Action (SNPA) for the 1980s for LDCs was far from achieved. They noted that these countries faced the most formidable structural constraints to development. They recognised that, while the LDCs bear the primary responsibility for their overall development, the developed countries should attain the internationally agreed target for ODA to these countries as expeditiously as possible. They committed their full support to the development efforts of the LDCs and called upon the international community to ensure a successful outcome of the Second United Nations Conference on the Least Developed Countries to be held in September, 1990, in Paris.

### **Regional Economic Co-operation**

100. Heads of Government noted the progress towards a Single Market in the European Community (EC) in 1992 and strengthened free trade between Canada and the United States which would encourage economic expansion in member countries, and, through their trade generating potential, could have a favourable impact on the world at large. They acknowledged, however, that there could be dangers in the growing regionalisation of trade through the establishment of trading blocs. They cautioned against the possible diversion of trade as well as increased trade restrictions against third countries, particularly developing countries. They welcomed the assurance of the Canadian Government that the Canada-United States Free Trade Agreement does not restrict access for Commonwealth developing countries. They also welcomed the assurance from the British Government that it would endeavour to maintain access into the EC for exports from Commonwealth countries.

101. Heads of Government exchanged views on efforts to enhance economic co-operation in the Asia-Pacific region, especially the Asia-Pacific Economic Conference to be held in Canberra in November, 1989. They expressed the hope that such efforts would promote trade expansion and strengthen an open, non-discriminatory multilateral trading system.

102. Heads of Government recognised the contribution that regional integration can make to economic development and noted the efforts being made to expand trade and investment through development of the Caribbean Community and Common Market (CARICOM) as a single economy, as expressed in the Grand Anse Declaration.



103. Heads of Government also recognised the contribution of the South Asian Association for Regional Co-operation (SAARC) in promoting mutually beneficial co-operation in many fields which would contribute to peace, stability and progress in the region.

104. Heads of Government looked forward to a successful outcome of the renegotiation of the Lomé Convention. They called on the EC to agree changes to the Convention which would improve trade and financial flows between the ACP Group and the EC. Account should be taken of the interests of Commonwealth developing countries outside the ACP.

#### **Shelter for the Homeless**

105. Heads of Government recognised that more than one billion people were without shelter fit for human habitation and that demographic and urbanisation trends were likely to aggravate the problem. They recalled with satisfaction the impact of the International Year of the Shelter for the Homeless (1987). They called for action programmes at national and international levels, under the 'Global Strategy for Shelter to the Year 2000', to provide adequate shelter for all by the year 2000, with the main focus on the poor and the disadvantaged.

#### **Election of the Secretary-General**

106. Heads of Government paid warm tribute to the Secretary-General, Mr. Shridath Ramphal, for his exceptional services to the Commonwealth over a decade and a half. His contribution to the strengthening of the Commonwealth would be long remembered. They elected Chief Emeka Anyaoku of Nigeria to succeed him.

#### **Next Meeting**

107. Heads of Government accepted with great pleasure the invitation from the Government of Zimbabwe to hold their next Meeting in Harare in 1991.

## **Commonwealth Functional Co-operation**

1. Heads of Government reaffirmed the value they attached to functional co-operation as a vital element in Commonwealth collective endeavours. They believed that the establishment of a Commonwealth Equity Fund and a Consultative Group for Technology Management would give a further impetus to such endeavours. They also reviewed progress in a number of other areas.

### **Drug Abuse and Illicit Trafficking**

2. Heads of Government expressed their deep concern at the serious threats posed by drug abuse and illicit trafficking, and the special problems caused to states which had become transit points for illicit trafficking. They asked the Secretariat, in collaboration with the appropriate United Nations agencies, to continue to organise training in such areas as customs and law enforcement, investigative methods, the collection of educational information on drugs, the treatment and rehabilitation of addicts, and the implementation of the relevant international conventions. They noted the untapped potential of young people and women which could be mobilised for the fight against drug abuse as highlighted at two Commonwealth Meetings on Drug Abuse held in Kuala Lumpur in June 1989 and in London in May 1989 respectively, and asked member governments and the Secretariat to consider the recommendations from the Meetings carefully and to take necessary action. They gave high priority to the implementation of these proposals and requested the Secretary-General to take appropriate action, facilitated by the provision of additional resources if necessary.

### **Education**

3. Heads of Government expressed their satisfaction with the significant progress which had been made by the Commonwealth of Learning since its inauguration less than one year ago. They noted the wide range of collaborative activities which had been initiated and were also able to see something of the data base which is being built up on study opportunities in distance education throughout the Commonwealth. They reaffirmed their belief in the potential of the new institution to accelerate human resource development through distance education techniques and commended the Board of Governors and all who were responsible for giving the new institution an encouraging start.

4. Heads of Government also acknowledged the organisation's need for adequate resources and in this context called for increased contributions to the Commonwealth of Learning's core budget, especially from those countries which had not yet contributed, and for greater flexibility in the use of other resources. They strongly endorsed the Board's call for

making education and training materials more readily available throughout the Commonwealth.

5. Heads of Government reaffirmed the importance they attach to higher education co-operation in the Commonwealth as a contribution to human resource development and to increasing the scientific and technological capability of member countries. They were conscious that higher education faces critical challenges at the present time as member countries strive to accommodate the rising demand for higher education opportunities and the need to uphold quality against a background of severe resource constraints. In this context they received with appreciation the Report of the Commonwealth Standing Committee on Student Mobility and Higher Education Co-operation with its proposal that Commonwealth governments should establish a collaborative support scheme to strengthen key aspects of higher education development particularly books, learning materials and libraries, management and staff development, as well as to harness for these purposes the potential of new information technology. Heads of Government requested the Secretary-General to convene a meeting of principal donor agencies and selected representatives from developing countries to consider the possibilities in more detail and submit a report for consideration by the next Conference of Commonwealth Education Ministers in 1990.

6. Heads of Government reaffirmed their support for the Commonwealth Scholarship and Fellowship Plan which celebrated its 30th anniversary this year, and urged member countries not currently contributing to the Plan to do so. They noted with appreciation the proposed increase in Britain's already substantial contribution to the Plan, to take account of Pakistan's re-entry to the Commonwealth.

7. Heads of Government expressed great concern at the evidence adduced by the Standing Committee that intra-Commonwealth student mobility continues to decline overall, despite signs of modest growth in some individual countries. They invited the principal host countries in particular to consider, in time for the next Conference of Commonwealth Education Ministers, and in the light of the Standing Committee's Report, how the present downward trends might be reversed. They also invited the Standing Committee to continue its important work.

#### **Commonwealth Fund for Technical Co-operation**

8. In reviewing Commonwealth functional co-operation, Heads of Government paid particular attention to the role of the Commonwealth Fund for Technical Co-operation as the pre-eminent Commonwealth agency for development co-operation. They expressed their satisfaction with the Report of the Secretary-General advising that the serious resource constraints that confronted the Fund in 1987 had been alleviated by renewed pledges of support by a large number of Commonwealth governments. Heads of Government noted that at the most recent Meeting of the Fund's Board of Representatives, on which all governments are represented, the increased capacity of the Fund had been warmly welcomed and that governments continued to express their satisfaction at the substantial progress that had been made in Commonwealth development co-operation over the 18 years since the Fund was established at the Heads of Government Meeting in Singapore. They agreed on the importance of strengthening and expanding the technical assistance and training activities of the Fund and of ensuring that the Fund is fully able to meet existing demands and new challenges as they emerge.

## **Women and Development**

9. Heads of Government reaffirmed their commitment to ensuring women's full participation as agents and beneficiaries of development. They welcomed the Secretary-General's Report on the implementation of the Commonwealth Plan of Action on Women and Development by national governments and the Secretariat, and noted with satisfaction that progress had been achieved in some areas. They recognised, however, that more sustained efforts, including efforts to change society's perception of women in the development process, would be necessary if Commonwealth objectives on women and development were to be realised and urged all member governments to respond more promptly to Secretariat questionnaires on this subject. Heads of Government renewed their commitment to the implementation of the national and Secretariat initiatives outlined in the Plan of Action, and agreed to keep the matter under review.

## **Commonwealth Scientific Co-operation**

10. Heads of Government considered a proposal by the Commonwealth Science Council for a meeting of Commonwealth Ministers responsible for science and technology and recognised that the major development issues of the 1990s would not only place substantial demands on indigenous research and development but also require determined new initiatives through international co-operation. Heads of Government agreed that Commonwealth scientific co-operation could make an important contribution in this regard and that a meeting of Commonwealth Ministers responsible for science and technology could give a stimulus to national scientific systems and link them more effectively with economic planning and sustainable development. They noted with gratitude Malta's willingness to host such a meeting in conjunction with the next biennial meeting of the Commonwealth Science Council. In this context Heads of Government welcomed the Caribbean Oceanographic Resources Exploration Project as an initiative of considerable scientific and economic significance and urged the Ministerial Meeting to identify more such projects.

## **Commonwealth Youth Programme**

11. Heads of Government noted that the Programme's financial situation had improved considerably since their last Meeting with a little over half of the member countries having increased their contributions to the target levels suggested by the Secretary-General. They expressed the hope that at the next pledging session all governments would reach the target levels proposed for them, thereby enabling the Programme to play its role as the only significant vehicle of international co-operation in the field of youth development.

12. Heads of Government welcomed the change of direction that the improved resource position had permitted in the Programme's activities, and looked with confidence to a strengthened Programme emerging from the current review being undertaken by the Committee of Management and the Commonwealth Youth Affairs Council.

## **Contributions to Commonwealth Budgets**

13. Heads of Government acknowledged the serious adverse effects which outstanding contributions to the Secretariat and other budgets were having on Commonwealth programmes

and activities and agreed to make an urgent effort to eliminate outstanding contributions.

14. They also agreed to a revised formula of assessed contribution to the Secretariat Budget.

15. Heads of Government agreed that in view of the conditions of financial stringency in most countries, expenditure should be strictly governed by priorities and that meetings of Commonwealth Ministers should therefore be regularly apprised of the need to match new demands on the Secretariat to available resources.

16. Heads of Government requested the Secretary-General to consider improvements to the form in which his proposals for programmes and expenditures are presented to governments and asked Senior Officials at their 1990 meeting to place the subject of a revision of budgetary and programming procedures on their agenda.

#### **Commonwealth Secretariat Accommodation**

17. Heads of Government discussed the report, "Commonwealth Secretariat Accommodation" prepared by a Committee of High Commissioners in London, examining the Secretariat's long-term accommodation needs.

18. In the light of this discussion, Heads of Government endorsed the recommendations of the High Commissioners' Committee in paragraph 16 of the Report and recommended that the results of the Secretariat's negotiations be referred to the Committee of High Commissioners for further consideration and reference to governments.

19. Heads of Government expressed the hope that a refurbished Marlborough House and the proposed new building would provide the Secretariat with a suitable long-term base for its future operations.

#### **Commonwealth Co-operation in Human Rights**

20. Heads of Government, noting that Commonwealth states have many shared values and traditions which would lead to co-operation in the area of human rights, requested the Secretary-General to convene a governmental working group of experts on human rights. The working group would be charged with the responsibility of reviewing Commonwealth co-operation in the area of human rights to date and of recommending possible avenues for enhanced co-operation and action in the future, in such areas as education, training and technical assistance upon request of member states. These recommendations would be made to the Secretary-General and, where appropriate, to the next Commonwealth Heads of Government Meeting.

#### **Commonwealth Games**

21. Heads of Government welcomed the opportunity to recognise the important role played by the Commonwealth Games and by Commonwealth sport in general as a public manifestation of Commonwealth friendship. In so doing, they affirmed the significance of the Commonwealth Games as a highly visible and important symbol of Commonwealth unity, and they looked forward to a successful Games in Auckland in 1990.

22. They acknowledged that lack of adequate resources in some member countries had limited the occasions on which they had been able to bid to host the Games, and expressed the strong desire to see all regions of the Commonwealth hosting the Games. Heads of Government therefore requested the Secretary-General to invite sports administrators, representatives of the Commonwealth Games Federation and suitably qualified government nominees to form a working party to examine these and other problems outlined in the Canadian Government Memorandum. They expressed the hope that the working party would be able to start work in time to report to the next Commonwealth Senior Officials Meeting, and finally to Heads of Government in 1991.

### **The Commonwealth Foundation**

23. Heads of Government noted with pleasure that two more member states had joined the Foundation since their last meeting and hoped that the remaining states would do so at the earliest opportunity. They commended the work of the Foundation in promoting stronger links with the large, diverse family of non-governmental organisations through the establishment of Commonwealth Liaison Units and acknowledged the increased potential this created for sharing their Commonwealth relationships. They noted the increased efforts of professional cadres to promote wider intra-professional co-operation and consultations.

24. Heads of Government particularly welcomed the proposed establishment of a regular Commonwealth Forum of non-governmental organisations to provide focus for the many forms of consultations that continue at all levels of Commonwealth contact. They asked the Director of the Foundation to report to the next Commonwealth Senior Officials Meeting with a view to considering ways in which the activities of the Forum can be reported to the next Heads of Government Meeting.

25. In recognition of the growing importance of the varied programmes developed to promote better Commonwealth understanding, Heads of Government approved an increase in the Foundation's target income over current levels by an aggregated ten per cent over the next two year period 1990/1991 - 1991/92.

### **Cultural Co-operation**

26. Heads of Government expressed their continued support for the work of the Commonwealth Institute in explaining the Commonwealth to the British public and especially its new emphasis on education about the Commonwealth, particularly for the secondary age range and young adults.

### **Commonwealth Trade Union Council**

27. Heads of Government expressed appreciation for the continuing close co-operation between the Secretariat and the Commonwealth Trade Union Council (CTUC), particularly in labour and employment matters, and training and support for trade unions in South Africa and Namibia. They looked forward to the further development of co-operation between the Secretariat and the CTUC.

### **Report of The Secretary-General**

28. Heads of Government commended the Twelfth Report of the Secretary-General.

*Commonwealth Secretariat  
Putra World Trade Centre  
Kuala Lumpur*

23 October 1989

Commonwealth  
Heads of Government  
Meeting



The Harare  
Communiqué  
October 1991



# Commonwealth Heads of Government Meeting

Harare

16-21 October 1991

## Communiqué

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# Harare Commonwealth Declaration

The Heads of Government of the countries of the Commonwealth, meeting in Harare, reaffirm their confidence in the Commonwealth as a voluntary association of sovereign independent states, each responsible for its own policies, consulting and co-operating in the interests of their peoples and in the promotion of international understanding and world peace.

2. Members of the Commonwealth include people of many different races and origins, encompass every state of economic development, and comprise a rich variety of cultures, traditions and institutions.

3. The special strength of the Commonwealth lies in the combination of the diversity of its members with their shared inheritance in language, culture and the rule of law. The Commonwealth way is to seek consensus through consultation and the sharing of experience. It is uniquely placed to serve as a model and as a catalyst for new forms of friendship and co-operation to all in the spirit of the Charter of the United Nations.

4. Its members also share a commitment to certain fundamental principles. These were set out in a Declaration of Commonwealth Principles agreed by our predecessors at their Meeting in Singapore in 1971. Those principles have stood the test of time, and we reaffirm our full and continuing commitment to them today. In particular, no less today than 20 years ago:

- we believe that international peace and order, global economic development and the rule of international law are essential to the security and prosperity of mankind;

- we believe in the liberty of the individual under the law, in equal rights for all citizens regardless of gender, race, colour, creed or political belief, and in the individual's inalienable right to participate by means of free and democratic political processes in framing the society in which he or she lives;
- we recognise racial prejudice and intolerance as a dangerous sickness and a threat to healthy development, and racial discrimination as an unmitigated evil;
- we oppose all forms of racial oppression, and we are committed to the principles of human dignity and equality;
- we recognise the importance and urgency of economic and social development to satisfy the basic needs and aspirations of the vast majority of the peoples of the world, and seek the progressive removal of the wide disparities in living standards amongst our members.

5. In Harare, our purpose has been to apply those principles in the contemporary situation as the Commonwealth prepares to face the challenges of the 1990s and beyond.

6. Internationally, the world is no longer locked in the iron grip of the Cold War. Totalitarianism is giving way to democracy and justice in many parts of the world. Decolonisation is largely complete. Significant changes are at last under way in South Africa. These changes, so desirable and heartening in themselves, present the world and the Commonwealth with new tasks and challenges.

7. In the last twenty years, several Commonwealth countries have made significant progress in economic and social development. There is increasing recognition that commitment to market principles and openness to international trade and investment can promote economic progress and improve living standards. Many Commonwealth countries are poor and face acute problems, including excessive population growth, crushing poverty, debt burdens and environmental degrada-

tion. More than half our member states are particularly vulnerable because of their very small societies.

8. Only sound and sustainable development can offer these millions the prospect of betterment. Achieving this will require a flow of public and private resources from the developed to the developing world, and domestic and international regimes conducive to the realisation of these goals. Development facilitates the task of tackling a range of problems which affect the whole global community such as environmental degradation, the problems of migration and refugees, the fight against communicable diseases, and drug production and trafficking.

9. Having reaffirmed the principles to which the Commonwealth is committed, and reviewed the problems and challenges which the world, and the Commonwealth as part of it, face, we pledge the Commonwealth and our countries to work with renewed vigour, concentrating especially in the following areas:

- the protection and promotion of the fundamental political values of the Commonwealth:
  - democracy, democratic processes and institutions which reflect national circumstances, the rule of law and the independence of the judiciary, just and honest government;
  - fundamental human rights, including equal rights and opportunities for all citizens regardless of race, colour, creed or political belief;
- equality for women, so that they may exercise their full and equal rights;
- provision of universal access to education for the population of our countries;

- continuing action to bring about the end of apartheid and the establishment of a free, democratic, non-racial and prosperous South Africa;
- the promotion of sustainable development and the alleviation of poverty in the countries of the Commonwealth through:
  - a stable international economic framework within which growth can be achieved;
  - sound economic management recognising the central role of the market economy;
  - effective population policies and programmes;
  - sound management of technological change;
  - the freest possible flow of multilateral trade on terms fair and equitable to all, taking account of the special requirements of developing countries;
  - an adequate flow of resources from the developed to developing countries, and action to alleviate the debt burdens of developing countries most in need;
  - the development of human resources, in particular through education, training, health, culture, sport and programmes for strengthening family and community support, paying special attention to the needs of women, youth and children;
  - effective and increasing programmes of bilateral and multi-lateral co-operation aimed at raising living standards;
- extending the benefits of development within a framework of respect for human rights;

- the protection of the environment through respect for the principles of sustainable development which we enunciated at Langkawi;
- action to combat drug trafficking and abuse and communicable diseases;
- help for small Commonwealth states in tackling their particular economic and security problems;
- support of the United Nations and other international institutions in the world's search for peace, disarmament and effective arms control; and in the promotion of international consensus on major global political, economic and social issues.

10. To give weight and effectiveness to our commitments we intend to focus and improve Commonwealth co-operation in these areas. This would include strengthening the capacity of the Commonwealth to respond to requests from members for assistance in entrenching the practices of democracy, accountable administration and the rule of law.

11. We call on all the intergovernmental institutions of the Commonwealth to seize the opportunities presented by these challenges. We pledge ourselves to assist them to develop programmes which harness our shared historical, professional, cultural and linguistic heritage and which complement the work of other international and regional organisations.

12. We invite the Commonwealth Parliamentary Association and non-governmental Commonwealth organisations to play their full part in promoting these objectives, in a spirit of co-operation and mutual support.

13. In reaffirming the principles of the Commonwealth and in committing ourselves to pursue them in policy and action in response to the challenges of the 1990s, in areas where we believe that the

Commonwealth has a distinctive contribution to offer, we the Heads of Government express our determination to renew and enhance the value and importance of the Commonwealth as an institution which can and should strengthen and enrich the lives not only of its own members and their peoples but also of the wider community of peoples of which they are a part.

*20 October 1991*



# Communiqué

## Introduction

1. Commonwealth Heads of Government met in Harare from 16 to 22 October 1991. Of the 47 countries which attended 43 were represented by Heads of State or Prime Ministers. The President of Zimbabwe, Dr Robert Mugabe, was in the Chair.
2. Heads of Government sent a message of felicitation to Her Majesty The Queen as Head of the Commonwealth. They particularly welcomed the opportunity of meeting in Harare at a critical stage in progress towards ending apartheid in South Africa, a long-standing Commonwealth concern. They expressed deep appreciation of the excellent arrangements made for the Meeting and the warm welcome and generous hospitality of the Government and people of Zimbabwe.
3. Recalling the offer of Commonwealth membership extended to Namibia at their Meeting in Kingston in 1975, Heads of Government warmly welcomed their colleague President Sam Nujoma from Namibia whose country had joined the Commonwealth in 1990.
4. Heads of Government expressed their grief at the death of Rajiv Gandhi and observed a minute of silence in his memory.

## The Future of the Commonwealth

5. Heads of Government had before them the *Report on the Commonwealth in the 1990s and Beyond* prepared by ten of their number under the Chairmanship of the Prime Minister of Malaysia. The Report formed the centrepiece of their discussions.



6. Heads of Government were unanimously of the view that the fundamental principles enunciated by Commonwealth leaders at Singapore in 1971 remained relevant 20 years later and that the Commonwealth should reaffirm its full and continuing commitment to those principles. Any appraisal of the Commonwealth's future role should rest on the application of those principles to the contemporary world.

7. They were convinced that, in facing the challenges of the future, the Commonwealth would draw upon its unique strength and character, rooted in its shared ideals, common traditions and language, in its membership which spans nearly one-third of humanity and every corner of the globe and in its ability to fashion a sense of common purpose out of diversity.

8. The discussions of the High-Level Appraisal Group served to identify several areas, some old and others new, which deserved special emphasis in Commonwealth endeavours in years to come. The views of Heads of Government in this regard are contained in a separate document, the *Harare Commonwealth Declaration*. They also endorsed guidelines for Commonwealth observance of elections, criteria for Commonwealth membership and a strategy for sharpening the Commonwealth image.

9. The High-Level Appraisal reflected the continuing concern of Heads of Government with the situation in South Africa. While recent changes have raised hopes of achieving a free, non-racial and democratic order in South Africa, violence continues to obstruct progress. The Commonwealth has played a leading role in the international campaign against apartheid. Now that the goal is closer than ever before, Heads of Government considered ways in which the Commonwealth should continue to play a significant role in progress towards a non-racial democratic South Africa.

10. Heads of Government also gave consideration to the adequacy of Commonwealth institutions, including the Secretariat, to fulfil the task ahead. They welcomed the Secretary-General's internal review

which had identified a measure of existing resources which could be released for redeployment to priorities identified in the Harare Commonwealth Declaration and endorsed his proposal to institute a management audit, to be undertaken by external consultants, designed to enhance the cost-effectiveness and efficiency of the Secretariat. While commending the proposals contained in the Secretary-General's Strategic Action Plan they considered that these should be further examined by senior officials of the High-Level Appraisal Group in the light of the priorities agreed to at the Harare Heads of Government Meeting, taking into account the management audit and the Secretariat's need for adequate resources to implement these priorities. If it emerged that additional resources were still required, after available resources had been matched to needs, Heads of Government agreed to consider making appropriate contributions.

### Global Trends and Prospects

11. Heads of Government welcomed the end of the Cold War which had provided new opportunities and greatly improved prospects for international peace, security and economic development. The end of ideological confrontation had made possible more effective international co-operation in addressing the many problems, old and new, facing humanity. Foremost among these were poverty, hunger, disease and environmental degradation. They expressed the hope that in a new international order these issues would be of central concern.

12. Heads of Government were particularly encouraged by the resurgence of democratic ideals throughout the world. They undertook to use the Commonwealth's common values and practical means to help advance this hopeful development. Nevertheless the emergence of ethnic chauvinism, racial bigotry, and other forms of intolerance was a cause for serious concern, posing grave threats to peace and communal harmony. Accordingly they agreed to do everything practicable, both within their own societies and internationally, to combat discrimination in all its forms and to promote democracy, human rights, mutual tolerance and the rule of law through processes and institutions which have regard to national circumstances.

13. Heads of Government recognised that opportunities to promote the ideals which inspired the establishment of the United Nations had never been better. Reaffirming their commitment to the world organisation, they agreed to work together to enable it to discharge the role envisaged in its Charter.

#### **Disarmament**

14. Heads of Government warmly welcomed the recent dramatic initiative by the United States, matched by the Soviet Union and Britain, to reduce their nuclear arsenals which had greatly enhanced the prospects for world peace. They urged these states to continue their efforts and for other nuclear weapons states to do the same. In this context most Heads of Government called for a permanent halt to all further nuclear testing.

15. Heads of Government noted with concern the continuing dangers of regional and local conflicts. These dangers, and the example of the Gulf War, underlined the need to strengthen international regimes limiting weapons of mass destruction and the need to curb the build-up of conventional weapons beyond the legitimate requirements of self-defence. In this context they noted the recent accessions of several states to the Nuclear Non-Proliferation Treaty. They strongly urged all states to redouble efforts to prevent the proliferation of nuclear weapons in all its aspects. They called for the conclusion of a Chemical Weapons Convention in 1992 and endorsed in principle the proposal to establish a register of arms transfers at the United Nations.

#### **Human Rights**

16. Heads of Government reaffirmed their strong collective commitment to the principles of justice and human rights, including the rule of law, the independence of the judiciary, equality for women and accountable administrations. They supported the Report and recommendations of the Commonwealth Governmental Working Group of Experts on Human Rights. Recognising that human rights is one of the priorities identified in the Harare Declaration, they requested the

Secretariat to give greater impetus to its current activities to promote human rights in all its aspects. Heads of Government recognised the role that non-governmental organisations could play in this area.

17. Believing the International Bill of Human Rights to be the cornerstone of international human rights, Heads of Government reiterated their call to those of their members who have not already done so, to become a party to the International Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights.

#### South Africa

18. Heads of Government welcomed the important changes that had taken place in South Africa in the last 20 months since the initiatives taken by President de Klerk. These were a vindication of the long years of implacable opposition to apartheid by the democratic opposition forces, and in particular of the tenacity and courage of the liberation movements. These developments had also vindicated the Commonwealth's pre-eminent role in leading international action in support of the struggle to end apartheid. The developments had brought into sight the goal of the eradication of apartheid and the establishment of a non-racial democracy in a united and non-fragmented South Africa.

19. Heads of Government urged all the parties in South Africa to move as quickly as possible to constitutional negotiations. Expressing the hope that the recent tragic escalation of violence would not further set back this process, they strongly condemned this violence and called upon the South African Government as well as on all the parties in South Africa to bring it to an end as a matter of the utmost urgency. In this context they viewed with grave concern both revelations of covert Government funding of political organisations and the mounting reports of the involvement of elements within the security forces in perpetrating acts of violence. They welcomed the National Peace Accord of 14 September 1991 and called for its full implementation as quickly as possible.

20. While the terms of a constitutional settlement were for the people of South Africa themselves to determine, Heads of Government believed that the Commonwealth must remain ready to assist the negotiating process in ways that would be found helpful by the parties concerned. They therefore decided to request the Secretary-General to visit South Africa at the earliest possible opportunity in order to explore with the principal parties concerned ways in which the Commonwealth could assist in lending momentum to the negotiating process.

21. On his return, the Secretary-General would report his conclusions to the Ten Heads of Government previously concerned with the High-Level Appraisal, and to the President of Zimbabwe, Chairman of the current Commonwealth Heads of Government Meeting. Heads authorised this Group to consider and determine the necessary follow-up action in the light of the Secretary-General's mission.

### Sanctions

22. Heads of Government expressed the hope that the stage would be reached when the situation in South Africa would justify reconsideration of their sanctions policy against South Africa. They recalled that the purpose of sanctions had always been to bring about a peaceful end to apartheid through the promotion of negotiations between the Government and the acknowledged representatives of the black majority. In recognition of the crucial role sanctions had played in bringing about the changes thus far, they agreed to continue to use effective forms of pressure to assure a successful final outcome to the conflict in South Africa. Accordingly (subject to the proviso in the following paragraph) they endorsed the programmed management approach, elaborated by the Commonwealth Committee of Foreign Ministers on Southern Africa, linking any change in the application of sanctions to the taking of real and practical steps to end apartheid. In respect of the different categories of sanctions, subject to the same proviso, Heads of Government agreed as follows:

- the arms embargo, applied by the United Nations and supported by a variety of specific Commonwealth measures, should



remain in force until a new post-apartheid South African government is firmly established, with full democratic control and accountability;

- the most demonstrably effective of all sanctions – **financial sanctions** – including lending by international financial institutions such as the IMF and World Bank, should be lifted only when agreement is reached on the text of a new democratic constitution, unless a contrary recommendation is made by agreement at the proposed All-Party Conference, or by an interim government;
- other economic sanctions, including **trade and investment measures**, should be lifted when appropriate transitional mechanisms have been agreed which would enable all the parties to participate fully and effectively in negotiations;
- **people to people** sanctions, namely consular and visa restrictions, cultural and scientific boycotts, restrictions on tourism promotion and the ban on direct air links should be lifted immediately in view of progress made in overcoming obstacles to negotiations and the need to give external support and encouragement to democratic anti-apartheid organisations in South Africa and to permit free interaction with them. The ban on air links would be lifted on condition that South African Airways (SAA) and other South African airlines proceed with appropriate affirmative action programmes.

23. The British Prime Minister stressed the importance of foreign investment in restoring growth to the South African economy and the need for decisions now if the current economic decline was to be halted in time for the inauguration of South Africa's first majority government. It is for this reason that, while agreeing with the lifting of 'people sanctions' and the maintenance of the arms embargo, he did not agree with the recommendation of the Committee on the time scale for lifting economic and financial sanctions.

## Sporting Contacts with South Africa

24. Heads of Government were encouraged by the recent considerable progress in the evolution of a unified and non-racial sports movement in South Africa and welcomed the decision of the International Olympic Committee to grant recognition to the National Olympic Committee of South Africa. They agreed to continue to encourage these developments and, where appropriate, to provide assistance. They stressed the need for each sporting code to provide assistance to sportsmen and women disadvantaged by apartheid. They agreed that restrictions in respect of a particular sport be lifted when the following criteria have been met:

- the formal endorsement of the achievement of unity by the appropriate representative non-racial sporting organisation in South Africa;
- readmittance to the relevant international governing body;
- agreement of the appropriate non-racial sporting organisation within South Africa to resume international competition.

25. Commonwealth governments would continue to be guided in these matters by the National Olympic Committee of South Africa and other appropriate representative non-racial sporting organisations. In particular they welcomed the achievement of cricket in this regard and expressed the strong hope that the International Cricket Conference would accept South Africa's entry in the forthcoming World Cup.

## Human Resource Development for a Post-Apartheid South Africa

26. Heads of Government, recognising that the education and training of members of the deprived majority to occupy strategic positions in the transition period and beyond would be crucial to progress, welcomed the Report of the Expert Group on Human Resource Development for a Post-Apartheid South Africa, *Beyond Apartheid*. They looked forward to a significant role for the Commonwealth in

addressing the Report's priorities and strategies in partnership with the wider international community. They agreed to assist in meeting the human resource development needs of post-apartheid South Africa on a bilateral and multilateral basis, which could include voluntary multilateral Commonwealth Programme for Human Resource Development in South Africa. An immediate start should be made to support training and placements within South Africa as well as continuing training and placements outside South Africa.

27. Heads of Government attached importance to an increased role for the Commonwealth network of non-governmental organisations, Skills for South Africa, in the implementation of the Expert Group's recommendations. They called for increased bilateral Commonwealth and other programmes in this area and requested the Secretary-General to bring the Expert Group's Report to the attention of the international community and to explore the possibility of convening, in collaboration with the United Nations, an international donors' conference.

#### **Commonwealth Committee of Foreign Ministers on Southern Africa**

28. Heads of Government decided that the Commonwealth Committee of Foreign Ministers on Southern Africa under the continuing Chairmanship of the Canadian Secretary of State for External Affairs should remain ready to meet as and when necessary until the completion of the implementation of their recommendations.

#### **South African Economic Studies**

29. Heads of Government recognised the valuable contribution made by the Centre for the Study of the South African Economy and International Finance and looked forward to the continuation of its work.



## Namibia

30. Heads of Government welcomed the independence of Namibia and the interim agreement between the Government of Namibia and the Government of South Africa to establish a joint Administration of Walvis Bay and the off-shore islands pending a final settlement. They urged the early reintegration of these territories into Namibia in accordance with United Nations Security Council Resolution 432 (1978). Noting the importance attached by the Government of Namibia to the Enhanced Commonwealth Programme for Namibia, Heads of Government commended the Programme and reaffirmed their support.

## Mozambique

31. Heads of Government remained gravely concerned over the continuing conflict in Mozambique which was still claiming human lives and destroying socio-economic infrastructure. They urged an immediate end to all external assistance, material and otherwise, to the MNR. They pledged their support to the search for peace and urged the international community to do everything practicable to advance the peace process. They called upon the parties to the Rome Agreement of 1 December 1990 to honour its letter and spirit, and commended the Government of Mozambique and the mediators in Rome for their persistent efforts to bring about a comprehensive peace settlement and national reconciliation. In this context they further noted that a protocol had been signed on 18 October 1991 which committed both sides to achieving a general peace agreement as soon as possible. Accordingly, they strongly urged the parties to move expeditiously towards the signing of such an agreement.

32. Heads of Government expressed gratitude to those countries hosting the Mozambican refugees who continue to flee from their country and appealed to the international community to continue to render assistance to them. They noted that the plans for the post-war resettlement and rehabilitation of displaced peoples and the normalisation of life in general laid particular emphasis on the strengthening

of institutional capacity to guarantee and promote democratic practices. In this context they commended the Special Commonwealth Fund for Mozambique for its contribution to Mozambique's priority needs which is effectively augmenting the significant bilateral contributions of Commonwealth countries, both developed and developing. They recognised that continuing pledges and contributions would be required to enable the Fund to maintain a full five-year programme, including assistance in preparations for multi-party elections and in other aspects of institutional development.

### Angola

33. Heads of Government also welcomed the signing of a peace accord in Angola between the Government and UNITA, and urged the international community to assist in its implementation, including the democratisation process, and in Angola's reconstruction.

### Small States

34. Heads of Government recognised that international developments continued to demonstrate the vulnerability peculiar to small states, and they urged support for initiatives at the bilateral, regional and multilateral levels that would foster an environment conducive to their security and viability. They reaffirmed their view that small states merit special consideration and support because of their particular problems and should continue to have priority in the Secretariat's development assistance. Noting that current trends in official and private financial flows to developing countries and the erosion of trade preferences could make these states even more vulnerable, they urged that the donor community should continue to take into account their special structural problems and needs.

### Belize

35. Heads of Government welcomed Guatemala's recognition of Belize as a sovereign, independent state, and looked forward to the speedy conclusion of a formal agreement which would bring an end to

the dispute and foster co-operation between the two states for the benefit of both their peoples and the wider region. They reaffirmed that until a satisfactory outcome is reached, the security of Belize will remain a Commonwealth concern.

### Cyprus

36. Recalling the position they had adopted at Kuala Lumpur, Heads of Government reiterated their support for the independence, sovereignty, territorial integrity, unity and non-aligned status of the Republic of Cyprus. They stressed the importance of securing compliance with all of the United Nations Resolutions on Cyprus and in particular, Security Council Resolutions 541 (1983), 550 (1984) and 649 (1990). In this connection they emphasised the need for the speedy withdrawal of all foreign forces and settlers from the Republic of Cyprus, the return of the refugees to their homes in safety, the restoration and respect for the human rights of all Cypriots and the accounting for those missing.

37. Heads of Government noted the recent developments on the Cyprus problem contained in the latest report of the United Nations Secretary-General to the Security Council and its respective Resolution 716 (1991) setting out the fundamental principles of a Cyprus settlement. Such a settlement will ensure the well-being and security of all Cypriots, Greek Cypriots and Turkish Cypriots alike. They also expressed the hope that, following the Resolution, obstacles to the current efforts of the United Nations Secretary-General to find a just and viable solution to the Cyprus problem will be speedily removed and thus the convening of the envisaged international meeting will proceed as planned.

38. Heads of Government agreed that the Commonwealth Action Group on Cyprus should continue to monitor developments within the scope of its terms of reference including, in particular, assisting the efforts of the United Nations Secretary-General.

## Mediterranean

39. Heads of Government expressed support for continuing efforts to contribute actively to the elimination of causes of tension in the Mediterranean and to the promotion of a just and lasting solution to the conflicts and crises in the region, in accordance with the United Nations Charter and relevant resolutions. They once again reiterated that security in the Mediterranean is closely linked to European security, as well as to international peace and security. They noted that regional consultations among Mediterranean states are taking place in order to create appropriate conditions for convening a Conference on Security and Co-operation in the Mediterranean.

## The Middle East

40. Heads of Government, recalling their statement at Kuala Lumpur on the Middle East and reiterating their concern at the dangerous tensions arising from the unresolved problems of the Middle East, especially the Palestinian issue, welcomed the convening of the Middle East Peace Conference in Madrid on 30 October 1991. They expressed the strong hope that the Conference would lead to a just, comprehensive, and lasting settlement and contribute to peace and security in the Middle East.

## Afghanistan

41. Recent developments have increased the prospects of a comprehensive political settlement of the Afghanistan problem and Heads of Government urged that efforts be intensified to restore peace and normalcy in Afghanistan and enable the Afghan refugees to return to their country. They expressed support for the United Nations Secretary-General's five-point proposal of 21 May 1991 and the initiatives of other states to reach a just settlement in Afghanistan and also appealed for continued humanitarian assistance for the Afghan refugees.



## South-East Asia

42. Heads of Government welcomed the reconvening of the Paris International Conference on Cambodia in Paris from 21 to 23 October 1991 whose objective is to bring about a comprehensive political settlement of the Cambodian problem through the signing of a peace agreement. In this regard, they congratulated the Cambodian parties for demonstrating a spirit of compromise and national reconciliation under the leadership of Prince Sihanouk.

43. As a further means of ensuring peace and stability in the region, Heads of Government noted with approval efforts to establish in South-East Asia a zone of peace, freedom and neutrality and called on all states fully to support these efforts.

## Antarctica

44. Recognising that Antarctica has a critical impact on the environment, Heads of Government welcomed the agreement reached in Madrid on a Protocol for the protection of the Antarctic environment, including a prohibition on mining activities in Antarctica. They reiterated their conviction that every effort should be made to protect and conserve the environment of that unique territory and called on all states to co-operate in this regard.

## Terrorism

45. Heads of Government reaffirmed their strong condemnation of terrorism in all its forms, including the taking of hostages, as one of the most dangerous and pernicious threats to stability and to human rights. They reiterated their determination to combat terrorism, whether perpetrated by individuals, groups or states, by every means possible through bilateral and multilateral co-operation.

## Countering Drug Abuse and Illicit Trafficking

46. Heads of Government expressed deep concern at the increasing menace of drug abuse and illicit trafficking which represents both a serious obstacle to the process of social and economic national development and a threat to the international community. They welcomed the restructuring of the United Nations drug control system, including the establishment of the United Nations International Drug Control Programme to enhance the international campaign against drug abuse and illicit trafficking, and affirmed their support for the Global Programme of Action adopted by the Seventeenth Special Session of the United Nations General Assembly in February 1990.

47. They recognised that imaginative approaches were called for if effective responses were to be developed, particularly to reduce the demand for illicit drugs, and acknowledged that it was imperative for all countries to have appropriate legal frameworks to counter supply. In this regard they undertook to take such steps as might be necessary to become party to the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Illicit Substances, and to implement the Commonwealth Scheme for Mutual Assistance in Criminal Matters. They also expressed their support for the Programme of Action adopted by the World Ministerial Summit on Demand Reduction held in London in April 1990.

### World Economic Situation

48. Heads of Government reviewed the current world economic situation. They expressed satisfaction that policies pursued by many industrialised countries to keep inflationary forces in check were bearing results, and that many developing countries were maintaining reform policies despite continuing difficult economic circumstances.

49. Heads of Government noted that while the past year had been a difficult one for the world economy, the prospects were now more hopeful in a number of countries. They expressed concern, however, at the external economic conditions which in many respects - for

example, high interest rates, depressed commodity prices, low volume of financial flows, onerous debt service burdens, continuing protectionism in major markets and inward-looking regional groupings – remained unfavourable to developing countries. They emphasised the importance of pursuing policies that strengthened the forces of recovery in the world economy; and expressed their determination to work through co-operative international action for a more supportive global environment for development. They agreed that any new world order must comprise enhanced development co-operation.

### Global Change and Economic Development

50. Heads of Government noted that they were meeting at a time of dramatic change not only in the world political and economic order, but also in ideas about how societies should be organised. They believed that these changes bring both opportunities and problems for all societies. In this context, they welcomed the Report of the Commonwealth Expert Group, *Change for the Better: Global Change and Economic Development*, which had begun to receive a very favourable international reception. They agreed with its central conclusion that change is resulting in an ever increasing interdependence among nations and that there is a growing mutuality of interest in addressing issues such as poverty, insecurity, environmental degradation, disease and drug trafficking which can be effectively tackled only through development. They also agreed with the Group's view that this required a sustained exercise of political will at national and international levels. They asked the Chairman and the Secretary-General to promote a wide-ranging discussion of the Report, and agreed to take steps at the same time to promote consideration of the Expert Group's recommendations at high political levels, particularly in specialist economic and regional groupings of which they were members. They also noted that the United Nations Conference on Environment and Development in mid-1992, which will be attended by many Heads of State, would offer a good opportunity for discussion of many of the issues raised.

51. In relation to specific issues, Heads of Government welcomed the emphasis in *Change for the Better* on improved policies to achieve

macro-economic stability, reduced budget deficits, reduced military spending, increased savings and investment, more open trade policies, greater reliance on the private sector, market-oriented economies, human resource development, effective population policies, agricultural reform, sound and accountable administration, participatory political processes and the rule of law. They emphasised also the importance of enhanced practical support by the developed countries and international institutions for the developing countries' efforts if they are to succeed. In particular they stressed the need to ensure larger flows of resources including increased aid and debt relief, more open markets, safety nets for vulnerable groups, increased support for structural adjustment, and financial and technological support to make development sustainable.

### **International Trade and the Uruguay Round**

52. Heads of Government deplored the drift towards greater protectionism and further trade discrimination in some industrial countries, particularly when a large number of countries in the developing world as well as in Eastern Europe and elsewhere had embarked on unilateral trade liberalisation programmes. They noted that more protectionism had led to slower growth in world trade which, in turn, had slowed world economic growth. Furthermore export growth in developing countries had been constrained by limited access to markets in developed countries. They noted the inconsistency of developed countries urging developing countries to open their economies to market forces while limiting access to their own markets. The loss to developing countries as a result of these trade barriers more than outweighed the flow of aid monies. Heads of Government called for the multilateral liberalisation of world trade in order to ensure that the world does not repeat the mistakes of the protectionist 1930s; and enlarged access to world markets for developing countries through a liberalised international trading system to help them to expand their exports and to overcome the difficulties caused by constrained inflows of aid and other resources from developed countries.



53. Heads of Government noted that they were meeting at a critical stage in the Uruguay Round. They noted also that there was a growing international momentum for substantial reform of the world trading system. They welcomed the clear commitment by leaders of the Group of Seven industrialised countries at their London Summit to work for an ambitious global and balanced package of results in the Round. Heads of Government called on all governments to show the political will required urgently to translate into action that momentum for reform to achieve a liberalised trading system. They stressed the critical importance of a successful, substantive and comprehensive outcome to the Uruguay Round, laying particular emphasis on achieving a marked reduction in trade barriers and other distortions in agricultural markets. They drew attention to the dangers of protectionism and inward-looking regionalism and to the great contribution which freer trade and its influence on financial flows can make to sustained and sustainable development. The preservation and enhancement of the integrity of the global trading system is a common interest of developing and industrialised countries. They felt that if the Uruguay Round were to fail, this would increase the dangers of protectionism and very considerably reduce the prospects for economic growth and development in the 1990s and beyond, as well as set back the process of economic liberalisation in many countries.

#### **Regional Economic Co-operation**

54. Heads of Government welcomed the increasing efforts in many parts of the world to strengthen and expand regional economic co-operation. They expressed the hope that these efforts would promote trade expansion and strengthen a more open and non-discriminatory multilateral trading system. They called on regional trading groups involving major industrialised countries to give special attention to the impact of their regional trade policies on developing countries, including those not in such groups, and to ways in which these countries could take advantage of the opportunities offered. They recognised the need for increased assistance to support regional co-operation among vulnerable countries.

## Financial Flows and Debt

55. Heads of Government noted that, despite improvements in financial flows to some developing countries, flows overall remained quite inadequate to support economic recovery in large parts of the developing world, and to address such current concerns as poverty reduction, human resource development and protection of the environment. They therefore called for further debt relief, including cancellation, and increased aid and capital flows, as well as for further measures in developing countries to attract such flows.

56. Heads of Government warmly welcomed the announcement at their Meeting by the British Prime Minister, the Rt. Hon. John Major, of his Government's decision to press ahead with implementation of the Trinidad and Tobago Terms, providing major relief of the debt of low income countries. They were pleased that Canada endorsed the decision. They expressed the hope that Britain and Canada would be joined in this by other Paris Club members and that this action would lead to speedy adoption by the whole Paris Club. They praised the British Prime Minister for his leadership role in tackling the indebtedness problem of the poorest countries.

57. Heads of Government noted the debt relief extended to Poland and Egypt and welcomed the fact that the Paris Club was continuing to examine the special situations of some other lower-middle income countries. Indebtedness to multilateral financial institutions continues to be a particular problem for some countries and further attention needs to be given to the issue by the donor community. They emphasised also the importance of adequate financial support for those countries in difficult circumstances which have avoided debt rescheduling. They welcomed the British Prime Minister's offer to seek wider eligibility under the IMF's Enhanced Structural Adjustment Facility to include more Commonwealth countries.

58. Heads of Government expressed regret that during the 1980s the aid of most Development Assistance Committee donors had stagnated as a proportion of their gross national product and still fell short of the

agreed United Nations target of 0.7 per cent of GNP. They called for renewed efforts to secure expanded official and private flows of finance to developing countries. They welcomed the fact that reduced global tensions are already resulting in cuts in arms expenditure and agreed that this provided significant opportunities for both the industrialised and the developing countries to increase resources for development.

### **Reforms in Eastern Europe and the Soviet Union**

59. Heads of Government welcomed the profound movement that is taking place in Eastern Europe and the Soviet Union towards democracy and market-oriented economies. They stressed the importance of its success for world peace and security. They emphasised, however, that support for reform in that region should not be extended in a manner that is prejudicial to developing countries in terms either of market access or of aid flows.

### **Investment Funds and Capital Markets**

60. Heads of Government welcomed the facilitative role the Commonwealth Secretariat is playing in enhancing portfolio investment in developing member countries. They noted with satisfaction that the Commonwealth Equity Fund had been successfully launched in 1990 and that its operations had made good progress. They looked forward to an early increase of its capital and wider access for its investment in Commonwealth emerging markets.

61. While recognising the importance of tapping external financial flows for their development efforts, Heads of Government emphasised that the primary source of investment would continue to be domestic. They therefore urged all countries to strengthen their efforts to mobilise domestic savings, which required, among other things, the development of local capital and stock markets.

## **A Commonwealth Bank for Reconstruction and Development**

62. Heads of Government noted the proposal for the establishment of a Commonwealth Bank for Reconstruction and Development and agreed that a preliminary study of the proposal be conducted by the Commonwealth Secretariat.

### **Least Developed Countries**

63. Heads of Government expressed serious concern at the deteriorating socio-economic condition of the least developed countries (LDCs). They noted that these countries faced the most formidable structural constraints to development. They pledged their support for effective implementation of the Programme of Action for the LDCs adopted by the Second United Nations Conference on LDCs in September 1990. They recognised that, while the LDCs bear the primary responsibility for their own development, the developed countries should commit resources to attain the internationally agreed target for Official Development Assistance to these countries as expeditiously as possible.

### **Agriculture**

64. Heads of Government expressed concern at the continuing severe food problems facing developing countries. They stressed the need for these countries to strengthen their policies and incentives for sustainable agricultural development. They urged the developed countries and the international institutions to adopt supportive trade, aid and other policies which would make external conditions more conducive to developing countries' agriculture.

### **Environment**

65. Heads of Government recalled the Langkawi Declaration on Environment, which set out a comprehensive programme of action for the protection of the global environment and the achievement of sustainable development. In that connection they pledged themselves to work for a successful outcome of the 1992 United Nations Confer-

ence on Environment and Development (UNCED) which many of them propose to attend.

66. Heads of Government welcomed as important contributions to the UNCED process the Report of the Commonwealth Group of Experts *Sustainable Development: An Imperative for Environmental Protection* and the section on environmentally sustainable development of the Communiqué of the First Commonwealth NGO Forum held in Harare in August 1991.

67. Heads of Government agreed to work actively towards the conclusion at UNCED of an effective framework convention on climate change, of a convention on biological diversity, of a statement of principles for a global consensus on the management, conservation and sustainable development of all types of forest, and appropriate follow-up action thereafter. They agreed that action to tackle these problems would require the participation of all countries. They attached particular importance to achieving consensus on measures to facilitate additional flows of financial resources and environmentally sound and appropriate technologies on fair and favourable terms to developing countries, as a contribution towards the achievement of both national and global environmental and developmental goals. They undertook to co-operate closely in elaborating a realistic and achievable action programme under Agenda 21, which should take account of the different needs, responsibilities and capabilities of developed and developing countries and address action at national, regional and international levels. In all these areas, they stressed the need for effective, democratic and cost-effective institutional arrangements at all levels to deliver the actions agreed at UNCED.

68. Heads of Government took note of the concerns expressed by small states about the adverse consequences for them of climate change, their vulnerability, and the belief that their interests were not receiving adequate attention in the UNCED preparatory process. They agreed that the concerns of these countries should be reflected, as appropriate, in all UNCED's decisions and asked the Commonwealth Secretariat to assist in promoting more effective consideration of the

interests of Commonwealth small states by organising consultations and providing them with technical support at important preparatory meetings for UNCED.

69. Heads of Government welcomed the decision that key elements relating to women's critical contributions to sustainable development should be addressed at UNCED as a distinct issue and in the course of all the substantive work, particularly the proposed action programme under Agenda 21. They believed that greater recognition should be given to the vital role played by women in fostering sustainable development and to the need to alleviate the constraints which prevented them from making more effective contributions to environmental management at all levels.

70. Heads of Government also took note of a number of proposals on the environment and related problems. These included: a convention to control dumping of hazardous, toxic and other wastes from ships; measures to protect small island countries against sea-level rise; entrusting the United Nations Trusteeship Council to hold in trust for humanity its common heritage and its common concerns; the setting up of an international environmental tribunal; and the adoption of a code of conduct governing international environmental behaviour.

71. Heads of Government expressed concern at the continuation of large-scale drift-net fishing and the threat this posed to marine resources. They urged all countries to comply with United Nations General Assembly Resolutions 44/225 and 45/197 and welcomed the prohibition of fishing with long drift-nets in the South Pacific.

#### **Natural Disasters**

72. Heads of Government acknowledged the adverse impact of natural disasters on economic growth and development. They welcomed the increasing international attention given to problems posed by disasters and urged better national preparedness and relief measures; the strengthening of international mechanisms with a view to providing timely, adequate and co-ordinated assistance; and the

devotion of greater attention to the medium-term implications of disasters in the lending policies of the international financial institutions.

### **Commonwealth – Government of Guyana Programme for Sustainable Tropical Forestry**

73. Heads of Government welcomed progress already made in implementing the Commonwealth – Government of Guyana Programme for Sustainable Tropical Forestry in pursuance of the offer of the President of Guyana to set aside an area of tropical forest for a pilot project, under Commonwealth auspices, on sustainable utilisation and conservation of species. They were pleased at the Commonwealth role being played in this important international project. They were encouraged that several governments, agencies, institutions and non-governmental organisations, inside and outside the Commonwealth, had expressed interest in the Programme, and looked forward, in particular, to early final approval of initial funding for it by the Global Environment Facility. Considering that the Programme had significant potential to benefit the wider international community, they urged all potential donors to mobilise additional resources to facilitate its early implementation. They called on all Commonwealth countries to give urgent consideration to providing further financial and other support to the Programme in order that the Commonwealth could continue to play a major role in it.

### **Management of Tropical Marine Ecosystems**

74. Heads of Government welcomed the Australian Government's initiative to make available its expertise in managing tropical marine environments to assist its Commonwealth partners and other tropical and sub-tropical states in managing these environments.

### **Women and Structural Adjustment**

75. Heads of Government endorsed the Ottawa Declaration on Women and Structural Adjustment which Ministers Responsible for



Women's Affairs prepared at their meeting in October 1990. The Declaration is attached as an Annex to this Communiqué.

### **Child Survival and Development**

76. Heads of Government welcomed the Plan of Action for Survival, Protection and Development of Children in the 1990s adopted by the World Summit for Children and committed themselves to the achievement of its goals. These included targeted reduction of infant and maternal mortality; the achievement of health and education for all by the year 2000; sustaining and improving immunisation levels; and ratification and implementation of the United Nations Convention on the Rights of the Child. They stressed that these specific actions for children should be pursued as an essential part of wider national and international development objectives including poverty alleviation, human development and environmental protection. They emphasised that the Commonwealth provided a framework for collaboration to put children first, particularly through co-operation programmes devised to enhance health and literacy levels among children.

77. Heads of Government noted with interest the call by the Organisation of African Unity for the convening of an international donors' conference on assistance to African children in 1992.

### **AIDS**

78. Heads of Government expressed grave concern at the growing impact of AIDS on all countries. This posed a threat to economic progress and human development, particularly in poorer member states, by attacking the most economically productive age group and reversing gains in life expectancy and child survival. The increasing burden on health budgets would stretch national and community resources to the limit, leaving no room for complacency or pretence about the magnitude of the problem. Heads of Government urged all governments to make AIDS prevention a matter of compelling priority, mobilising all relevant resources and sectors to prevent AIDS and to mitigate its socio-economic impact. Measures were required *inter*



*alia* to develop strong multisectoral national AIDS programmes that would promote education and behaviour change and support action for safer sexual behaviour; combat stigmatisation and discrimination against people with known or suspected HIV infection; ensure the safety of blood and blood products; and co-operate more effectively with scientists in developing vaccines and drugs needed for prevention and therapy. Heads of Government requested Commonwealth Ministers of Health at their annual pre-WHA Meeting to review the matter regularly and keep them informed. They also asked the Secretariat to promote such schemes of Commonwealth co-operation as were practicable in furtherance of these objectives.

### **Rights of the Disabled**

79. Heads of Government noted that there were millions of disabled persons in the world, the majority in developing countries, most of whom faced barriers to education and training, employment, transportation and communications. They welcomed the change in social attitudes towards the disabled fostered by the United Nations Decade of Disabled Persons (1983-92), and agreed to continue to promote measures in their own countries to enable disabled persons to contribute to economic and social life. They asked the Secretariat to keep the matter under review with a view to collating and disseminating information on existing national programmes.

### **Next Meeting**

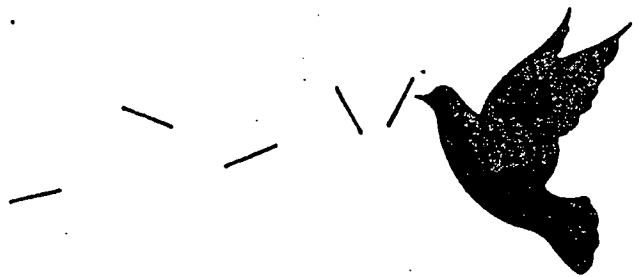
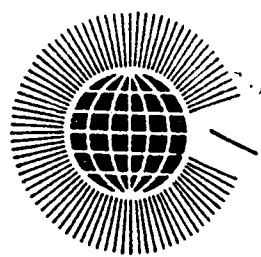
80. Heads of Government accepted with great pleasure the invitation from the Government of Cyprus to hold their next Meeting in Cyprus in 1993.

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COMMONWEALTH  
HEADS OF GOVERNMENT  
MEETING  
Cyprus 1993

COMMUNIQUE



## Introduction

Commonwealth Heads of Government met in Cyprus from 21-25 October 1993. Of the 47 countries which attended the meeting, 36 were represented by Heads of State or Prime Ministers. The Meeting was chaired by the President of Cyprus, Mr Glafcos Clerides.

2. Heads of Government transmitted a message of felicitations to the Head of the Commonwealth, Her Majesty Queen Elizabeth II.

3. Heads of Government welcomed with particular pleasure the opportunity of meeting in Cyprus and recorded deep appreciation of the excellent arrangements for the meeting and for the warm welcome and gracious hospitality extended by the Government and people of Cyprus.

## Global Trends and Prospects

4. Heads of Government recalled the view expressed in their Harare Communiqué that the end of the Cold War had provided new opportunities and greatly improved prospects for international peace, security and economic development. They welcomed the growing co-operation among the major powers for easing of global tensions. This offered the promise of a more secure and stable world and scope for more meaningful efforts to redress the chronic problems of poverty, hunger, ignorance, disease and environmental degradation. Heads of Government, however, agreed that at the same time, the high hopes associated with the end of the Cold War had been clouded by the proliferation of a new generation of problems; lasting peace still remained elusive in many parts of the world.

5. Heads of Government reaffirmed their support for the United Nations and other international organisations engaged in the search for global peace, security and social and economic development. They expressed their conviction that full and complete commitment to the principles and purposes of the UN Charter was essential for promoting peace and security. They recognised that the United Nations was now better placed than ever before to fulfil the role envisaged by its founders. Responding to the appeal made by the UN Secretary-General in his *An Agenda for Peace*, they took the view that the Commonwealth and regional organisations, taking into account relevant provisions of the UN Charter, could play a useful and practical role in support of the efforts of the United Nations to build peace and prosperity for all the peoples of the world.

## The Emergence of a Global Humanitarian Order

6. Having discussed the Special Theme of the Meeting: 'The Emergence of a Global Humanitarian Order', and acknowledging its importance, Heads of Government requested the Commonwealth Secretary-General to constitute, in consultation with

Commonwealth governments, a high-level intergovernmental group to examine specific ways in which the Commonwealth could make the fullest possible contribution to the work of the international community on this theme. The report of the group would be for consideration by governments.

## Democracy and Human Rights

7. Heads of Government expressed particular satisfaction at the increasing appeal of and commitment to democratic ideals, both within the Commonwealth and elsewhere. They reaffirmed, *inter alia*, their commitment to democracy, fundamental human rights, the rule of law, the independence of the judiciary and just and honest government, as essential ingredients of the Commonwealth's fundamental political values. Affirming the importance of the Vienna Declaration and Programme of Action adopted by the World Conference on Human Rights in June 1993, they reiterated that all human rights were universal, indivisible, interdependent and interrelated. They stressed that democracy, development and respect for human rights and fundamental freedoms were interdependent and mutually reinforcing. They welcomed the reaffirmation of the right to development, as stated in the Declaration on the Right to Development, as a universal and inalienable right and an integral part of fundamental human rights.

8. Heads of Government further reiterated their commitment to the International Bill of Human Rights, and called on member governments which had not already done so to make every effort to become party to the International Covenants on Economic, Social and Cultural Rights and on Civil and Political Rights by 1995.

9. Heads of Government reaffirmed that women's rights were an integral and indivisible part of human rights and supported the principles embodied in the Vienna Declaration on Human Rights and the Convention on the Rights of the Child. They urged all Commonwealth governments to ratify by 1995 the Convention on the Elimination of All Forms of Discrimination Against Women. They regarded violence against women as a contravention of women's rights and called on all governments to adopt the draft UN Declaration on the Elimination of Violence against Women.

10. Heads of Government expressed their appreciation for the proclamation of 1993 as the International Year of the World's Indigenous People as a reaffirmation of the commitment of the international community to protect the human rights and fundamental freedoms of indigenous people and ensure respect for the diversity of their cultures and identities.

11. Heads of Government expressed serious concern at the continuing trends of ethnic chauvinism, xenophobia, racism and other related forms of intolerance, in particular their contemporary manifestations, which posed increasingly grave threats to peace and communal harmony. They pledged their commitment jointly and severally to combat discrimination in all

its forms in their own countries, with emphasis on maintaining the rule of law and measures to promote the development of human rights institutions and other enduring strengths of pluralist society.

#### Terrorism

12. Heads of Government reaffirmed their strong condemnation of terrorism in all its forms, including the taking of hostages, as one of the most dangerous and pernicious threats to stability and to human rights. They reiterated their determination to combat terrorism, whether perpetrated by individuals, groups or states, by every means possible, through bilateral and multilateral co-operation.

#### Disarmament

13. Heads of Government welcomed the recent START I and II treaties, called upon Ukraine and Kazakhstan to ratify START I and noted their undertakings to fulfil the obligations entered into in the Lisbon Protocol. They welcomed the decision of the Conference on Disarmament to work for a universal and verifiable Comprehensive Test Ban Treaty and urged all nuclear weapon states to refrain from testing pending its conclusion. They expressed concern at the threat of proliferation of nuclear and other weapons of mass destruction. Noting that an NPT Review and Extension Conference would be convened in 1995, Heads of Government of the States Party urged all NPT signatories to contribute to the successful outcome of the Conference. Welcoming the conclusion of a Chemical Weapons Convention, Heads of Government called on all states to ratify it at the earliest possible date and thus enable its rapid entry into force. They also called for the strengthening of the provisions contained in the Biological Weapons Convention. They underlined the need to curb the build-up of conventional weapons beyond the legitimate requirements of self-defence.

#### Small States

14. Heads of Government heard with interest a report by the Chairman of the Commonwealth Ministerial Group on Small States which had held its first meeting on 24 October in Limassol. Noting Ministers' conviction that their meeting had been a useful one which had enabled them to address the implications of recent international events for small states' development and security, they endorsed the Group's view that further meetings should be held in the wings of CHOGMs and other major international conferences as appropriate. They welcomed the Secretary-General's intention to convene a consultative group of senior officials to meet in London between further ministerial meetings. They also endorsed Ministers' recommendation that the Secretariat should continue to provide support to Commonwealth small states,

particularly in relation to the forthcoming Global Conference on the Sustainable Development of Small Island States.

### Southern Africa

15. Heads of Government were of the view that the international community should continue to give all possible support and assistance to the countries of the Southern Africa region to enable them to repair the damage resulting from the years of destabilisation and conflict. They expressed the hope that South Africa would be integrated into the regional economy in a balanced and equitable manner.

### South Africa

16. Heads of Government reviewed developments in South Africa since their last Meeting. They noted that major progress had been made at the multi-party negotiations. Of decisive importance were the agreement on 27 April 1994 as the date for the election to a Constituent Assembly and the passage in September 1993 of the Transitional Executive Council (TEC) Bill to facilitate and promote the transition to a democratic order. Heads of Government agreed that those developments marked a point of irreversibility in the transition and brought into sight the ending of apartheid. They warmly welcomed those developments and commended South Africa's leaders for setting the higher national interest above all partisan considerations.

17. They endorsed the decision of the Commonwealth Committee of Foreign Ministers on Southern Africa (CFMSA), announced by the Secretary-General on 24 September 1993, that the Harare conditions for the lifting of trade, investment and financial sanctions had been met. The arms embargo would however continue in force until a new post-apartheid South African Government was firmly established, with full democratic control and accountability.

18. In lifting all economic sanctions, Heads of Government endorsed the appeals by President de Klerk and Mr Nelson Mandela for foreign investment in and increased trade with South Africa to help overcome the social and economic legacy of apartheid.

19. But in welcoming the progress made at the negotiations, Heads of Government also recognised that the process remained fragile. A number of parties had withdrawn from the negotiations and the opposition from the extreme right wing to the transitional process in general and to the establishment of the TEC in particular had become more pronounced in recent months. In the face of all that, Heads of Government agreed that the pre-eminent need was to help safeguard the process so as to ensure that a united, democratic and non-racial South Africa emerged from it. They called on all parties to ensure that agreements reached in the multi-party negotiations were adhered to, to put

an end to violence and participate fully in the emerging democratic life of their country.

20. Heads of Government looked forward to a new democratic South Africa where, as an affirmation of its total repudiation of the apartheid past, the human rights and fundamental freedoms of all its people would be fully respected. They agreed that, in keeping with its own ethos and the principles of its Harare Declaration, the Commonwealth would render whatever assistance it could to ensure the promotion of those rights in the interest of the stability and orderly development of the new South Africa.

21. Heads of Government noted that the Commonwealth Observer Mission to South Africa (COMSA), which had been in the country since October 1992, had made an important and widely acknowledged contribution towards helping to stem the violence, reconcile communities, return refugees and initiate socio-economic reconstruction. They commended the work of the Mission and agreed that it should remain in South Africa until after the election planned for April 1994 when the situation would be reviewed in consultation with the new, democratically elected government.

22. Heads of Government recognised the historic significance of the April 1994 election. But they also recognised the difficulties in the way of a free and fair election in view of the prevailing circumstances in the country. They therefore agreed that a sizeable international observer presence would be indispensable if confidence in the process was to be assured and the people of South Africa enabled to cast a valid ballot. They saw a Commonwealth Election Observer Group as an important component of that wider international presence. A number of governments indicated that they would provide contributions to a special voluntary Commonwealth fund set up to help meet the cost of the Observer Group.

23. Heads of Government noted with approval that, with funding from the Commonwealth Fund for Technical Co-operation (CFTC), a programme of developmental activities had been initiated to strengthen National Peace Accord structures and assist the transition to a non-racial democracy. They accorded particular priority to the provision of technical assistance and training to promote improved police/community relations and in support of the Independent Electoral Commission (IEC), the Independent Media Commission (IMC), the Independent Broadcast Authority (IBA) and other institutions intended to facilitate the transition.

24. Heads of Government stressed that while the Commonwealth and the wider international community would continue to do all they could to help contain the violence and advance the process of transition, only South Africa's leaders, working together in a spirit of national reconciliation, could ensure lasting peace. They therefore called on all parties to contribute constructively to the negotiating process and to the emergence of a non-racial and democratic South Africa. In that context, they reaffirmed the support of the Commonwealth for the Multi-Party Negotiating

Process (MPNP) and pledged to continue to do all in their power to advance it.

25. Heads of Government paid tribute to the CFMSA under the Chairmanship of the Secretary of State for External Affairs of Canada, for its contribution to the Commonwealth effort to help end apartheid and agreed that the Committee should continue to monitor developments in South Africa on behalf of the Commonwealth until after the election in April 1994.

26. While it was for the new, democratically elected government in South Africa to decide on whether it should seek to return to the Commonwealth, Heads of Government looked forward to welcoming a non-racial and democratic South Africa back into the Commonwealth at the earliest possible opportunity.

27. Heads of Government welcomed the decision taken jointly by the United Nations and the Commonwealth, in consultation with other donor agencies, on the convening of an international donors' conference on human resource development for a post-apartheid South Africa after the establishment of a government of national unity. They regarded that conference as an important forum for reviewing the human resource development needs of post-apartheid South Africa based on the Commonwealth Expert Group Report entitled Beyond Apartheid: Human Resources in the New South Africa and as a means of facilitating improved co-ordination among donors. They stressed the urgency of redressing the imbalances in skills inherited from apartheid in the context of a viable non-racial democracy. Accordingly, they called on all governments and donor agencies to support the initiative.

#### Mozambique

28. Heads of Government welcomed the General Peace Accord signed on 4 October 1992 between the Government of Mozambique and the Mozambique National Resistance Movement (RENAMO) as well as the ensuing ceasefire. However, they expressed concern at recurring delays in implementing the Accord and called upon RENAMO to comply fully with its terms, including the despatch of its personnel to the United Nations administered assembly points. Heads of Government saw the formation of a unified Mozambican Defence Force as integral to the peace process and called upon all the parties to ensure that such a force was established by the time of the election planned for October 1994.

29. Heads of Government also welcomed UN Security Council Resolution 863 and called on all concerned to co-operate in ensuring that multi-party elections were held by October 1994 as agreed. In particular they called on RENAMO to co-operate with the government in the speedy completion of an Election Law with provision for an effective and independent national electoral commission.

30. Heads of Government noted that the Special Commonwealth Fund for Mozambique established in Vancouver in 1987 had completed



five years of operation. They welcomed the arrangements made to maintain Commonwealth multilateral assistance to Mozambique and emphasised the importance of a continuing Commonwealth contribution to national reconstruction and democratic development in Mozambique.

#### Angola

31. Heads of Government noted that although UNITA had accepted the Bicesse Accords and the Abidjan Protocol and had indicated that it now recognised the result of the United Nations supervised election of September 1992, the war continued with untold human suffering and destruction. They deplored the continuation of the civil war and called upon UNITA to end hostilities and join in the democratic process and to observe all the relevant UN Security Council Resolutions on Angola. Heads of Government warned that failure on the part of UNITA to comply with those Resolutions would justify consideration of further sanctions and other measures.

#### Cyprus

32. Recalling the position they had adopted at Harare, Heads of Government reiterated their support for the independence, sovereignty, territorial integrity, unity and non-aligned status of the Republic of Cyprus. Noting that the United Nations resolutions on Cyprus had not been implemented, they stressed the importance of securing compliance with all the United Nations Resolutions on Cyprus and, in particular, Security Council Resolutions 365 (1974) and 550 (1984). In that connection, they emphasised the need for the speedy withdrawal from the Republic of Cyprus of all Turkish forces and settlers, the return of the refugees to their homes in conditions of safety, the restoration and respect of the human rights of all Cypriots and the accounting for those missing. Expressing grave concern at the influx of Turkish settlers, they emphasised that nothing should be done which would result in changes in the demographic structure of Cyprus.

33. Having in mind the United Nations Resolutions calling for the withdrawal of all foreign forces from the territory of the Republic, Heads of Government welcomed the offer of the Government of Cyprus that upon the complete withdrawal of such forces, it would assume any added cost of a United Nations Force in Cyprus until the Cyprus question was resolved.

34. Heads of Government shared the disappointment of the United Nations Secretary-General, as expressed in his latest report to the Security Council, regarding recent developments in respect of his mission of good offices in Cyprus, including that an agreement on the package of confidence-building measures had not yet been reached due to the negative attitude of the Turkish Cypriot side. They welcomed and fully supported the intention expressed by the Secretary-General in his report and the positive

response of the Security Council thereto, that unless progress was made on the Cyprus problem, the Secretary-General would request the Security Council to consider alternative ways to promote the effective implementation of the Security Council's many resolutions on Cyprus.

35. Heads of Government agreed that the Commonwealth Action Group on Cyprus should continue to monitor developments within the scope of its terms of reference including in particular assisting, upon request, the efforts of the United Nations Secretary-General.

#### Belize

36. Heads of Government reaffirmed their support for the security, sovereignty and territorial integrity of Belize. They therefore encouraged individual and collective solidarity with Belize. They urged Guatemala and Belize to resume and successfully conclude their dialogue, and, in that context, recognised the potential value of consultations between the Commonwealth and other relevant organisations. Heads of Government requested the Secretary-General to convene the Commonwealth Ministerial Group on Belize whenever necessary.

#### Mediterranean

37. Heads of Government reaffirmed their support for continuing efforts to bring about regional consultations among Mediterranean States with a view to strengthening co-operation and resolving problems in the region.

38. They noted that recent events in the region had underlined the linkage which exists between Mediterranean security and security in Europe as well as international peace and security. In that regard, they noted with interest the proposals for a Conference on Security and Co-operation in the Mediterranean and for the setting up of a Council for the Mediterranean to be a forum for political, economic and social dialogue for the region.

#### The Middle East

39. Reviewing international developments in relation to the Middle East, Heads of Government welcomed the signing on 13 September 1993 of the Declaration of Principles by the Government of Israel and the Palestine Liberation Organisation as representing an historic contribution to advancing reconciliation, peace and security in the region. They expressed the hope that the momentum for peace would be sustained and that negotiations involving all parties in the Middle East would lead to a just and comprehensive settlement in the interest of all the people of the region.

## Bosnia-Herzegovina

40. Heads of Government expressed deep concern at the continuing hostilities and violence in Bosnia-Herzegovina. They strongly condemned the blatant violations of human rights, including the policy of 'ethnic-cleansing', as an affront to civilised humanity and called for an immediate end to these practices. Reaffirming the sovereignty, territorial integrity and independence of Bosnia-Herzegovina, they urged the international community to make all efforts to urgently arrive at a just, equitable and comprehensive political settlement based on strict adherence to the provisions of the UN Charter, the decisions of the Security Council, international law and the principles adopted by the London International Conference on the Former Yugoslavia, in order to preserve and protect the legitimate rights and dignity of all the Bosnian communities. They also urged all the parties involved in the conflict to co-operate in the achievement of such a political settlement.

## Burundi

41. Heads of Government expressed profound outrage at the news of the overthrow of a democratically elected government in Burundi and strongly condemned the illegal seizure of power by the military. Upholding the principles and values of the Commonwealth contained in the Harare Declaration, Heads of Government called upon those who had seized power in Burundi to respect the democratic wishes of its people and restore to power the constitutionally and democratically elected government of President Melchior Ndadaye. They further called upon the international community to isolate the military junta until democracy was restored in that country.

## Haiti

42. Heads of Government expressed deep concern at the continuing political crisis in Haiti and the resultant violation of human rights. They recorded their support for the joint UN-OAS action towards the restoration and institutionalisation of constitutional democracy in Haiti. They also called on the military forces in Haiti to respect the wishes of the Haitian people as expressed at the internationally supervised elections.

## Cameroon

43. Heads of Government considered the application from Cameroon for Commonwealth membership. They resolved to welcome Cameroon to their next Heads of Government Meeting in 1995, and into membership of the association at that time, provided that the current efforts to establish a democratic system, consistent with the Harare Commonwealth Declaration, would by then have been completed.

## World Economic Issues

44. Heads of Government noted that the world economy faced grave problems and uncertainties. At the same time, they believed that the current climate of low inflation and declining interest rates presented opportunities for economic recovery and growth and stressed the importance of building on these positive factors by combating protectionism and persisting with structural reform in all parts of the world. In that context they noted the positive contribution being made to world economic growth by developing countries through liberalising their trade and markets and through strong performance in some countries.

45. Heads of Government noted that, despite the impressive economic performance in some parts of the developing world, poverty and deprivation continue to prevail. They welcomed the broadening political consensus on adjustment strategies informed by market-friendly measures, combined with human resource development and poverty reduction, and taking into account the needs and potential of women. They noted that the performances of many countries were constrained by external impediments, particularly by debt burdens, weak commodity prices and deteriorating terms of trade. In that context, they stressed the special difficulties of sub-Saharan Africa. They emphasised that major efforts were still required throughout the developing world to overcome institutional, economic and financial barriers to stronger growth; at the same time, they recognised that these reforms should be supported by an appropriate blend of adjustment and external financing.

46. Heads of Government addressed issues concerning the Uruguay Round of multilateral trade negotiations. Recognising the importance of trade liberalisation to economic growth and development, Heads of Government issued the Limassol Statement on the Uruguay Round, in which they reaffirmed their commitment to a comprehensive, equitable and balanced conclusion of the Round by 15 December 1993. They decided to constitute a Ministerial Mission, comprising Ministers from Barbados, Canada, Ghana, Malaysia and Mauritius, which would call on the GATT Director-General in Geneva, the European Commission in Brussels and selected capitals to further the purposes set out in the Limassol Statement.

## Debt and Financial Flows

47. Heads of Government expressed their concern at the continuing debt problems of many developing countries, despite the progress made in international debt arrangements since 1991. They called for such additional measures as may be necessary to reduce the debt burden of these countries to sustainable levels, and in particular for the full implementation of the Trinidad and Tobago and Houston Terms. In that context, they welcomed the call by the G-7 Tokyo Summit for the Paris Club to look again at the terms of relief available and stressed that the neediest

countries, with a track record of economic reform, should be offered early and sufficient reduction on their whole stock of official debt.

48. Heads of Government noted with concern the fact that Official Development Assistance had fallen in real terms and remained substantially below the internationally agreed target of 0.7 per cent of donor GNP. They urged that all efforts should be made to enhance the flow of official resources to the developing countries. While recognising the importance of the historic transformation of economies in Eastern Europe and the former Soviet Union, they stressed that support for those countries should not be at the expense of the traditional developing countries, many of whom were facing even more formidable problems. They also emphasised that the highest priority should be given to the needs of the poorest countries and to poverty reduction.

49. Emphasising the positive role that private resource flows could play in promoting development, Heads of Government welcomed the recent sharp expansion in these flows and urged countries which had not done so to adopt policies that would enable them to attract such flows on a wider scale. They called on the Secretariat to enhance its catalytic role in encouraging private flows to member countries. In that context, they welcomed the recent decision by Commonwealth Finance Ministers to endorse the proposal for the establishment of a Commonwealth Privatisation Fund and looked forward to its early implementation.

### Money Laundering

50. Heads of Government identified money laundering as a serious threat to financial systems worldwide and agreed that the Commonwealth should support enhanced international co-operation in combating this financial crime. They commended the 40 recommendations drawn up by the Financial Action Task Force (the international body founded for this purpose in 1989), urged steps for their early implementation and asked Commonwealth Law Ministers, Finance Ministers and the Secretary-General to see how best to carry this forward. They welcomed the formation of the Caribbean Financial Action Task Force. They also agreed to invite Law Ministers and Finance Ministers to examine how Commonwealth countries could best work collectively to combat the laundering of proceeds of all types of serious crime, through appropriate legislation and maintaining regulatory standards.

### Food Security

51. Heads of Government were of the view that resolving the related problems of poverty and food security must remain a strategic priority for the Commonwealth if sustainable development were to be achieved in member countries. Recognising that the majority of the poor and the hungry lived in rural areas, they considered it important that the Commonwealth

continued to offer support to member countries seeking to implement improved rural policies and programmes, specific poverty alleviation measures, noting the particular vulnerability of women and children, and strategies to increase food security.

### Environment

52. Heads of Government reaffirmed the high priority they attached to environment issues and the pursuit of sustainable development as well as to the reduction of poverty through effective follow-up to the outcome of the 1992 United Nations Conference on Environment and Development (UNCED). They welcomed the progress being made toward the early entry into force of the Framework Convention on Climate Change and the Convention on Biological Diversity, and looked forward to a successful conclusion to the negotiations on a Convention to Combat Desertification and Drought as well as on the restructuring and replenishment of the Global Environment Facility. They stressed the need for all the Rio commitments to be translated urgently into action. They welcomed the positive outcomes of the first substantive meeting of the UN Commission on Sustainable Development and expressed their full support for the Commission's work in helping to ensure the effective implementation of Agenda 21.

53. Heads of Government expressed support for the Global Conference on the Sustainable Development of Small Island Developing States, to be held in Barbados in April 1994 and urged participation by all Commonwealth countries at the highest possible level. They noted that the Conference was of great importance not only to small states but to the entire international community, since it presented an early opportunity for implementation of the commitments reached at UNCED and for building a partnership for the implementation of Agenda 21. They also expressed the view that the Conference would make a major contribution in the search by small island developing states for more sustainable patterns of development and encouraged support for several of the expected outcomes of the Conference, including the Regional Sustainable Development Centres (RSDC); the Small Island Developing States Technical Assistance Programme (SIDS/TAP); a Small Island Developing States Information Network (SIDSNET) and for the creation of Regional Disaster Emergency Funds.

### Role of the Commonwealth

54. Heads of Government noted with appreciation the progress made since their last meeting in pursuing the priorities enshrined in their Harare Commonwealth Declaration. They stressed the importance of maintaining the balance reflected in the Harare Declaration between the social and developmental activities of the Commonwealth and the promotion of fundamental political values. In that context, they welcomed the development of a rolling Strategic Three Year Plan by the Secretariat and the

establishment of the Steering Committee of Senior Officials to provide broad operational policy and resource allocation guidance and strategic direction to the work of the Secretariat. They expressed particular satisfaction at measures towards ensuring that the Secretariat's work was now programme-driven and that its activities were based on a critical examination of such factors as the Commonwealth's comparative advantage. They also welcomed the extensive restructuring and re-organisation of the Secretariat undertaken with a view to pursuing its objectives more efficiently and cost-effectively. They commended the Secretary-General for his efforts in bringing about these important changes.

55. Heads of Government noted with appreciation the numerous practical measures undertaken by the Secretariat to promote the Commonwealth's fundamental political values. These included activities to promote democratic processes and institutions, such as the provision of constitutional, legal and electoral experts and the organisation of workshops and seminars for sharing of experience. The successful monitoring of nine elections in seven member states since the Harare Meeting reflected positively on the Commonwealth's electoral role. In that respect, Heads of Government noted that, subject to the availability of funds, periodic meetings of experts to assess the Commonwealth's experience in that field and help build on its successes could be useful.

56. Heads of Government also noted with satisfaction the Secretariat's efforts to promote human rights in all its aspects, through the dissemination of information; the provision of opportunities for consultation and the sharing of experience and expertise; human rights education and training; and assistance with the establishment or strengthening of national human rights institutions and mechanisms. They asked the Secretariat to provide for increased allocations to that area as much as available resources would allow.

57. Reiterating the important role played by non-governmental organisations in the area of promotion of human rights, Heads of Government encouraged increased practical co-operation between the Secretariat and NGOs.

58. Heads of Government reaffirmed the support given at Harare for the Report of the Commonwealth Governmental Working Group of Experts on Human Rights and its recommendations.

59. Heads of Government warmly received the attached message from Ministers Responsible for Women's Affairs, especially the Commonwealth commitment to work towards a world in which women enjoyed their full rights and were equal partners in shaping the economic, political, social and cultural development of their countries. They expressed support for the actions proposed by the Ministers.

60. Heads of Government reaffirmed the Commonwealth's role in promoting sustainable socio-economic development, which

constituted a priority for the vast majority of its member states. They were firmly of the view that development issues should remain at the forefront of Commonwealth concerns and that the association should continue to stress delivery of technical assistance programmes in the areas of social and economic development; work for the achievement of a stable international economic framework within which growth could be achieved; for sound economic management recognising the central role of the market economy; the freest possible flow of multilateral trade on equitable terms; adequate flow of resources to developing countries; the development of human resources paying special attention to the needs of women, youth and children; and the protection of the environment through respect for the principles of sustainable development.

61. Heads of Government emphasised the importance of human resource development for the attainment of socio-economic and political progress in their countries. They commended the Commonwealth Working Group on Human Resource Development Strategies for its Report: Foundation for the Future. The Prime Minister of Jamaica proposed that the response to the recommendations of the Working Group should include a special human resource initiative embracing the inter-related areas of education, training, research and the professions, and with particular regard to the potential of youth. This initiative would seek to ensure better mobilisation of the human resource development capabilities of existing Commonwealth institutions. Heads invited the Secretary-General to initiate early consultations to prepare proposals for consideration first at official, and later at ministerial, level in 1994.

62. Heads of Government reaffirmed their conviction that the Commonwealth had a distinctive role to play in world affairs and that it was a growing force for good. They felt that such Commonwealth values as respect for pluralism, informality and belief in genuine consensus rendered it well placed to further serve its members and to assist the larger international community in the quest for early solutions to situations of potential or actual tension. They believed there would continue to be scope for the Commonwealth's good offices to be used to assist concerned member states at their request.

63. In the light of the foregoing, Heads of Government expressed their collective resolve to support and strengthen the Commonwealth association. Bearing in mind the extensive process of review and restructuring of the Commonwealth Secretariat, aimed at greater efficiency and cost-effectiveness, they agreed, if it emerged that additional resources were still required after available resources had been matched to needs, to consider making appropriate contributions.

#### Commonwealth Functional Co-operation

64. Heads of Government approved the attached Report of the Committee of the Whole on Programmes of Commonwealth Functional



Co-operation, including the Commonwealth Fund for Technical Co-operation (CFTC), the Commonwealth Consultative Group on Technology Management (CCGTM) and Commonwealth Sport. They expressed their conviction that all of these Programmes were of demonstrable benefit to member countries and provided vital underpinning to the Commonwealth association. They noted with concern the financial constraints faced by these Programmes in the last two years. They urged all concerned to make every effort to sustain and where possible increase their pledges to them.

#### Commonwealth Fund for Technical Co-operation

65. Heads of Government noted with approval the wide range of technical assistance provided to developing member countries under the CFTC. They expressed satisfaction with the renewed efforts by member countries to ensure that the Fund was adequately resourced to enable it to continue to deliver effectively technical assistance in the priority areas related to social and economic development charted by the Harare Commonwealth Declaration. In that context, Heads of Government welcomed the proposed review of the Secretariat's 'C' Programmes (Assisting Sustainable Development) wholly or partly funded by the CFTC.

#### Commonwealth Consultative Group on Technology Management

66. Heads of Government welcomed the achievements of the CCGTM and the importance of the application of technology in development. They commended the initiative to establish a CCGTM/Private Sector Partnership launched by the Prime Minister of Malaysia in February 1993 which sought to promote a co-operative global approach to the harnessing of technology for development through public and private sector partnerships. In noting the valuable services which the CCGTM sought to provide to member governments, Heads of Government welcomed new pledges of support from some members and urged others to follow suit in order to lessen the current constraints on the CCGTM's core resources. They requested the Secretary-General to examine, through a working group, the most appropriate financial and organic structure for the CCGTM, with a view to enabling it to operate its Private Sector Partnership according to acceptable accountability principles, and for the Secretary-General to report back to them within six months.

#### Youth Affairs

67. Heads of Government commended the success of the Commonwealth Youth Programme. They welcomed the proposal of the Prime Minister of Sri Lanka for a Global Summit on Youth at an agreed date and invited the Secretariat to consult with member countries on the pursuit of this initiative.

## Commonwealth Sport

68. Encouraged by the progress achieved by the CHOGM Committee on Co-operation through Sport, Heads of Government commended the Committee on its work since Harare and expressed support for the Committee's initiatives, particularly with regard to Commonwealth youth and social development.

69. Heads of Government expressed their best wishes for the successful hosting of the XVth Commonwealth Games in Victoria, British Columbia, Canada, during 18-28 August 1994. They accepted with pleasure the Canadian invitation extended to all governments to participate in the 1994 Commonwealth Games.

## Commonwealth of Learning

70. Heads of Government received with satisfaction the Report from the Commonwealth of Learning and an independent Progress Review which commended the achievements of the organisation since its inception. They noted, however, the grave financial situation now facing the Commonwealth of Learning. They made a strong appeal for increased contributions from a greater number of member countries with the intention of maintaining its valued services and of ensuring the pan-Commonwealth character of the organisation.

## Commonwealth Foundation

71. Recognising the importance of people-to-people co-operation within the Commonwealth, Heads of Government commended the Commonwealth Foundation for its continued commitment to the advancement of the Commonwealth network of non-governmental organisations and for its endeavours in achieving social development activities, especially involving young people. They endorsed the new budgetary procedures adopted by the Foundation's Board of Governors and welcomed the Foundation's special report documenting its achievements over the past 27 years. They further reaffirmed the autonomy of the Commonwealth Foundation and renewed its mandate.

## Committee of the Whole

72. Heads of Government agreed that the Committee of the Whole should in future deal with the item on functional co-operation and be authorised to commence work in advance of the Executive Session of the next CHOGM, in order to submit a report at the start of the Meeting.

## Secretary-General's Term of Office

73. Heads of Government decided to offer Chief Emeka Anyaoku a further five-year term of office, commencing on 1 July 1995.

They resolved that, from 1 January 2000, the term of office for any subsequent Secretary-General would be four years, with a maximum of two terms for any one incumbent.

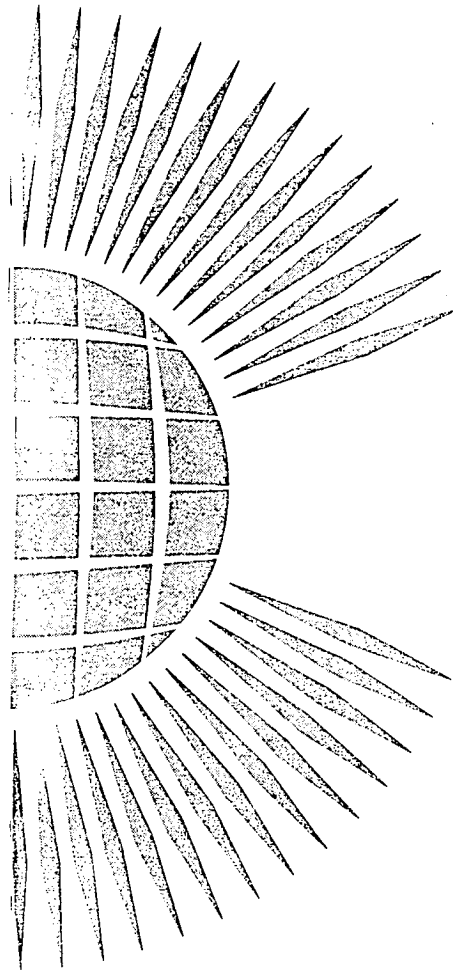
#### Next Meeting

74. Heads of Government accepted with pleasure the invitation from the Government of New Zealand to host their next meeting in 1995.

Commonwealth Secretariat  
Le Meridien Hotel  
Limassol

25 October 1993

Commonwealth  
Heads of Government  
Meeting



The Auckland  
Communiqué  
November 1995

Commonwealth  
Heads of Government Meeting

The Auckland Communiqué

Auckland, New Zealand  
10-13 November 1995

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## **The Millbrook Commonwealth Action Programme on the Harare Declaration**

1. At Harare in 1991, we pledged to work for the protection and promotion of the fundamental political values of the association, namely democracy, democratic processes and institutions which reflect national circumstances, fundamental human rights, the rule of law and the independence of the judiciary, and just and honest government. We agreed at the same time to work for the promotion of socio-economic development, recognising its high priority for most Commonwealth countries. During our Retreat at Millbrook, we decided to adopt a Commonwealth Action Programme to fulfil more effectively the commitments contained in the Harare Commonwealth Declaration. This Programme is in three parts:

- (i) advancing Commonwealth fundamental political values;
- (ii) promoting sustainable development; and
- (iii) facilitating consensus building.

### **I. ADVANCING COMMONWEALTH FUNDAMENTAL POLITICAL VALUES**

#### **A. Measures in Support of Processes and Institutions for the Practice of the Harare Principles**

2. The Secretariat should enhance its capacity to provide advice, training and other forms of technical assistance to governments in promoting the Commonwealth's fundamental political values, including:

- assistance in creating and building the capacity of requisite institutions;
- assistance in constitutional and legal matters, including with selecting models and initiating programmes of democratisation;
- assistance in the electoral field, including the establishment or strength-

ening of independent electoral machinery, civic and voter education, the preparation of Codes of Conduct, and assistance with voter registration;

- observation of elections, including by-elections or local elections where appropriate, at the request of the member governments concerned;
- strengthening the rule of law and promoting the independence of the judiciary through the promotion of exchanges among, and training of, the judiciary;
- support for good government, particularly in the area of public service reform; and
- other activities, in collaboration with the Commonwealth Parliamentary Association and other bodies, to strengthen the democratic culture and effective parliamentary practices.

#### **B. Measures in Response to Violations of the Harare Principles**

3. Where a member country is perceived to be clearly in violation of the Harare Commonwealth Declaration, and particularly in the event of an unconstitutional overthrow of a democratically elected government, appropriate steps should be taken to express the collective concern of Commonwealth countries and to encourage the restoration of democracy within a reasonable time frame. These include:

- (i) immediate public expression by the Secretary-General of the Commonwealth's collective disapproval of any such infringement of the Harare principles;
- (ii) early contact by the Secretary-General with the *de facto* government, followed by continued good offices and appropriate technical assistance to facilitate an early restoration of democracy;
- (iii) encouraging bilateral *démarches* by member countries, especially those within the region, both to express disapproval and to support early restoration of democracy;
- (iv) appointment of an envoy or a group of eminent Commonwealth representatives where, following the Secretary-General's contacts with the authorities concerned, such a mission is deemed beneficial in reinforcing the Commonwealth's good offices role;



- (v) stipulation of up to two years as the time frame for the restoration of democracy where the institutions are not in place to permit the holding of elections within, say, a maximum of six months;
- (vi) pending restoration of democracy, exclusion of the government concerned from participation at ministerial-level meetings of the Commonwealth, including CHOGMs;
- (vii) suspension of participation at all Commonwealth meetings and of Commonwealth technical assistance if acceptable progress is not recorded by the government concerned after a period of two years; and
- (viii) consideration of appropriate further bilateral and multilateral measures by all member states (e.g. limitation of government-to-government contacts; people-to-people measures; trade restrictions; and, in exceptional cases, suspension from the association), to reinforce the need for change in the event that the government concerned chooses to leave the Commonwealth and/or persists in violating the principles of the Harare Commonwealth Declaration even after two years.

#### **C. Mechanism for Implementation of Measures**

4. We have decided to establish a Commonwealth Ministerial Action Group on the Harare Declaration in order to deal with serious or persistent violations of the principles contained in that Declaration. The Group will be convened by the Secretary-General and will comprise the Foreign Ministers of eight countries\*, supplemented as appropriate by one or two additional ministerial representatives from the region concerned. It will be the Group's task to assess the nature of the infringement and recommend measures for collective Commonwealth action aimed at the speedy restoration of democracy and constitutional rule.

5. The composition, terms of reference and operation of the Group will be reviewed by us every two years.

#### **II. PROMOTING SUSTAINABLE DEVELOPMENT**

6. We reaffirmed our view that the Commonwealth should continue to be a source of help in promoting development and literacy and in eradicating poverty, particularly as these bear on women and children. With a view to enhanc-

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\*It was subsequently announced that the Group would comprise the Foreign Ministers of Britain, Canada, Ghana, Jamaica, Malaysia, New Zealand, South Africa and Zimbabwe.



ing its capacity in this area, we agreed on the following steps:

- (i) to strengthen the Secretariat's capacity for undertaking developmental work through support for its various Funds and especially by restoring the resources of the CFTC to their 1991/92 level in real terms; and to provide adequate resources to the Commonwealth of Learning and to the Commonwealth Foundation;
- (ii) to support a greater flow of investment to developing member countries through such schemes as the Commonwealth Private Investment Initiative;
- (iii) to work for continued progress in assisting countries with unsustainable debt burdens and to promote enhanced multilateral concessional financial flows to developing countries; in particular, to support new and innovative mechanisms for relief on multilateral debt, such as the one proposed by the British Chancellor of the Exchequer at the 1994 Commonwealth Finance Ministers Meeting in Malta, and reiterated subsequently;
- (iv) to support the Secretariat in facilitating the adoption by more Commonwealth countries of successful self-help schemes, with non-governmental agencies and others acting as catalytic agents, for mobilising the energies of people in alleviating poverty;
- (v) to support the efforts of small island developing states to mitigate the effects on their development of environmental change, natural disasters and the changing international trading system; and
- (vi) to combat the spread of HIV/AIDS, which threatens large parts of the younger population of many countries, recognising that the effective exploitation of economic opportunities requires a healthy and educated population; and to provide further resources to renew the core funding of the Southern African Network of AIDS Organisations (SANASO), along with increased funding for UNICEF initiatives in Southern Africa.

### III. FACILITATING CONSENSUS BUILDING

7. We were convinced that the Commonwealth, with its global reach and unique experience of consensus building, was in a position to assist the wider international community in building bridges across traditional international di-

vides of opinion on particular issues. We therefore agreed that there was scope for the association to play a greater role in the search for consensus on global issues, through:

- (i) use of their governments' membership of various regional organisations and attendance at other international gatherings to advance consensual positions agreed within the Commonwealth;
- (ii) use, where appropriate, of special missions to advance Commonwealth consensual positions and promote wider consensus on issues of major international concern; and
- (iii) use of formal and informal Commonwealth consultations in the wings of meetings of international institutions with a view to achieving consensus on major concerns.

*12 November 1995*

## The Auckland Communiqué

### Introduction

1. Commonwealth Heads of Government met in Auckland, New Zealand, from 10-13 November 1995. Of the 48 countries which attended the Meeting, 33 were represented by Heads of State or Prime Ministers. The Meeting was chaired by the Prime Minister of New Zealand, the Rt Hon James Bolger.
2. Heads of Government commenced their deliberations with a message of felicitations to Her Majesty Queen Elizabeth II, Head of the Commonwealth.
3. Heads of Government noted with particular pleasure the return of South Africa to the Commonwealth in June 1994 and accorded a special welcome to President Nelson Mandela. They welcomed Cameroon, represented by President Paul Biya, as the Commonwealth's 52nd member.
4. Heads of Government expressed their deep appreciation for the warm welcome and hospitality accorded to them in New Zealand, for the excellent organisational arrangements made for the Meeting and for the outstanding manner in which the Chairman had guided the deliberations.

### Global Review

5. Heads of Government reaffirmed their commitment to the fundamental values set out in their Harare Commonwealth Declaration of 1991. They stressed that democracy, development and respect for human rights and fundamental freedoms were interdependent and mutually reinforcing. They requested the Secretariat to assist member governments to promote greater awareness, education and training in human rights and to continue to support governmental efforts for the promotion of democracy, good governance, sustainable development, alleviation of poverty and respect for human rights and fundamental freedoms, in an integrated and mutually reinforcing manner.



6. Heads of Government reaffirmed that women's rights were human rights and urged member governments to adopt legislation and develop national strategies to promote the advancement of women in accordance with the strategic objectives, actions and priorities adopted by the UN Fourth World Conference on Women, held in Beijing. In particular, they endorsed the Commonwealth Plan of Action on Gender and Development and encouraged governments to implement its recommendations. They also urged ratification and implementation of the human rights covenants and other international human rights instruments, including the Convention on the Elimination of All Forms of Discrimination Against Women and the Declaration on the Elimination of Violence Against Women.

7. Heads of Government reiterated their commitment to pay special attention to the rights and needs of children and to the importance of protecting and promoting their rights and needs. They called on all states to ratify and implement the Convention on the Rights of the Child.

8. Heads of Government expressed satisfaction at the transitions from military or one-party rule to representative forms of government which several member states had successfully achieved in recent years and urged that member countries, the Secretariat, the Commonwealth Parliamentary Association and other relevant Commonwealth organisations should continue to extend all possible support to these countries to consolidate and strengthen democratic processes and institutions.

9. Heads of Government adopted the Millbrook Commonwealth Action Programme on the Harare Declaration.

10. In response to developments in Nigeria which constituted a serious violation of the principles set out in the Harare Commonwealth Declaration, Heads of Government, with the exception of The Gambia, agreed to suspend Nigeria from membership of the Commonwealth pending the return to compliance with the principles of the Harare Declaration. They urged the Nigerian Government to take immediate and concrete steps to adhere to these principles, and offered whatever practical assistance the Government might request in this respect. They called for the release of the 43 prisoners currently being held for involvement in an alleged coup attempt and the release of Chief Abiola. They further decided that if no demonstrable progress was made towards the fulfilment of these conditions within a time frame to be stipulated, Nigeria would be expelled from the association.

11. Heads of Government welcomed the reaffirmation of the programme of

transition to democracy in Sierra Leone and the fact that elections were to be held in the country early in 1996. In this context, they underscored the importance of peace and reconciliation to this process and noted with satisfaction the assistance which the Commonwealth, bilaterally and multilaterally, was providing in this regard.

12. Heads of Government noted the affirmation by the Government of The Gambia of its plan to hold national elections by July 1996 and offered Commonwealth assistance in the implementation of the transition programme drawn up by the Gambian authorities in order to facilitate a successful restoration of democracy.

13. Heads of Government attached special importance to the fact that their Meeting was being held in the 50th anniversary year of the United Nations and recalled that many of them had participated in the Special Commemorative Meeting of the United Nations General Assembly and subscribed to the Declaration adopted by it. They reaffirmed their support for the United Nations as a vital instrument of multilateral co-operation and as the primary forum responsible for the maintenance of peace, respect for human rights and fundamental freedoms, and the promotion of development, equality and justice. While acknowledging the organisation's accomplishments over the first 50 years, they reaffirmed their conviction that only complete commitment to the principles and purposes of the United Nations Charter could ensure the effectiveness of the organisation.

14. Heads of Government agreed that it was essential that the United Nations be reformed and revitalised. They underscored the need to improve the efficiency of the organisation by ensuring a clearer and complementary role for all UN organs, bodies and agencies, reducing duplication and waste and encouraging better management, transparency and accountability. They agreed that work on the revitalisation of the General Assembly and the Economic and Social Council should continue and noted the current examination by the General Assembly of the role of the Trusteeship Council. They welcomed the call in the 50th Anniversary Declaration for reform and expansion of the Security Council and called for further in-depth consideration by member states of the United Nations, in order to resolve the key issues on which important differences remain.

15. Heads of Government considered that the United Nations financial crisis required urgent attention and urged all member states of the United Nations to meet their obligations in full and on time, and without conditions.

16. Heads of Government agreed that the Commonwealth should continue to support and complement the work of the United Nations. The Commonwealth's

strengths were particularly relevant in a world increasingly characterised by intra-state instability and strife stemming from such divisive forces as ethnic and religious intolerance. They commended, in this context, the efforts of the Commonwealth Secretary-General to foster peace and stability in Commonwealth member countries, at the request of governments concerned, through use of good offices and the promotion of sustainable development and fundamental political values. They recognised the Commonwealth's capacity for conflict prevention and resolution and welcomed the recommendations made in the Report of the Intergovernmental Group on the Emergence of a Global Humanitarian Order, entitled *Towards a More Humane World*. They requested the Secretary-General to take follow-up measures as appropriate, in consultation with member governments.

17. Heads of Government noted that changes in international circumstances and changing world opinion had provided an impetus for further practical measures to enhance global stability. They expressed their support for arms control, disarmament and non-proliferation at the global and regional levels.

18. Heads of Government emphasised the importance of the determined pursuit by the nuclear weapon states of systematic and progressive efforts to reduce nuclear weapons globally, with the ultimate goal of eliminating those weapons, and by all states of general and complete disarmament under strict and effective international control. They noted that these were among the commitments reaffirmed by the states party to the Non-Proliferation Treaty, which was extended indefinitely at the 1995 Review and Extension Conference.

19. Heads of Government expressed concern at the threat to security posed by other weapons of mass destruction as well as the build-up of conventional weapons beyond the legitimate requirements of self-defence. They urged ratification of the Chemical Weapons Convention at the earliest possible date to enable it to enter into force without delay. They reiterated their call for the strengthening of the provisions of the Biological Weapons Convention. Heads of Government called for greater attention to be paid to the problem of the indiscriminate use of anti-personnel landmines and encouraged states party to the Inhumane Weapons Convention to work constructively towards reaching agreed controls on these weapons.

20. Heads of Government welcomed the decision by Britain, France and the United States of America to sign the Protocols to the Treaty of Rarotonga establishing the South Pacific Nuclear Free Zone. They also welcomed the adoption by the Organisation of African Unity (OAU) of the Pelindaba Treaty on the establishment of an African Nuclear Weapon Free Zone. They expressed the hope



that the nuclear weapon states would be able to accede to the relevant Protocols to the Treaty to ensure its success. They noted with satisfaction the advances made by member countries of the Association of South East Asian Nations (ASEAN) towards the establishment of a nuclear weapon free zone in South East Asia. They also expressed support for the establishment of other nuclear free zones based upon arrangements freely arrived at by all the states in the region concerned.

21. Heads of Government noted the widespread anger caused by the current programmes of nuclear weapon tests. The overwhelming majority of Heads of Government condemned this continued nuclear testing which was inconsistent with the undertaking given by the nuclear weapon states to exercise utmost restraint so as not to affect the ongoing negotiations for the conclusion of the Comprehensive Test Ban Treaty in 1996. These Heads of Government urged the immediate cessation of such testing.

22. Heads of Government emphasised the urgency of completing the negotiations for a Comprehensive Test Ban Treaty in 1996. They stressed the importance they attached to a treaty banning any nuclear weapon test explosion and any other nuclear explosion. They considered the conclusion of this agreement to be of the highest importance for the international community as a major step towards strengthening the nuclear non-proliferation regime and efforts for global nuclear disarmament, with the ultimate goal of the elimination of nuclear weapons.

23. Recalling their Cyprus Communiqué, Heads of Government once again expressed support for the independence, sovereignty, territorial integrity and unity of the Republic of Cyprus. They urged the Security Council to take resolute action and the necessary measures for the speedy implementation of all United Nations resolutions on Cyprus, in particular Security Council Resolutions 365 (1974), 550 (1984) and 939 (1994). They expressed full support for the proposal by the President of Cyprus for the demilitarisation of Cyprus. They called for the speedy withdrawal of all Turkish forces and settlers from the Republic of Cyprus, the return of the refugees to their homes in conditions of safety, restoration of and respect for the human rights of all Cypriots, and the accounting of all missing persons, and expressed grave concern at the continuing influx of settlers. Expressing deep disappointment at the continued lack of progress in achieving a solution, due to the lack of political will on the Turkish Cypriot side, they reaffirmed support for the United Nations Secretary-General's efforts to find a just and workable solution. In this context they agreed that the Commonwealth Action Group on Cyprus should continue to monitor developments and facilitate the United Nations Secretary-General's efforts as appropriate.

24. Heads of Government reaffirmed their strong support for the security, sovereignty and territorial integrity of Belize, encouraging continued expressions of individual and collective solidarity with Belize. They noted with satisfaction the consultations occurring between Guatemala and Belize with respect to the implementation of confidence building measures, and encouraged both parties to continue and successfully conclude their dialogue. Heads of Government reiterated the request to the Secretary-General to convene the Commonwealth Ministerial Committee on Belize whenever necessary.

25. Heads of Government warmly recalled Hong Kong's long and close links with the Commonwealth, acknowledging the importance of the territory to the economic vitality of the Asia-Pacific region and to world prosperity. They expressed confidence that Hong Kong's success would continue beyond the change of sovereignty in 1997, in accordance with the Sino-British Joint Declaration which provides, *inter alia*, for the rule of law and a high degree of autonomy for Hong Kong. In this context, they hoped to see during the transition intensified Sino-British co-operation in the interests of Hong Kong.

26. Heads of Government strongly condemned the aggression against the Republic of Bosnia-Herzegovina and the commission of ethnic cleansing, mass murder, aggression, rape and other gross violations of human rights and humanitarian law. They expressed the hope that the peace talks currently under way in Dayton, USA, would result in bringing an early end to the sufferings experienced in recent years by the people in the Balkans. They called on all the parties to negotiate the prevention of a return to hostilities, including in Eastern Slavonia in Croatia. They emphasised the need for a just, equitable and comprehensive political settlement for Bosnia-Herzegovina which provides for free, fair and democratic elections and which ensures its sovereignty, independence and territorial integrity and the status of Sarajevo as a single, undivided city under the Government of Bosnia-Herzegovina. They also stressed the importance of international assistance in the reconstruction and rehabilitation of the country and that, pending the settlement of the conflict, the Republic of Bosnia-Herzegovina should have the inherent right of self-determination. The international community should ensure the follow-up to the work of the International War Crimes Tribunal for the former Yugoslavia in The Hague.

27. Heads of Government condemned the tragic assassination of Prime Minister Yitzhak Rabin of Israel. They expressed the hope that this would not adversely affect the peace process in the Middle East, which had their full support.

28. Heads of Government noted the determination of the Mediterranean countries to pursue initiatives and to adopt effective measures to strengthen security



and co-operation in the region, and considered that the Euro-Mediterranean Conference to be held in Barcelona in November 1995 would make a significant contribution in this regard.

29. Heads of Government reaffirmed their strongest condemnation of acts of terrorism in all forms, including the taking of hostages, as aimed at the destruction of human rights, and as one of the most dangerous and pernicious threats which destabilise the political, economic and social order of sovereign states. They reiterated their determination to combat terrorism, whether perpetrated by individuals, groups or states, by every means possible, including the development of a comprehensive legal framework of conventions.

30. Heads of Government were encouraged by the strong performance of much of the world economy in recent years but recognised that this improved performance was not shared by several least developed countries and particularly small states, which are vulnerable to natural disasters and external shocks. They stressed the importance of persisting with sound macro-economic and structural policies to sustain the momentum of growth with social justice.

31. Heads of Government expressed the hope that the expansion of world trade will continue to flow from the full implementation of the Uruguay Round Agreements. They acknowledged the need to take account of the fact that some Commonwealth countries, especially the net food importing countries and those benefiting from preferential access to industrial country markets, face transitional problems in adjusting to the new global trade regime and may need assistance to meet these challenges. Heads of Government emphasised the need to ensure that new forms of protectionism are not introduced in the guise, *inter alia*, of environmental and labour standards.

32. Heads of Government endorsed the conclusions on debt reached by Commonwealth Finance Ministers at their 1995 meeting in Jamaica. In particular, they welcomed the agreement last year on the Naples terms for official bilateral debt and called on Paris Club members to implement them fully. They also called for full implementation of the Trinidad proposals, including 80 per cent relief for the most needy.

33. Heads of Government welcomed the multilateral debt initiative proposed by the British Government at the 1994 Commonwealth Finance Ministers Meeting in Malta and elaborated at the 1995 meeting in Jamaica. In the light of this initiative, they called on the International Monetary Fund and the World Bank to develop constructive proposals for addressing the multilateral debt problem in a comprehensive way, making full use of their available resources to finance

a solution. They recognised that any proposal for financing debt reduction should take account of the need to avoid adverse implications for countries which have continued to service their debt regularly. Heads of Government considered that the Commonwealth could make a significant contribution to the debate on debt, both between debtor and creditor countries and within the international financial institutions themselves. They also recognised the concerns expressed by some heavily indebted lower middle-income countries.

34. Heads of Government expressed concern at the erosion of support in some countries for official development assistance and urged donors to use their best endeavours to secure substantial flows of funds, bearing in mind the special needs of the least developed countries and small island states, and to improve the quality of their assistance. They called for IDA-10 pledges to be honoured in full and for IDA-11 to take account of new claimants and expanded development agenda.

35. Heads of Government endorsed the launching of the Commonwealth Private Investment Initiative (CPII) as a commercial venture to mobilise capital for long-term investments in expanding privatised or privatising companies and in small and medium sized private sector business, initially in Africa. They encouraged interested investment agencies and institutions in Commonwealth countries to invest in CPII. They considered that the Initiative should be extended at the earliest opportunity to other regions within the Commonwealth.

36. Heads of Government supported the need to continue the examination of reform of the international financial institutions and United Nations development agencies to reduce duplication and enhance their coherence, effectiveness and efficiency. Recognising the need for the Commonwealth to contribute to this process, they asked Commonwealth Finance Ministers to review progress at their next meeting.

37. Heads of Government took note of the views of the ministerial-level Commonwealth Consultative Group on the Environment and encouraged Ministers to continue their periodic reviews of Commonwealth co-operation on environmental issues. They agreed that forestry was an area in which the Commonwealth could make a distinctive contribution.

38. Heads of Government welcomed the signature of the agreement between the President of Guyana and the Commonwealth Secretary-General launching the unique Iwokrama Rain Forest Programme in Guyana as the basis of a Commonwealth network for the conservation and development of tropical forests. They looked forward to the early establishment of a donor support group.

39. Heads of Government endorsed the Special Report by Finance Ministers on money laundering and asked Finance Ministers to review progress on the implementation of the Report's recommendations and to report to CHOGM in 1997. They also asked Law Ministers to review progress on the implementation of other measures to combat money laundering, and similarly to report to CHOGM. They noted the nefarious links between drug trafficking, commercial crime and money laundering and agreed that strong political commitment and stringent legislative and administrative measures were required for the problem to be effectively tackled.

#### **Small States**

40. Heads of Government welcomed the Report of the Chairperson of the Commonwealth Ministerial Group on Small States, which met on the eve of CHOGM, covering such issues as sustainable development, the implications of adjusting to the new international trading system, and security concerns. They acknowledged the importance of a forum to address the concerns of small states and noted the priorities identified by small states in these areas and the recommendations contained in the Report and called for follow-up action as necessary.

#### **Commonwealth Functional Co-operation**

41. Heads of Government considered various aspects of Commonwealth functional co-operation, which they reaffirmed as crucial to conferring the benefits of membership on member states and, in this context, strongly endorsed the attached Report of the Committee of the Whole. They urged that the Secretariat's efforts be intensified to establish priorities in these areas, based on the Commonwealth's comparative advantage.

#### **Commonwealth Fund for Technical Co-operation**

42. Heads of Government recognised the important role played by the Commonwealth Fund for Technical Co-operation in supporting the social and economic development of member countries, in the priority areas identified in the Harare Commonwealth Declaration. They recognised the resource constraints facing the CFTC and agreed, within the means of each country, to consider increasing the flow of resources to the Fund.

#### **Public Service Reform and Good Government**

43. Heads of Government endorsed the Secretary-General's initiative 'Towards a New Public Administration' aimed at assisting member countries in their ef-



forts to improve the performance of their public services. They also welcomed the establishment of the Commonwealth Good Government Programme by New Zealand, as well as the Commonwealth Local Government Forum, the Commonwealth Association of Public Administration and Management and the Commonwealth Network on Information Technology.

#### **Commonwealth Sport**

44. Heads of Government recognised the important role of sport in promoting human resource development. Acknowledging the valuable contribution of the CHOGM Committee on Co-operation through Sport, Heads of Government extended the mandate of the Committee for a further four-year term.

#### **Commonwealth Foundation**

45. Heads of Government welcomed the Report of the Commonwealth Foundation and strongly commended the Report of the Second NGO Forum and the document: 'Non-Governmental Organisations: Guidelines for Good Policy and Practice'. They expressed support to the Foundation and urged member governments to take all possible action, including settlement of arrears, to alleviate the difficult financial situation confronting the Foundation.

#### **Commonwealth of Learning**

46. Heads of Government welcomed the Report of the Board of Governors of the Commonwealth of Learning (COL) and acknowledged the valuable role played by COL. Expressing concern at the financial crisis facing COL, they urged governments to take all possible steps to provide greater resources to the organisation at the earliest opportunity.

#### **Commonwealth Partnership for Technology Management**

47. Heads of Government welcomed the establishment of the Commonwealth Partnership for Technology Management as an innovative joint venture between governments and the private sector and urged both to contribute to it.

#### **Membership**

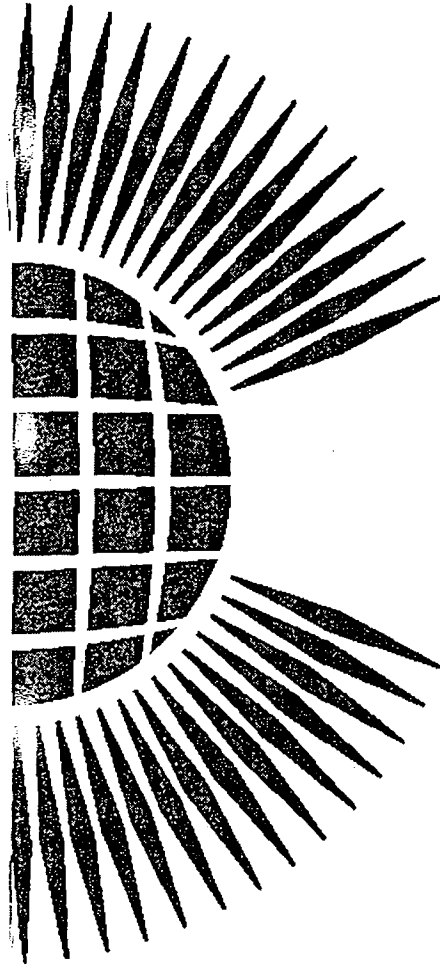
48. Heads of Government requested the Secretary-General to establish an inter-governmental group to examine and advise on the criteria for assessing future applications for membership of the Commonwealth. In the meantime, they decided, as an exceptional case, to accept the application by Mozambique for

membership and therefore to warmly welcome that country as the 53rd member of the association.

#### **Venue of 1997 Meeting**

49. Heads of Government accepted with great pleasure the offer of the British Government to host their next Meeting in 1997.

50. Heads of Government thanked the Secretariat for the work it had done since their Cyprus Meeting and, in particular, commended the Secretary-General for the leadership he had continued to provide in the affairs of the Commonwealth.

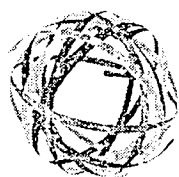


**The Edinburgh  
Communiqué  
October 1997**

Commonwealth  
Heads of Government Meeting

The Edinburgh Communiqué

Edinburgh  
24-27 October 1997



**Commonwealth**  
Heads of Government Meeting  
Edinburgh 97

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## **Promoting Shared Prosperity: Edinburgh Commonwealth Economic Declaration**

1. Today's globalised world poses both opportunities and challenges. Expanding trade and investment flows, driven by new technologies and the spread of market forces, have emerged as engines of growth. At the same time, not all countries have benefited equally from the globalisation of the world economy, and a significant number are threatened with marginalisation. Globalisation therefore needs to be carefully managed to meet the risks inherent in the process.

2. We believe that world peace, security and social stability cannot be achieved in conditions of deep poverty and growing inequality. Special measures are needed to correct this, and in particular to help the integration of countries, especially small states and the Least Developed Countries, in the global economy and address the uneven development that threatens many countries. To redress these problems, we believe the following broad principled approaches should be pursued:

- the world economy should be geared towards promoting universal growth and prosperity for all;
- there must be effective participation by all countries in economic decision-making in key international fora;
- the removal of obstacles that prevent developing countries playing their full part in shaping the evolution of the global economy; and
- international regimes affecting economic relations among nations should provide symmetrical benefits for all.

3. We also believe that commitment to market principles, openness to international trade and investment, the development of human and physical resources, gender equality, and good governance and political stability remain major components of economic and social progress; and that wealth creation requires partnerships between governments and the private sector. The Commonwealth, with its shared traditions and global reach, is uniquely placed to play a key role in promoting shared prosperity amongst its members.

### **Trade**

4. We welcome the progress made in recent years in dismantling trade barriers and establishing a rule-based international trading system. However,



significant barriers to trade in goods and services remain, and the benefits of the expansion of world trade are still unevenly shared. We have therefore resolved to:

- support expansion of duty-free market access with flexible rules of origin for the exports of the Least Developed Countries; work for a successor arrangement to the Lomé Convention which, without prejudice to the outcome, gives the ACP countries, particularly small states, adequate transitional arrangements; and in particular, encourage the EU and WTO members to accommodate the legitimate interests of the ACP banana producers and facilitate the diversification of their economies;
- strengthen the multilateral trading system within the framework of the WTO, in order to prevent regional arrangements from becoming exclusive trading blocs and provide for the greatest flow of international trade on the basis of agreed rules which are fair and equitable; and support the full implementation of the Uruguay Round Agreements;
- oppose the introduction of new non-tariff barriers and the use of unilateral actions and bilateral pressures which run counter to the spirit of the WTO;
- maintain the momentum towards freer trade through multilateral negotiations, as outlined in the built-in agenda and other issues under discussion in the WTO, including progress on agriculture and financial and other services, taking into account the interests of all countries at different stages of development; and
- continue to support regional arrangements, consistent with multilateral liberalisation under the WTO, which promote the economic growth of their members.

Specifically we have decided to:

- establish a Trade and Investment Access Facility under the Commonwealth umbrella to assist developing countries with the process of adjusting to, and taking advantage of, the opportunities of globalisation. The new Facility will provide technical assistance to help countries identify and manage the potential economic and social impacts of trade in goods and services and investment liberalisation; identify new sources of revenue and market opportunities; and help countries fulfil WTO requirements. The Facility will be co-ordinated with the proposed WTO/UNCTAD/ITC integrated framework for trade-related technical assistance;
- explore the scope for deepening trade relationships among Commonwealth

members, and therefore request the Secretariat to report to us, before the 1999 CHOGM, on the scope and possible systems and mechanisms for improving trade among members of the Commonwealth, in ways which are consistent with the provisions of the WTO and regional trading arrangements;

- launch a Commonwealth action programme to remove administrative obstacles to trade by simplifying and harmonising customs procedures, disseminating information and eliminating bureaucratic and technical hurdles;
- examine the growing importance of 'electronic commerce' in trade and the developmental implications of the use of cyberspace for commercial and financial transactions; and
- promote Commonwealth Export Training Centres for management training in exporting and other trade-related skills.

5. We welcome the recommendations of the first ever Commonwealth Business Forum held in London on 22-23 October 1997. We believe that the Forum can be an important link between the private and public sectors and foster vibrant private sector business links. It should continue to meet every two years. We are also arranging to set up a Business Council, under Lord Cairns and Mr Cyril Ramaphosa, made up of a small group of major private sector leaders from different regions of the Commonwealth, as well as other mechanisms, in consultation with the Commonwealth Secretary-General, to encourage greater private sector involvement in the promotion of trade and investment. In this context, we also agree to support and strengthen the work of the Commonwealth Partnership for Technology Management (CPTM).

#### **Investment**

6. We believe that investment flows can bring substantial benefits, and that sound macroeconomic policies and financial systems, strong regulatory and supervisory frameworks and political stability are essential in encouraging inward flows. At the same time, we recognise that volatility in such flows can greatly complicate economic management. They also remain concentrated in a few regions and countries. We agree to:

- encourage investment flows by establishing open and transparent investment regimes for business activity and by simplifying bureaucratic procedures and regulations;
- encourage capital exporting countries, where it is prudent, to consider relaxing restrictions on institutional investors to enable them to take advantage

of portfolio diversification opportunities in emerging and new markets;

- support the development of regional and multilateral arrangements and infrastructure that take into account the realities of developing countries, and that can help to facilitate private capital flows;
- study the lessons to be learned from recent developments in currency markets and in particular on how countries can be protected from the destabilising effects of market volatility, including those resulting from speculative activities, and how the effectiveness of existing early warning systems can be improved; and
- support strengthening of global and regional mechanisms to help countries handle capital market volatility.

Specifically we have decided to:

- endorse the recommendations of the Commonwealth working group on the role of national and international policies in promoting private capital flows, and call for the rapid finalisation of a Commonwealth Code of Good Practice for national policies that attract and sustain private capital flows;
- welcome the launch of the Africa Fund, the Kula Fund for the Pacific, and the South Asia Regional Fund under the aegis of the Commonwealth Private Investment Initiative (CPII); and call for the extension of CPII to embrace additional regions and sectors;
- launch a Commonwealth investment promotion programme which will: help establish enabling environments for attracting private investment flows; encourage the creation of new mechanisms for risk insurance and guarantees; provide assistance for strengthening supervisory and regulatory frameworks; and improve the flow of information on investment opportunities; and
- encourage 'smart partnerships' involving the private and public sectors.

#### **Development**

7. We welcome the improving growth prospects in many parts of the developing world, including evidence of recovery in Sub-Saharan Africa. At the same time, we remain concerned at the persistence of extreme poverty in many countries and the lack of capacity to reduce it. We have therefore agreed to:

- work to halve the proportion of people living in extreme poverty by the year 2015;

- seek to reverse the decline in Official Development Assistance (ODA) flows, recognising the role of ODA as an essential instrument of partnership for development and poverty reduction in developing countries, particularly the Least Developed Countries and small states, and for helping to create the conditions for increased trade and investment, including skills and infrastructure development;
- work towards a comprehensive solution of the debt problem, and pursue vigorously the rapid implementation of the Highly Indebted Poor Countries (HIPC) Initiative, in line with the Mauritius Mandate, which has the aim of enabling HIPC countries to have embarked by the year 2000 on securing a sustainable exit from their debt burden; as well as consider extending such relief to other developing countries, including small states, in similar circumstances; and
- promote the role of micro-credit schemes in reducing poverty through increased assistance from the international community.

8. We welcome the Report of the Chairperson of the Commonwealth Ministerial Group on Small States and its recommendations for action based on the Commonwealth Report, *A Future for Small States: Overcoming Vulnerability*. In particular, we encourage international financial institutions to review their graduation policies, consider broader criteria covering the special vulnerabilities of their smaller members, and establish a task force to address the concerns of small states. We endorse the recommendation to set up a small ministerial group to discuss small states' concerns with major multilateral agencies and to report to governments on the outcome as soon as possible.

9. We underscore the importance of good governance including increased openness in economic decision-making and the elimination of corruption through greater transparency, accountability and the application of the rule of law in economic, financial and other spheres of activity. We endorse the request by our Finance Ministers to the Commonwealth Secretary-General to establish an expert group to work on these issues.

#### **Environment**

10. We have a shared interest in protecting our environment, a global resource in which all countries have a stake. The costs of protecting it should be borne in accordance with shared and differentiated responsibilities. It is therefore incumbent on the global community to strengthen co-operation to achieve sustainable development, so that we can protect our planet for future generations. In particular, we look to a successful outcome at the Kyoto Conference



of Parties to the UN Convention on Climate Change, involving realistic and achievable goals, significant reductions in greenhouse gas emissions and recognition that we all need to play a role. We have therefore agreed to:

- endorse the Programme for the Further Implementation of Agenda 21 as agreed by this year's UN General Assembly Special Session, particularly in respect of freshwater, forest resources and the transfer of environmentally sound technologies to developing countries. We recognise that new and additional resources will be needed to implement the programmes and will use our best endeavours to provide these;
- underline the importance of a successful outcome at Kyoto, with all countries playing their part within the Berlin Mandate, and with developed countries pursuing vigorously an outcome that would produce significant reductions in their greenhouse gas emissions through the adoption of a protocol or other legal instrument;
- call on the Kyoto Conference to recognise that, after Kyoto, all countries will need to play their part by pursuing policies that would result in significant reductions of greenhouse gas emissions if we are to solve a global problem that affects us all;
- call for agreement at Kyoto to arrangements to monitor the reduction of emissions regularly;
- initiate action in the international community to strengthen disaster relief response and mechanisms for the provision of urgent and adequate assistance to small states that suffer the effects of natural disasters which are increasing in frequency and magnitude; and
- welcome the contribution of the Iwokrama International Rain Forest Programme in Guyana to the implementation of the Rio Agreements on forests, biodiversity and climate change, and agree to use our best endeavours to increase resources to sustain the Programme and catalyse further international funding.

#### **Conclusion**

11. In pursuance of these commitments, we agree to enhance the Commonwealth's role in building consensus on global economic issues and on an equitable structuring of international economic relations.

12. We also agree to sustain and where possible increase bilateral assistance among our members; and to ensure the flow of resources to the Secretariat and its various Funds, especially the Commonwealth Fund for Technical

Co-operation (CFTC); and to the Commonwealth Foundation, Commonwealth of Learning (COL) and the CPTM.

13. We believe the Commonwealth can play a dynamic role in promoting trade and investment so as to enhance prosperity, accelerate economic growth and development and advance the eradication of poverty in the 21st century. We plan to pursue this with vigour.

*25 October 1997*

## The Edinburgh Communiqué

1. Commonwealth Heads of Government met in Edinburgh from 24-27 October 1997. Of the 51 countries which attended the Meeting, 43 were represented by Heads of State or Prime Ministers. The Meeting was chaired by the British Prime Minister, the Rt Hon Tony Blair.
2. The Opening Session of the Meeting was addressed by Her Majesty Queen Elizabeth II, Head of the Commonwealth.
3. Heads of Government expressed satisfaction at the return of Fiji on 1 October 1997 to the Commonwealth, as its 54th member state.
4. Heads of Government congratulated the Governments and peoples of India and Pakistan who have recently celebrated their 50th anniversaries of independence.
5. Heads of Government conveyed their appreciation for the excellent arrangements made for their Meeting and the warm hospitality extended by the British Government and people, as well as for the Chairman's admirable conduct of the Meeting.
6. Heads of Government adopted the *Edinburgh Commonwealth Economic Declaration on Promoting Shared Prosperity*, which they saw as a fitting complement to the Harare Commonwealth Declaration of 1991.
7. Heads of Government expressed concern about the special problems of the Least Developed Countries (LDCs). To enable them to share the benefits of globalisation, they invited donors to work for the target of 0.15 per cent of GNP for LDCs. They also resolved to promote the role of micro credit in poverty reduction.

### Small States

8. Heads of Government received with satisfaction the attached Report of the Chairperson of the Ministerial Group on Small States. They also welcomed the Report of an Advisory Group, *A Future for Small States: Overcoming Vulnerability*, as an important Commonwealth contribution towards addressing the particular concerns of small states, and agreed on a package of measures to alleviate these concerns.



### **Fundamental Political Values**

9. Heads of Government reaffirmed their commitment to the fundamental values of the Commonwealth, as set out in the Harare Commonwealth Declaration of 1991 and emphasised that democracy, good governance, sustainable development and respect for human rights and fundamental freedoms were interdependent and mutually reinforcing. They commended the Commonwealth Parliamentary Association for its work in strengthening the democratic culture and effective parliamentary practices, and its efforts to enhance the participation of women in public life.

10. Heads of Government reaffirmed their support for the valuable role played by the Secretary-General's good offices, at the request of the concerned member governments, to help resolve potential or actual conflicts.

11. Heads of Government received the Report from the Commonwealth Ministerial Action Group on the Harare Declaration (CMAG) covering three countries, viz. The Gambia, Nigeria and Sierra Leone, and accepted its recommendations.

12. They welcomed the completion of the electoral phase of the transition to civilian, democratic and constitutional rule in The Gambia and received the assurances of the Gambian authorities that they would further demonstrate their stated commitment to the Harare principles.

13. Heads of Government observed that the continued existence of a military government in Nigeria was a prime source of Commonwealth concern. They expressed concern about the failure to observe fundamental human rights, in particular the continued detention and imprisonment of many Nigerians, including Chief Moshood Abiola and General Olusegun Obasanjo. Accordingly, they decided that Nigeria should remain suspended from the Commonwealth.

14. They noted the positive contribution which Nigeria has been making to efforts through the Economic Community of West African States (ECOWAS) in support of democratic government within the West African region, and expressed the hope that this reflected a determination to comply with the Harare principles in its domestic policies.

15. Heads of Government also empowered CMAG to invoke, in the period before 1 October 1998, Commonwealth-wide implementation of any or all of the measures recommended by CMAG if, in CMAG's view, these would serve to encourage greater integrity of the process of transition and respect for human rights in Nigeria. These included:



- visa restrictions on members of the Nigerian regime and their families;
- the withdrawal of military attachés;
- the cessation of military training;
- an embargo on the export of arms;
- the denial of educational facilities to members of the Nigerian regime and their families;
- a visa-based ban on all sporting contacts;
- a downgrading of cultural links; and
- the downgrading of diplomatic missions.

**16.** Heads of Government agreed that, following 1 October 1998, CMAG should assess whether Nigeria had satisfactorily completed a credible programme for the restoration of democracy and civilian government. They further agreed that if, in that assessment, Nigeria had completed a credible transition to democratic government and to observance of the Harare principles, then the suspension will be lifted; and if not and it remained in serious violation of the Harare principles, Heads of Government would consider Nigeria's expulsion from the association and the introduction of further measures in consultation with other members of the international community as recommended by CMAG. Such measures would include a mandatory oil embargo, a ban on air-links with Nigeria and the freezing of the financial assets and bank accounts in foreign countries of members of the regime and their families.

**17.** Heads of Government strongly condemned the military coup in Sierra Leone in May 1997, which resulted in the unconstitutional overthrow of its democratically elected government, and called for the immediate reinstatement of President Ahmad Tejan Kabbah, whom they welcomed to their Meeting. They endorsed the decision taken by CMAG, in accordance with the provisions of the Millbrook Commonwealth Action Programme, that pending the restoration of the legitimate government, the participation of the illegal regime of Sierra Leone in the councils of the Commonwealth should remain suspended.

**18.** Heads of Government welcomed UN Security Council Resolution 1132 (1997) imposing petroleum, weapons and travel sanctions on the military junta in Sierra Leone and authorising ECOWAS to impose economic measures against the regime. They urged member governments to co-operate in the implementation of these sanctions, and in ensuring the continued isolation of the regime in

Freetown within the Commonwealth and the wider international community. They agreed to assist the victims of the situation in Sierra Leone in their own countries, as well as in other countries of the Commonwealth which may request such assistance. They pledged the support of the Commonwealth for the efforts of ECOWAS to resolve the Sierra Leone crisis, including the provision of technical and logistical support to enable ECOWAS to carry out its responsibilities. They also pledged Commonwealth support for the reconstruction of Sierra Leone upon the resolution of the crisis. In the meantime, they looked forward to further clarification of the reported agreement between the ECOWAS Ministerial delegation and the military junta that the latter would demit office and allow the reinstatement of President Tejan Kabbah in six months' time.

19. Heads of Government reviewed the composition, terms of reference and operation of CMAG. They decided that CMAG should continue its work as a standing ministerial mechanism to address serious and persistent violations of the principles of the Harare Commonwealth Declaration. They agreed that CMAG should, in the two-year period after the Edinburgh CHOGM, consist of the following countries: Barbados, Botswana, Britain, Canada, Ghana, Malaysia, New Zealand and Zimbabwe. They further agreed that in future CMAG's remit should extend to member countries deemed to be in serious or persistent violation of the Harare principles, on the basis of established guidelines. They decided that the Commonwealth Secretary-General, acting on his/her own or at the request of a member government, should bring the situation in question to the attention of the CMAG membership, which would then include it or otherwise in its work programme in the light of its guiding principles.

#### **Commonwealth Membership**

20. Heads of Government received and endorsed a report from the Intergovernmental Group on Criteria for Commonwealth Membership. They agreed that in order to become a member of the Commonwealth, an applicant country should, as a rule, have had a constitutional association with an existing Commonwealth member; that it should comply with Commonwealth values, principles and priorities as set out in the Harare Declaration; and that it should accept Commonwealth norms and conventions.

21. Recalling Palestine's historical association with the Commonwealth, Heads of Government welcomed the interest expressed by the Palestinian Authority in Commonwealth membership. They recognised that, under the Oslo Accords, Palestine may attain state sovereignty in 1999. Once this was so, the case for membership would be duly determined in accordance with the agreed criteria for Commonwealth membership. Heads of Government also considered

applications for membership of the Commonwealth from Rwanda and Yemen and agreed that these should be kept under review in the context of the criteria endorsed by them.

#### **Cyprus**

22. Heads of Government reaffirmed their support for the sovereignty, independence, territorial integrity and unity of the Republic of Cyprus. They called for the implementation of United Nations resolutions on Cyprus, in particular Security Council Resolutions 365 (1974), 550 (1984) and 939 (1994). They regretted that negotiations on a solution have been at an impasse for too long and strongly supported the process of direct intercommunal talks under the UN Secretary-General's mission of good offices. They expressed concern about recent threats of use of force and integration of the occupied territory by Turkey and reiterated support for President Clerides's demilitarisation proposal. They called for the withdrawal of all Turkish forces and settlers, the return of the refugees to their homes, the restoration of and respect for human rights of all Cypriots and the accounting of all missing persons. They expressed concern and disappointment that progress had been impeded by the efforts of the Turkish Cypriot side to introduce preconditions to the talks and called for a co-operative attitude from all sides for the achievement of a comprehensive, just and workable settlement on the basis of a bi-communal and bi-zonal federation. While noting the existence of the Commonwealth Action Group on Cyprus, they welcomed the initiative of the Commonwealth Secretary-General to nominate an observer at the UN-sponsored negotiations. They recognised that Britain as a permanent member of the Security Council and as a Guarantor Power has a special position in this matter.

#### **Belize**

23. Heads of Government reaffirmed their strong support for the territorial integrity, security and sovereignty of Belize. They welcomed the consultations and co-operation between Guatemala and Belize on the implementation of confidence-building measures and called for continued dialogue at the highest levels. They encouraged Guatemala to recognise the constitutional borders of Belize to allow for an early settlement of their outstanding claim. They reiterated their request to the Secretary-General to convene the Commonwealth Ministerial Committee on Belize whenever necessary.

#### **Terrorism**

24. Heads of Government reaffirmed their strongest condemnation of acts of terrorism in all its forms and manifestations, which destabilise the political, economic and social order of sovereign states. They reiterated their determination



to combat terrorism, whether perpetrated by individuals, groups or states, by every means possible consistent with human rights and the rule of law. They also recognised the linkages between terrorism, illegal trafficking in drugs and arms, and money laundering. They welcomed the growing international consensus in fighting terrorism, and in particular the steps taken towards a UN Convention on Suppression of Terrorist Bombings, and hoped that this would contribute to the development of a comprehensive legal framework. They also called on all states to enact laws to make punishable acts of conspiracy within their jurisdictions to commit terrorist offences.

#### **Landmines**

25. Heads of Government addressed the serious humanitarian crisis caused by anti-personnel mines and noted the negotiation of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction, adopted in Oslo on 18 September 1997. They invited Commonwealth and other countries in a position to do so to consider joining the original signatories of this Convention when it first opens for signature in Ottawa on 3 December 1997. They stressed that an effective solution to the global problem of anti-personnel mines would only be possible through effective international co-operation in all relevant fora including, *inter alia*, the United Nations, the Conference on Disarmament, regional organisations and groupings and enhanced international assistance for mine clearance and for the care and rehabilitation and economic integration of mine victims.

#### **Mediterranean**

26. In acknowledging the multi-faceted problems affecting the Mediterranean, Heads of Government welcomed the Euro-Mediterranean Conference in 1995 and its follow-up conference in Malta in 1997, and affirmed their support to the international and regional institutions committed to the promotion of peace and security in the Mediterranean region.

#### **International Criminal Court**

27. Heads of Government expressed their belief that an International Criminal Court (ICC) would be an important development in the international promotion of the rule of law. They expressed support for the efforts of the UN Preparatory Committee to negotiate a Statute for an ICC and encouraged participation in those negotiations and in the Plenipotentiary Conference next year by as many Commonwealth countries as possible.

#### **Commonwealth Functional Co-operation**

28. Heads of Government considered various aspects of Commonwealth functional co-operation, which they reaffirmed as essential for translating the

benefits of membership to member states. They endorsed the attached Report of the Committee of the Whole and requested the Secretariat to intensify its efforts to establish priorities in these areas, based on the Commonwealth's comparative advantage.

**Future Meetings**

29. Heads of Government accepted with great pleasure the offer of the Government of South Africa to host their next Meeting in 1999, and the offer of Australia to host their Meeting in 2001.

*27 October 1997*

## LA FRANCOPHONIE HEADS OF GOVERNMENT MEETINGS

<b>February 17-19, 1986</b>	<b>Paris, France</b>
<b>September 2-4, 1987</b>	<b>Quebec, Canada</b>
<b>May 24-26, 1989</b>	<b>Dakar</b>
<b>November 19-21, 1991</b>	<b>Chaillot</b>
<b>October 16-18, 1993</b>	<b>Maurice</b>
<b>December 2-4, 1995</b>	<b>Cotonou, Benin</b>
<b>November 14-17, 1997</b>	<b>Hanoi, Vietnam</b>
<b>September 3-5, 1999</b>	<b>Moncton, NB, Canada</b>

# VIII<sup>ème</sup> Conférence des chefs d'Etat et de gouvernement des pays ayant le français en partage

(Moncton, 3-5 septembre 1999)

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## Déclaration

Moncton, 5 septembre 1999

1. Nous, Chefs d'Etat et de Gouvernement des pays ayant le français en partage, réunis du 3 au 5 septembre 1999 à Moncton, au Nouveau-Brunswick, Canada, avons décidé de consacrer ce VIII<sup>ème</sup> Sommet de la Francophonie à la  
**jeunesse,**

car c'est sur son engagement et son adhésion que repose la pérennité du projet francophone.

2. **Nous avons écouté les jeunes dans nos pays.** Nous avons appuyé les efforts nationaux et régionaux de concertation, ainsi que ceux du Secrétaire général. Nous sommes déterminés à répondre aux attentes que les jeunes de la Francophonie ont exprimées dans la préparation de ce Sommet, en les associant plus étroitement à notre action. Nous ferons en sorte que les jeunes puissent recevoir une formation adéquate, notamment professionnelle et technique, trouver un emploi, libérer leur créativité, vivre dans la liberté et la sécurité, et s'épanouir dans leurs cultures, tout en s'ouvrant aux autres.
3. Nous réaffirmons que la paix, la démocratie et le développement durable sont non seulement des objectifs interdépendants, mais aussi des valeurs que nous partageons. La Francophonie ne peut s'accommoder de crises, de conflits, de situations d'occupation, de déplacements de populations et d'atteintes aux droits de l'Homme et à la démocratie, qui sont des freins au développement et nuisent aux efforts de coopération visant le mieux-être de nos populations.
4. Nous entendons promouvoir, dans le processus d'intégration mondiale en cours, le respect de la diversité culturelle, facteur indéniable de l'enrichissement du patrimoine universel.
5. Nous réitérons, à la veille du 30<sup>ème</sup> anniversaire de la création de l'Agence intergouvernementale de la Francophonie, que la Francophonie forme un espace culturel et linguistique, fondant son action de coopération multilatérale sur la solidarité agissante de ses membres. Nous entendons poursuivre l'action désormais multidimensionnelle de la Francophonie dans la continuité de la réforme engagée par les Sommets de Cotonou et de Hanoi, afin qu'elle s'affirme parmi les principaux acteurs du monde de demain.

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### **La Francophonie, un enjeu politique d'égalité, de sécurité et de démocratie**

6. **Mondialisation :** La mondialisation touche à tous les aspects de la vie des peuples. Ses effets sur les plans politiques, économiques, sociaux et culturels, dont certains sont préoccupants surtout pour les pays les moins favorisés et les moins avancés, justifient une attention particulière au rôle régulateur des Etats. Notre communauté, en étroite concertation avec tous les acteurs des relations internationales, notamment les Nations Unies, est déterminée à contribuer à en assurer la maîtrise, pour que la mondialisation bénéficie à tous, de manière équitable.

7. **Sécurité internationale et sécurité des populations civiles** : En étroite collaboration avec les Nations Unies et les autres organisations internationales et régionales, et dans le respect du droit international, des résolutions et des accords internationaux, nous poursuivrons notre action en faveur de la prévention des conflits et du maintien et de la consolidation de la paix. Nous condamnons particulièrement le recrutement et l'implication des enfants dans les conflits armés. Nous nous engageons à tout mettre en œuvre pour favoriser la réinsertion des jeunes dans la société civile des pays en situation de post-conflit.
8. **Processus démocratiques et droits de l'Homme** : Nous réitérons notre volonté de consolider l'Etat de droit et les processus démocratiques, ainsi que les valeurs et les comportements éthiques qui s'y rattachent, le respect des droits de l'Homme, le respect des droits des peuples et celui des minorités et l'égalité entre les femmes et les hommes. Nous condamnons toutes formes de traitements inhumains et dégradants et lutterons tout particulièrement contre l'exploitation des enfants.

Conscients de nos responsabilités à l'intérieur de l'espace francophone, nous réaffirmons le mandat confié au Secrétaire général sur ces questions. Nous renforcerons les moyens consacrés à ses missions et préciserons les modalités de notre concertation politique.

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### **La Francophonie, une dynamique culturelle d'ouverture et de pluralité**

9. **Langue et culture** : La pluralité des langues et la diversité des cultures constituent des réalités qu'il faut valoriser. Dans cet esprit, nous devons continuer à soutenir la promotion et la diffusion de la langue française qui nous rassemble, comme celles des cultures et des langues partenaires qui font nos identités et la richesse de notre communauté. Nous y veillerons plus particulièrement dans le domaine des inforoutes.
10. **Diversité culturelle** : Convaincus que les biens culturels ne sont en aucune façon réductibles à leur seule dimension économique, nous affirmons le droit pour nos Etats et gouvernements de définir librement leur politique culturelle et les instruments d'intervention qui y concourent ; nous entendons favoriser l'émergence d'un rassemblement le plus large possible à l'appui de cette diversité et œuvrer à la mobilisation de l'ensemble des gouvernements en sa faveur. Cette question de la diversité et toutes autres qui suscitent des débats internationaux auxquels la Francophonie doit apporter sa contribution originale, feront l'objet de concertations au sein de la Francophonie mobilisant l'ensemble des Etats et gouvernements membres.
11. **Education et formation** : Nous sommes déterminés à apporter à la jeunesse une éducation de base, un enseignement primaire et secondaire, ainsi qu'un système universitaire efficaces. Nous rechercherons l'appui constant des organisations internationales compétentes pour y parvenir. Nous favoriserons le recours aux nouvelles technologies pour moderniser les systèmes éducatifs. Nous faisons nôtres les conclusions des Assises francophones de la formation professionnelle et technique tenues à Bamako.

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## **La Francophonie, une ambition pour un développement économique durable et solidaire**

12. **Solidarité francophone** : La Francophonie est un pont entre les peuples, entre le Nord et le Sud. L'usage d'une langue commune facilite les échanges économiques, les transferts d'expériences, les coopérations et l'aide au développement. La Conférence des ministres de l'Economie et des Finances de Monaco a manifesté la solidarité qui anime notre espace de coopération et nous nous félicitons de ses résultats. Nous appelons à la mise en œuvre de ses recommandations ainsi qu'à l'intensification de notre concertation.
  
  13. **Espace de coopération et de concertation** : Conscients des bénéfices qu'apporte une mondialisation économique aux effets maîtrisés, nous soutenons les efforts en vue du renforcement et de l'aménagement du système financier mondial et voulons consolider la libéralisation des échanges commerciaux autour de l'OMC. Cependant, conscients aussi des risques de marginalisation que la mondialisation comporte pour les pays en développement, nous entendons faciliter l'intégration du plus grand nombre de nos pays au système du commerce mondial, dans le cadre d'un environnement favorable à la croissance, équitable et respectueux de la primauté de l'Homme. Nous encourageons donc le développement de processus d'intégration régionale de coopération économique, et appelons la communauté internationale à adopter une attitude positive pour l'aide au développement et pour le traitement de la dette, en particulier celle des Pays les moins avancés.
  
  14. **Société de l'information** : Le développement des systèmes d'information et de communication ouvre à l'économie mondiale de très grandes perspectives d'emploi et de développement économique et social pour nos pays. Nous favoriserons les échanges de savoir et les transferts de compétences dans les domaines technologiques et scientifiques. Nous accroîtrons, en particulier en direction des jeunes, les efforts déjà consentis par les institutions francophones dans ce domaine, afin de leur dispenser une formation professionnelle et technique qui favorise leur intégration économique et sociale.
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15. Nous encourageons la participation des jeunes aux programmes de la Francophonie et l'établissement d'un dialogue régulier. Nous les inviterons, sur une base représentative, à participer à l'orientation de notre action et les soutiendrons comme acteurs du développement.
  
  16. Nous demandons au Secrétaire général de poursuivre sa mission de porte-parole politique de la Francophonie et de responsable de l'animation de la coopération multilatérale francophone, dans le cadre défini par la Charte, et de développer la concertation avec les autres organisations régionales et internationales.
  
  17. Nous mobiliserons les moyens nécessaires aux missions de la Francophonie. Nous adoptons un Plan d'action, qui doit permettre à l'Organisation internationale de la Francophonie de disposer d'un cadre approprié à la réalisation de nos objectifs.



## La Conférence des chefs d'État et de gouvernement des pays ayant le français en partage

Également appelée "Sommet de la Francophonie", la Conférence des chefs d'État et de gouvernement des pays ayant le français en partage est un espace de solidarité fondé sur l'attachement à des valeurs communes et sur l'usage d'une langue partagée, dans le respect des identités culturelles de tous les pays membres. Elle est aussi un espace de dialogue et de coopération en vue d'un développement durable et équilibré.

La Conférence, instance suprême de la Francophonie multilatérale, se réunit tous les deux ans. Elle traite des questions d'ordre politique et économique qui préoccupent les États participants et définit les orientations de la Francophonie. Elle adopte un programme de coopération et mobilise les ressources nécessaires à sa mise en Oeuvre. La Conférence est présidée par le chef d'État ou de gouvernement du pays hôte du dernier sommet.

Depuis le premier Sommet de la Francophonie, convoqué par le Président François Mitterrand, en 1986, les chefs d'État et de gouvernement francophones se sont réunis sept fois ( Sommets de Paris, Québec, Dakar, Chaillot, Maurice, Cotonou et Hanoi ).

Les déclarations des chefs d'État et de gouvernement de chacun des sommets sont reproduites ci-dessous. Les actes des six derniers Sommets peuvent également être consultés en version intégrale.

Les actes du septième Sommet de la Francophonie qui s'est tenu à Hanoi, du 14 au 16 novembre 1997, seront bientôt disponibles sur ce serveur.

### Sommet de Paris (17-19 février 1986)

Si les chefs d'État et de gouvernement n'ont pas adopté une déclaration spécifique, ils ont toutefois insisté sur "*le besoin urgent de traduire notre solidarité réaffirmée dans les programmes concrets et mobilisateurs en vue du progrès scientifique et technique, de la formation et de la maîtrise des nouvelles technologies et plus largement de*

*développement solidaire."*

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## **Sommet de Québec (2-4 septembre 1987)**

**Nous, chefs d'État et de gouvernement, réunis au Canada, à Québec, les 2, 3 et 4 septembre 1987,**

NOUS FONDANT sur la solidarité, la coopération et la compréhension mutuelles qui se sont établies, au fil des ans, entre nos pays et leurs institutions ;

NOUS INSPIRANT du respect fondamental de la diversité des traditions, de l'héritage culturel et politique de nos populations, et de leurs aspirations au mieux-être et au développement ;

RECONNAISSANT l'importance de notre libre association où, partenaires égaux, nous sommes liés par une même volonté de contribuer à un équilibre renouvelé de nos rapports et inspirés par l'usage, à des degrés divers, de la langue française comme outil de connaissance, de dialogue, de développement et d'innovation ;

CONVENONS que nos rencontres périodiques constituent des occasions de dialogue franc et ouvert, de concertation sur des enjeux et des sujets d'intérêt commun de nature politique, économique et de coopération ;  
que ces rencontres au plus haut niveau raffermissent une solidarité libre de contraintes, cimentée par une même responsabilité envers les générations montantes et par une volonté de relever ensemble les grands défis de développement et de modernisation qui se posent à nous ;  
que la volonté qui préside à notre entreprise commune doit se traduire en engagements et en réalisations concrètes pour notre bénéfice mutuel.

À ces fins, nous, les chefs d'État et de gouvernement,

RÉAFFIRMONS notre volonté de donner à notre communauté une nouvelle vitalité, pour renforcer ses institutions et pour élargir l'horizon de ses aspirations, de ses responsabilités et de ses engagements afin d'en faire une communauté solidaire ;

INCITONS l'Agence de coopération culturelle et technique et les associations et organisations francophones à inscrire leurs projets d'activités dans les perspectives ouvertes à l'occasion de nos rencontres et à apporter leurs propres impulsions à la consolidation d'un espace où l'usage d'une langue commune favorisera la libre circulation des biens culturels, l'échange des connaissances scientifiques, le transfert et l'adaptation des nouvelles technologies ;

NOUS ENGAGEONS à promouvoir auprès d'autres instances internationales l'esprit et les principes qui nous animent, fondés sur une solidarité ouverte à la diversité des langues et des cultures de nos peuples.

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## **Sommet de Dakar (24-26 mai 1989)**

Nous, Chefs d'État, de gouvernement et de délégation, réunis à Dakar, les 24, 25 et 26 mai 1989,

**CONSIDÉRANT** après Paris et Québec, que notre communauté francophone, se fondant, d'une part sur l'usage en commun de la langue française, d'autre part sur la richesse et la diversité de ses traditions, de ses langues et de ses cultures, est devenue une réalité politique, économique et culturelle fondamentale dans la vie de nos États et, en même temps, un facteur d'équilibre entre les Nations ;

**CONSIDÉRANT** que les Sommets sont le lieu privilégié d'expression et de renouvellement d'une solidarité essentielle pour la construction d'un espace commun francophone de dialogue et de coopération ;

**CONSIDÉRANT** que c'est le contenu concret des réalisations qui fera la valeur de notre projet et que la consolidation de l'espace francophone passe par une coopération multilatérale exemplaire qui se fonde sur l'action et la modernité ;

À ces fins, nous, Chefs d'État et de gouvernement,

**RÉAFFIRMONS** notre volonté de continuer de développer, au sein de notre espace commun de solidarité et de coopération, des actions concrètes et significatives, multilatérales et multiformes pour relever les grands défis de notre temps dans les domaines de l'agriculture et de l'environnement, de l'énergie, de la culture et de la communication, de l'information scientifique et du développement technologique, des industries de la langue, de l'éducation et de la formation ;

**DÉCIDONS** que l'éducation et la formation constituent un domaine stratégique d'intervention, à la fois pour la préservation et la diffusion, tant de la langue française que des langues et cultures nationales, pour la consolidation de la communauté francophone, en favorisant la compréhension et l'adhésion de la jeunesse à nos objectifs pour la réalisation du développement économique des Nations ;

**PRENONS** solennellement l'engagement de contribuer à la création d'un contexte économique international plus équitable, aux fins de promouvoir, dans les pays en développement membres de notre communauté un processus d'amélioration de leur situation économique ;

**NOUS FÉLICITONS** du renforcement de la fonction et du rôle de l'Agence de coopération culturelle et technique dans la dynamique des Sommets, qui constitue un jalon essentiel dans l'ancrage d'une Francophonie multilatérale ;

**INCITONS** les autres instances internationales à partager notre volonté politique commune de créer et de développer une pareille dynamique favorable à la promotion des relations culturelles, économiques, scientifiques et technologiques et d'œuvrer à l'instauration d'une paix solide et durable dans le monde.

## **Sommet de Chaillot (19-21 novembre 1991)**

**Nous, Chefs d'État, de gouvernement et de délégation des pays ayant en commun l'usage du français,**

RÉUNIS pour affirmer une fois de plus notre solidarité et notre ferme volonté de concourir activement à façonner ensemble un avenir meilleur pour nos peuples et pour la communauté internationale ;

NOUS FÉLICITONS des progrès de la démocratie constatés dans le monde entier, saluons tout particulièrement la contribution déterminante des peuples à cette évolution et sommes convaincus qu'il appartient à chaque peuple de déterminer les voies les plus appropriées à l'affermissement de ses institutions démocratiques ;

RÉITÉRONS notre foi dans les valeurs démocratiques fondées sur le respect des droits de la personne, des minorités et des libertés fondamentales ;

CROYONS fermement qu'une plus grande participation des peuples à leur développement passe par le libre exercice des libertés fondamentales et l'avènement de l'État de droit ;

CONVAINCUS qu'il n'existe pas de développement sans liberté, ni de véritable liberté sans développement ;

DÉPLORONS les conséquences tragiques de la famine, de la pauvreté, des calamités naturelles et des désastres dus à l'action de l'homme. À notre époque marquée par le souci de solidarité et de partenariat, la persistance intolérable du sous-développement exige une mobilisation de la communauté des Nations et requiert d'imprimer un nouveau cours à notre coopération ;

PERSUADÉS que le développement économique, responsabilité première de chacun de nos pays, passe par le maintien, voire l'accroissement des flux d'aide, la poursuite de la concertation économique dans les grandes instances internationales et le renforcement des efforts pour l'intégration économique mondiale et régionale, nous engageons à l'avènement d'un véritable partenariat économique fondé sur l'établissement d'un dialogue renouvelé entre nos pays ;

CONVAINCUS que la démocratie est au coeur d'une répartition plus équitable des ressources matérielles et humaines et qu'elle est aussi fondamentale pour la prospérité économique des peuples que la dignité de l'homme, prenons l'engagement de faire avancer le processus de démocratisation, de consolider les institutions démocratiques et décidons de développer des programmes appropriés dans ce sens ;

Nous, Chefs d'État, de gouvernement et de délégation réunis à Chaillot, entendons ainsi faire face à nos responsabilités historiques et répondre aux aspirations légitimes de nos peuples dans un contexte international nouveau.

## **Sommet de Maurice (16-18 octobre 1993)**

**Nous, chefs d'État, de gouvernement et de délégation des pays ayant le français en partage,**

RÉUNIS à Maurice afin d'affirmer à nouveau notre solidarité et d'approfondir notre engagement de contribuer à façonner ensemble un avenir meilleur pour nos citoyens et pour la communauté internationale ;

CONSTATANT que dans le nouveau contexte international, le multilatéralisme se révèle un outil irremplaçable pour tenter de résoudre les problèmes qui se posent à la communauté internationale ;

RENDONS hommage au rôle historique joué par les Nations unies, à l'action menée par ses forces pour le maintien de la paix et réitérons notre soutien entier au secrétaire général des Nations unies pour la mise en Fuvre de son Agenda pour la paix et de son Calendrier pour le développement, sur la base du respect de la souveraineté, de l'indépendance, de l'intégrité territoriale et de la non-ingérence dans les affaires intérieures des États ;

AFFIRMONS, en raison de ce regain d'intérêt pour la multilatéralité, la nécessité de faire entendre la voix de la Francophonie dans les grands débats internationaux et de contribuer au respect de la diversité culturelle et linguistique, historique, économique et sociale, facteur d'enrichissement pour l'humanité ;

RAPPELONS que la Francophonie est un espace de dialogue, de coopération et de partenariat, dans le plus profond respect de sa diversité. Son unité se fonde sur une communauté de valeurs et de langue, consacrée à la promotion de la paix, de la justice, de la sécurité, de la solidarité, de la démocratie ainsi qu'au respect des droits de l'Homme et des libertés fondamentales, qui sont universels et inaliénables ;

SOUTENONS les efforts courageux de nombreux pays du Sud dans leur volonté de parvenir à un système économique juste, qui libère les énergies et les initiatives ;

APPELONS la communauté internationale à soutenir davantage les efforts entrepris par les pays du Sud en facilitant la création d'un cadre économique propice ;

APPUYONS le processus d'intégration régionale, qui constitue une des réponses à l'étroitesse des marchés nationaux ;

PRENONS l'engagement d'accroître notre action de coopération dans les domaines d'intervention définis par les Sommets ;

DÉCIDONS de renforcer la concertation francophone au plan international ;

CONDAMNONS le terrorisme sous toutes ses formes ;

PROCLAMONS notre détermination à lutter contre toutes les formes de discrimination, d'exclusion et d'intolérance fondées, entre autres, sur la race, le sexe, la langue et la religion ;

DÉCLARONS notre volonté de poursuivre le renforcement de l'État de droit et de soutenir la démocratisation de la société politique et civile, conditions du développement durable.

## **Sommet de Cotonou (2-4 décembre 1995)**

**Nous, chefs d'État et de gouvernement des pays ayant le français en partage, réunis à Cotonou, du 2 au 4 décembre 1995,**

RÉITÉRANT notre attachement à la communauté francophone, fondée sur l'usage du français et le respect de la diversité de nos cultures, et réaffirmant notre solidarité ;

CONSCIENTS que la vitalité de notre communauté dépendra de la pertinence des réponses aux incertitudes et aux inquiétudes de nos populations ainsi que de notre capacité de faire de l'espace francophone un espace de codéveloppement ;

RENDONS à nouveau hommage au rôle historique de l'ONU en confirmant notre adhésion à la déclaration finale du Sommet de New York ;

CONVENONS d'utiliser pleinement tous les mécanismes régionaux de règlement pacifique des conflits et de contribuer au renforcement de la diplomatie préventive soutenue par l'ONU, notamment dans l'espace francophone ;

RÉAFFIRMONS notre foi dans les valeurs démocratiques fondées sur le respect des droits de l'Homme et des libertés fondamentales, et dans le plein respect des droits des minorités ;

RÉAFFIRMONS également notre profonde détermination à faire reculer la misère et l'exclusion grâce à une solidarité de plus en plus agissante et concrète, et à une réelle implication de la société civile, particulièrement des femmes, dans le processus de développement ;

SOULIGNONS une fois de plus qu'État de droit, démocratie, développement, sécurité et paix sont nécessairement liés ;

CONDAMNONS le terrorisme sous toutes ses formes, toute tentative de remise en cause des processus de démocratisation, de déstabilisation des régimes légalement constitués et toute occupation de territoires par la force ;

PRENONS la résolution de rendre la Francophonie plus dynamique et plus porteuse d'avenir en donnant une nouvelle impulsion à l'éducation et en renforçant notre action en faveur de la jeunesse ;

MARQUONS notre volonté renouvelée de consolider la Francophonie comme instrument de dialogue et de coopération multilatérale en lui donnant les moyens juridiques, matériels et humains à la mesure de son ambition politique, notamment par la création d'un Secrétariat général de la Francophonie ;

DÉCIDONS d'agir résolument pour corriger les déséquilibres des échanges économiques et culturels, dans le sens d'un partenariat équitable et d'une solidarité réelle, et de poursuivre les efforts d'intégration économique en vue d'un développement harmonieux et durable ;

NOUS ENGAGEONS à promouvoir un espace francophone dans le domaine des nouvelles technologies de l'information et de la communication ;

DÉCLARONS notre ferme volonté de faire rayonner la Francophonie dans le monde et d'Ouvrir à la réalisation des légitimes aspirations de nos populations.

## **Sommet de Hanoi (14-16 novembre 1997)**

**Nous, chefs d'État, de gouvernement et de délégation des pays ayant le français en partage, réunis du 14 au 16 novembre 1997 à Hanoi, en République socialiste du Vietnam,**

FACE AUX DÉFIS liés à une mondialisation accélérée et à la nécessité d'en tirer le meilleur parti afin d'écartier les risques d'uniformisation réductrice, de dépendance et de marginalisation, qui touchent particulièrement les plus démunis,

CONSCIENTS de la nécessité de renforcer la dimension économique de la Francophonie pour que, de pair avec ses dimensions culturelle et politique, elle assure la pérennité de la Francophonie dans le monde d'aujourd'hui et de demain, et reconnaissant l'urgence de répondre au besoin de développement de nos peuples comme l'indique le thème du Sommet de Hanoi : « Renforcement de la coopération et de la solidarité francophones pour la paix et le développement économique et social ».

INTERPELLÉS par la persistance des crises et des conflits de toutes formes, de l'occupation étrangère des territoires de certains pays membres, de la pauvreté et du sous-développement qui affectent plus particulièrement les femmes et les enfants,

CONSCIENTS, toutefois, que, riche du patrimoine de valeurs et d'expressions diverses respectueuses des identités de chaque partenaire, et considérant la culture comme fondement du développement, la Francophonie s'affirme ouverte, plurielle, lieu de dialogue et d'échanges,

OEUVRANT, au dialogue pour faciliter le rapprochement des peuples et leur accès à la modernité grâce aux liens que crée l'usage commun de la langue française, dans le respect des cultures et des langues partenaires, et en coopération avec les autres espaces linguistiques,

RÉITÉRANT notre foi dans les valeurs démocratiques fondées sur le respect des droits de l'Homme et des libertés fondamentales, et également sur le respect des droits des peuples et sur le respect des droits des minorités,

SOULIGNANT les liens indissociables entre paix, démocratie et développement, entre éducation et formation, entre croissance économique, progrès social et développement durable, qui sous-tendent notre coopération et nos efforts dans la poursuite de notre but ultime : le mieux-être de nos populations dans l'indépendance, la liberté et la solidarité,

CONSIDÉRANT que la paix et le développement sont mieux servis par la mise en commun des ressources et des énergies, et que la



Francophonie se définit comme un espace privilégié de concertation et d'action multilatérales,

CONSIDÉRANT le rôle joué par l'Agence de la Francophonie dans l'ancrage sur la scène internationale d'une Francophonie intergouvernementale,

SALUONS la tenue, pour la première fois, d'un Sommet francophone en Asie, qui souligne ainsi la dimension universelle de la Francophonie et sa présence dans une région connue pour son dynamisme,

PRENONS l'engagement d'apporter une contribution active à la prévention et au règlement pacifique des conflits, le cas échéant, en liaison avec les organisations internationales et en utilisant pleinement les mécanismes régionaux compétents, dans un esprit de solidarité et de conciliation, et de contribuer au renforcement de la diplomatie préventive soutenue par l'ONU, tout particulièrement en Afrique et au Moyen-Orient,

OEUVRONS à l'intensification de nos activités de concertation, d'information et de formation pour dynamiser notre coopération et soutenir les efforts de nos pays pour un développement durable, en nous fondant sur l'exploitation et le partage des acquis scientifiques et techniques, et tout particulièrement, sur la mise en oeuvre du Plan d'action de Montréal consacré aux nouvelles technologies de l'information et de la communication,

DÉCIDONS de rehausser notre engagement en vue de promouvoir l'échange culturel en Francophonie sous toutes ses formes, de faciliter la circulation des créateurs et leur formation, d'assurer les échanges de leurs oeuvres et l'accès aux aides et institutions artistiques et culturelles dans tous nos pays, en donnant notre aval au principe d'une convention gouvernementale sur la culture entre nos États et gouvernements. Nous demandons à la Conférence ministérielle de la Francophonie d'en approuver le contenu dans les meilleurs délais,

FAVORISONS, dans le traditionnel esprit de solidarité francophone, l'entraide et l'élargissement de la coopération entre les pays développés et les pays moins avancés, ainsi qu'entre les pays du Sud eux-mêmes,

APPELONS tous les pays, organisations et intervenants de la famille francophone, à exploiter le riche potentiel qu'offre notre coopération multilatérale dans le domaine des ressources humaines au service du développement, particulièrement par la priorité accordée au secteur de l'éducation-formation et à intégrer pleinement dans ce processus la société civile, notamment les jeunes et les femmes,

DÉCIDONS d'apporter à la coopération multilatérale francophone, pour la mise en oeuvre du Plan d'action que nous adoptons aujourd'hui, les moyens financiers, techniques et humains nécessaires,

EXPRIMONS notre reconnaissance au Secrétaire général de l'Agence de la Francophonie, pour le service éminent qu'il a rendu à la Francophonie au cours des huit dernières années,

FAISONS du Sommet de Hanoi une étape importante dans l'évolution des institutions de la Francophonie, par la mise en oeuvre de la Charte révisée et l'élection du Secrétaire général de la Francophonie, qui renforcent la stature internationale de notre organisation,

NOUS FÉLICITONS de l'élection du premier Secrétaire général de la Francophonie, le Dr Boutros Boutros-Ghali, que nous assurons de tout notre soutien dans l'exercice de ses hautes fonctions.

**INTERNATIONAL LABOUR ORGANIZATION (ILO)**

**June 18, 1998**

**June 17, 1999**

**Declaration on Fundamental Principles and Rights at Work  
Recommendation Concerning the Prohibition and Immediate Action  
for the Elimination of the Worst Forms of Child Labour, Adopted by  
the Conference at its 87<sup>th</sup> Session, June 17, 1999**

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## International Labour Conference

87th Session  
Geneva, June 1999

### RECOMMENDATION 190

RECOMMENDATION CONCERNING THE PROHIBITION  
AND IMMEDIATE ACTION FOR THE ELIMINATION  
OF THE WORST FORMS OF CHILD LABOUR  
ADOPTED BY THE CONFERENCE AT  
ITS EIGHTY-SEVENTH SESSION,  
GENEVA, 17 JUNE 1999

### Recommendation 190

#### RECOMMENDATION CONCERNING THE PROHIBITION AND IMMEDIATE ACTION FOR THE ELIMINATION OF THE WORST FORMS OF CHILD LABOUR

The General Conference of the International Labour Organization,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its 87th Session on 1 June 1999, and

Having adopted the Worst Forms of Child Labour Convention, 1999, and

Having decided upon the adoption of certain proposals with regard to child labour, which is the fourth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation supplementing the Worst Forms of Child Labour Convention, 1999;

adopts this seventeenth day of June of the year one thousand nine hundred and ninety-nine the following Recommendation, which may be cited as the Worst Forms of Child Labour Recommendation, 1999.

1. The provisions of this Recommendation supplement those of the Worst Forms of Child Labour Convention, 1999 (hereafter referred to as "the Convention"), and should be applied in conjunction with them.

#### I. Programmes of action

2. The programmes of action referred to in Article 6 of the Convention should be designed and implemented as a matter of urgency, in consultation with relevant government institutions and employers' and workers' organizations, taking into consideration the views of the children directly affected by the worst forms of child labour, their families and, as appropriate, other concerned groups committed to the aims of the Convention and this Recommendation. Such programmes should aim at, *inter alia*:

- (a) identifying and denouncing the worst forms of child labour;
- (b) preventing the engagement of children in or removing them from the worst forms of child labour,

protecting them from reprisals and providing for their rehabilitation and social integration through measures which address their educational, physical and psychological needs;

(c) giving special attention to:

- (i) younger children;
- (ii) the girl child;
- (iii) the problem of hidden work situations, in which girls are at special risk;
- (iv) other groups of children with special vulnerabilities or needs;

(d) identifying, reaching out to and working with communities where children are at special risk;

(e) informing, sensitizing and mobilizing public opinion and concerned groups, including children and their families.

## II. Hazardous work

3. In determining the types of work referred to under Article 3(d) of the Convention, and in identifying where they exist, consideration should be given, inter alia, to:

- (a) work which exposes children to physical, psychological or sexual abuse;
- (b) work underground, under water, at dangerous heights or in confined spaces;
- (c) work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;
- (d) work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
- (e) work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

4. For the types of work referred to under Article 3(d) of the Convention and Paragraph 3 above, national laws or regulations or the competent authority could, after consultation with the workers' and employers' organizations concerned, authorize employment or work as from the age of 16 on condition that the health, safety and morals of the children concerned are fully protected, and that the children have received adequate specific instruction or vocational training in the relevant branch of activity.

## III. Implementation

5. (1) Detailed information and statistical data on the nature and extent of child labour should be compiled and kept up to date to serve as a basis for determining priorities for national action for the abolition of child labour, in particular for the prohibition and elimination of its worst forms as a matter of urgency.

(2) As far as possible, such information and statistical data should include data disaggregated by sex, age group, occupation, branch of economic activity, status in employment, school attendance and geographical location. The importance of an effective system of birth registration, including the issuing of birth certificates, should be taken into account.

(3) Relevant data concerning violations of national provisions for the prohibition and elimination of the worst forms of child labour should be compiled and kept up to date.

6. The compilation and processing of the information and data referred to in Paragraph 5 above should be carried out with due regard for the right to privacy.

7. The information compiled under Paragraph 5 above should be communicated to the International Labour Office on a regular basis.

8. Members should establish or designate appropriate national mechanisms to monitor the implementation of national provisions for the prohibition and elimination of the worst forms of child labour, after consultation with employers' and workers' organizations.

9. Members should ensure that the competent authorities which have responsibilities for implementing national provisions for the prohibition and elimination of the worst forms of child labour cooperate with each other and coordinate their activities.

10. National laws or regulations or the competent authority should determine the persons to be held responsible in the event of non-compliance with national provisions for the prohibition and elimination of the worst forms of child labour.

11. Members should, in so far as it is compatible with national law, cooperate with international efforts aimed at the prohibition and elimination of the worst forms of child labour as a matter of urgency by:

(a) gathering and exchanging information concerning criminal offences, including those involving international networks;

(b) detecting and prosecuting those involved in the sale and trafficking of children, or in the use, procuring or offering of children for illicit activities, for prostitution, for the production of pornography or for pornographic performances;

(c) registering perpetrators of such offences.

12. Members should provide that the following worst forms of child labour are criminal offences:

(a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;

(b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; and

(c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties, or for activities which involve the unlawful carrying or use of firearms or other weapons.

13. Members should ensure that penalties including, where appropriate, criminal penalties are applied for violations of the national provisions for the prohibition and elimination of any type of work referred to in Article 3(d) of the Convention.

14. Members should also provide as a matter of urgency for other criminal, civil or administrative remedies, where appropriate, to ensure the effective enforcement of national provisions for the prohibition and elimination of the worst forms of child labour, such as special supervision of enterprises which have used the worst forms of child labour, and, in cases of persistent violation, consideration of temporary or permanent revoking of permits to operate.

15. Other measures aimed at the prohibition and elimination of the worst forms of child labour might include the following:

(a) informing, sensitizing and mobilizing the general public, including national and local political

leaders, parliamentarians and the judiciary;

involving and training employers' and workers' organizations and civic organizations;

providing appropriate training for the government officials concerned, especially inspectors and law enforcement officials, and for other relevant professionals;

providing for the prosecution in their own country of the Member's nationals who commit offences under its national provisions for the prohibition and immediate elimination of the worst forms of child labour even when these offences are committed in another country;

simplifying legal and administrative procedures and ensuring that they are appropriate and prompt;

encouraging the development of policies by undertakings to promote the aims of the Convention;

monitoring and giving publicity to best practices on the elimination of child labour;

giving publicity to legal or other provisions on child labour in the different languages or dialects;

establishing special complaints procedures and making provisions to protect from discrimination and reprisals those who legitimately expose violations of the provisions of the Convention, as well as establishing helplines or points of contact and ombudspersons;

adopting appropriate measures to improve the educational infrastructure and the training of teachers to meet the needs of boys and girls;

as far as possible, taking into account in national programmes of action:

(i) the need for job creation and vocational training for the parents and adults in the families of children working in the conditions covered by the Convention; and

(ii) the need for sensitizing parents to the problem of children working in such conditions.

Enhanced international cooperation and/or assistance among Members for the prohibition and effective elimination of the worst forms of child labour should complement national efforts and may, as appropriate, be developed and implemented in consultation with employers' and workers' organizations. International cooperation and/or assistance should include:

mobilizing resources for national or international programmes;

mutual legal assistance;

technical assistance including the exchange of information;

support for social and economic development, poverty eradication programmes and universal education.

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The foregoing is the authentic text of the Recommendation unanimously adopted by the General Conference of the International Labour Organization during its Eighty-seventh Session which was held in Geneva and declared closed on 17 June 1999.

IN WITNESS WHEREOF we have appended our signatures this day of June 1999.

*The President of the Conference,*

*The Director-General of the International Labour Office,*



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- **ILO: Facts for Americans** Its goals, work, history, and how it benefits the U.S.
- **ILO Declaration on Fundamental Principles and Rights at Work** adopted at the international labor conference, June 18, 1998
- **The ILO and Global Change: 1990-1997** Modernization and streamlining of the ILO's work to meet new challenges after the end of the Cold War. Download PDF format: 1,007 KB\*
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### Declaration on Fundamental Principles and Rights at Work

Whereas the ILO was founded in the conviction that social justice is essential to universal and lasting peace;

Whereas economic growth is essential but not sufficient to ensure equity, social progress and the eradication of poverty, confirming the need for the ILO to promote strong social policies, justice and democratic institutions;

Whereas the ILO should, now more than ever, draw upon all its standard-setting, technical cooperation and research resources in all its areas of competence, in particular employment, vocational training and working conditions, to ensure that, in the context of a global strategy for economic and social development, economic and social policies are mutually reinforcing components in order to create broad-based sustainable development;

Whereas the ILO should give special attention to the problems of persons with special social needs, particularly the unemployed and migrant workers, and mobilize and encourage international, regional and national efforts aimed at resolving their problems, and promote effective policies aimed at job creation;

Whereas, in seeking to maintain the link between social progress and economic growth, the guarantee of fundamental principles and rights at work is of particular significance in that it enables the persons concerned to claim freely and on the basis of equality of opportunity their fair share of the wealth which they have helped to generate, and to achieve fully their human potential;

Whereas the ILO is the constitutionally mandated international organization and the competent body to set and deal with international labour standards, and enjoys universal support and acknowledgement in promoting fundamental rights at work as the expression of its constitutional principles;

Whereas it is urgent, in a situation of growing economic interdependence, to reaffirm the immutable nature of the fundamental principles and rights embodied in the Constitution of the Organization and to promote their universal application;

The International Labour Conference,

1. Recalls:

(a) that in freely joining the ILO, all Members have endorsed the principles and rights set out in its Constitution and in the Declaration of Philadelphia, and have undertaken to work towards attaining the overall objectives of the Organization to the best of their resources and fully in line with their specific circumstances;

(b) that these principles and rights have been expressed and developed in the form of specific rights and obligations in Conventions recognized as fundamental both inside and outside the Organization.

2. Declares that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:

(a) freedom of association and the effective recognition of the right to collective bargaining;

(b) the elimination of all forms of forced or compulsory labour;

(c) the effective abolition of child labour; and

(d) the elimination of discrimination in respect of employment and occupation.

3. Recognizes the obligation on the Organization to assist its Members, in response to their established and expressed needs, in order to attain these objectives by making full use of its constitutional, operational and budgetary resources, including by the mobilization of external resources and support, as well as by encouraging other international organizations with which the ILO has established relations, pursuant to article 12 of its Constitution, to support these efforts:

(a) by offering technical cooperation and advisory services to promote the ratification and implementation of the fundamental Conventions;

(b) by assisting those Members not yet in a position to ratify some or all of these Conventions in their efforts to respect, to promote and to realize the principles concerning fundamental rights which are the subject of those Conventions; and

(c) by helping the Members in their efforts to create a climate for economic and social development.

4. Decides that, to give full effect to this Declaration, a promotional follow-up, which is meaningful and effective, shall be implemented in accordance with the measures specified in the annex hereto, which shall be considered as an integral part of this Declaration.

5. Stresses that labour standards should not be used for protectionist trade purposes, and that nothing in this Declaration and its follow-up shall be invoked or otherwise used for such purposes; in addition, the comparative advantage of any country should in no way be called into question by this Declaration and its follow-up.

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## Annex



## Follow-up to the Declaration

### **I. Overall purpose**

1. The aim of the follow-up described below is to encourage the efforts made by the Members of the Organization to promote the fundamental principles and rights enshrined in the Constitution of the ILO and the Declaration of Philadelphia and reaffirmed in this Declaration.
2. In line with this objective, which is of a strictly promotional nature, this follow-up will allow the identification of areas in which the assistance of the Organization through its technical cooperation activities may prove useful to its Members to help them implement these fundamental principles and rights. It is not a substitute for the established supervisory mechanisms, nor shall it impede their functioning; consequently, specific situations within the purview of those mechanisms shall not be examined or re-examined within the framework of this follow-up.
3. The two aspects of this follow-up, described below, are based on existing procedures: the annual follow-up concerning non-ratified fundamental Conventions will entail merely some adaptation of the present modalities of application of article 19, paragraph 5(e) of the Constitution; and the global report will serve to obtain the best results from the procedures carried out pursuant to the Constitution.

### **II. Annual follow-up concerning non-ratified fundamental Conventions**

#### *A. Purpose and scope*

1. The purpose is to provide an opportunity to review each year, by means of simplified procedures to replace the four-year review introduced by the Governing Body in 1995, the efforts made in accordance with the Declaration by Members which have not yet ratified all the fundamental Conventions.
2. The follow-up will cover each year the four areas of fundamental principles and rights specified in the Declaration.

#### *B. Modalities*

1. The follow-up will be based on reports requested from Members under article 19, paragraph 5(e) of the Constitution. The report forms will be drawn up so as to obtain information from governments which have not ratified one or more of the fundamental Conventions, on any changes which may have taken place in their law and practice, taking due account of article 23 of the Constitution and established practice.
2. These reports, as compiled by the Office, will be reviewed by the Governing Body.
3. With a view to presenting an introduction to the reports thus compiled, drawing attention to any aspects which might call for a more in-depth discussion, the Office may call upon a group of experts appointed for this purpose by the Governing Body.
4. Adjustments to the Governing Body's existing procedures should be examined to allow Members which are not represented on the Governing Body to provide, in the most appropriate way, clarifications which might prove necessary or useful during Governing Body discussions to supplement the information contained in their reports.

### **III. Global report**

#### *A. Purpose and scope*

1. The purpose of this report is to provide a dynamic global picture relating to each category of fundamental principles and rights noted during the preceding

four-year period, and to serve as a basis for assessing the effectiveness of the assistance provided by the Organization, and for determining priorities for the following period, in the form of action plans for technical cooperation designed in particular to mobilize the internal and external resources necessary to carry them out.

2. The report will cover, each year, one of the four categories of fundamental principles and rights in turn.

#### *B. Modalities*

1. The report will be drawn up under the responsibility of the Director-General on the basis of official information, or information gathered and assessed in accordance with established procedures. In the case of States which have not ratified the fundamental Conventions, it will be based in particular on the findings of the aforementioned annual follow-up. In the case of Members which have ratified the Conventions concerned, the report will be based in particular on reports as dealt with pursuant to article 22 of the Constitution.

2. This report will be submitted to the Conference for tripartite discussion as a report of the Director-General. The Conference may deal with this report separately from reports under article 12 of its Standing Orders, and may discuss it during a sitting devoted entirely to this report, or in any other appropriate way. It will then be for the Governing Body, at an early session, to draw conclusions from this discussion concerning the priorities and plans of action for technical cooperation to be implemented for the following four-year period.

#### **IV. It is understood that:**

1. Proposals shall be made for amendments to the Standing Orders of the Governing Body and the Conference which are required to implement the preceding provisions.

2. The Conference shall, in due course, review the operation of this follow-up in the light of the experience acquired to assess whether it has adequately fulfilled the overall purpose articulated in Part I.

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The foregoing is the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up duly adopted by the General Conference of the International Labour Organization during its Eighty-sixth Session which was held at Geneva and declared closed the 18 June 1998.

IN FAITH WHEREOF we have appended our signatures this nineteenth day of June 1998.

The President of the Conference,

The Director-General of the International Labour Office.

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For further information, please contact the Official Relations Branch at Tel: +41.22.799.7732 or Fax: +41.22.799.8944 or by e-mail: [RELOFF@ilo.org](mailto:RELOFF@ilo.org)

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The *ILO Declaration on Fundamental Principles and Rights at Work* is the third such instrument in the ILO's 80 years. The first was the Declaration of Philadelphia, which was adopted in 1944 and equipped the Organization to deal with postwar workplace issues. It presaged the United Nations Universal Human Rights Declaration, and was later annexed to the ILO's Constitution. President Roosevelt told delegates to the 1944 International Labor Conference in Philadelphia that the Declaration they had just adopted "sums up the aspirations of an epoch which has known two world wars." Referring to the American Declaration of Independence, he said, "The Declaration which you have formulated in Philadelphia may well acquire a similar significance. In it you have reaffirmed principles which are the essential bulwarks of any permanent peace."

The second such instrument in ILO history was the "Declaration Concerning Action Against Apartheid," adopted in 1964 and rescinded in 1994, the same year that South Africa rejoined the ILO after a thirty-year absence. It reaffirmed the principle of the Declaration of Philadelphia stating that "all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.

The anti-apartheid Declaration called upon the South African government to end apartheid and establish workplace policies, laws and regulations free from discrimination. Among its other provisions was the requirement that the ILO's Director-General report annually to the International Labor Conference on the situation in South Africa and that he recommend measures to end apartheid.

Constant ILO attention focused on apartheid in South Africa is credited with having contributed to its demise. The current President, Nelson Mandela, recalled these times when he said: "We thank [the ILO] that you refused to forget us. We thank you that you did not tire in your struggle."

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**UNCTAD X**

**February 13, 2000**

**Ministerial Meeting of Least Developed Countries, Bangkok**

## UNCTAD X

Bangkok, 12-19 February 2000

### MINISTERIAL MEETING OF LEAST DEVELOPED COUNTRIES

## COMMUNIQUÉ BY THE MINISTERS OF TRADE OF THE LEAST DEVELOPED COUNTRIES

*Adopted at UNCTAD X, in Bangkok, on 13 February 2000*

The Ministers of Trade of the least developed countries met in Bangkok on 13 February 2000 on the occasion of UNCTAD X. While underscoring the importance of UNCTAD X as it takes place at the turn of a new century and a new millennium, the Ministers noted the challenge as well as the opportunity offered by the occasion for the international community to address the shortcomings of the external environment and the constraints it poses on the development efforts of the developing countries, particularly the least developed among them.

The Ministers reviewed the process of integration of their economies into a rapidly globalizing and liberalizing world economy as the world enters the twenty-first century. They reiterated their concern at the continuing marginalization arising from this process as reflected in their low and declining share in world trade, investment and output, further aggravated by their heavy external debt burden and falling ODA. As the **1999 LDCs Report** clearly highlights, these processes have added to the familiar supply-side constraints in their countries as they attempt to adjust to the new, more competitive international environment. The sum total of these factors has been their adverse impact on the already worsening socio-economic situation and structural weaknesses inherent in the LDCs' economies. In this regard, the Ministers called for intensified efforts by the international community to support them in their struggle to reverse these trends by overcoming the inherited disadvantages and structural constraints and put their economies on a sustainable growth path.

They underlined that beneficial integration of the LDCs into the global economy and the multilateral trading system as its main driving force would require concrete actions by the LDCs and their development partners to strengthen LDCs' supply capacities, inter alia through the development of physical infrastructure and human resource development, improved market access, and economic space within which appropriate policy instruments could be deployed to strengthen the competitiveness of sectors of strategic importance for the development of their trade. In this context, they expressed concern at the delay by their trading and development partners in providing bound, duty-free and quota-free market access for all products originating in the least developed countries, as well as adequate ODA, comprehensive debt relief, encouragement and promotion of FDI flows and technology transfer. The Ministers strongly believed that a combination of these measures would have a clear positive impact on LDCs' socio-economic performance and would render their pursuit of domestic economic reforms sustainable. Free market access would only be meaningful if accompanied by relaxed and favourable rules of origin. Ministers called for more stable global prices for commodities to ensure predictable flows of export revenue for their development. In this context, Ministers called for the setting up of a mechanism for the review of price structures of LDCs' exports.

The Ministers attached importance to a rule-based multilateral trading system. A rule-based multilateral trading system provides for predictability and security of market access, which small trading nations such as LDCs need most. They stressed, however, that the formulation of new rules must take into account their special development needs

and their limited capacity to implement resulting agreements. In this regard, they emphasized that the forthcoming trade negotiations take into account their proposals submitted to WTO in document WT/GC/W/251 and further agreed to keep under review the progress made in this regard. They further called for thorough consideration of problems of implementation of existing multilateral trade agreements faced by the LDCs with a view to adopting corrective measures, including binding provisions on technical assistance. In the provision of these measures, the LDCs should not be required to undertake commitments that go beyond requirements for compliance with existing obligations in the WTO Agreements.

The Ministers underscored the critical importance of UNCTAD's technical assistance in strengthening the capacity of the LDCs to formulate a positive agenda and strategies in trade negotiations that enable them to participate more actively and defend their interests in multilateral trade negotiations. They also welcomed UNCTAD's analytical work and capacity-building activities in the area of investment which contribute to the ongoing national efforts in LDCs for attracting investment, especially foreign direct investment. Ministers called on UNCTAD to continue such assistance in the above areas.

Acceleration of the process of accession of the LDCs seeking accession to the WTO is a matter to which the Ministers attached greatest importance. They viewed their accession as the first logical step in their integration into the global economy. They therefore called for the establishment of clear, simplified and fast-track procedures for the accession of LDCs that are not yet members of the WTO which allow for the completion of the process within one year following application. LDCs seeking accession should automatically have their status recognized and not be subjected to commitments which go beyond those of LDCs members of the WTO.

The Ministers noted with concern the slow pace of implementation of the Integrated Framework for Trade-Related Technical Assistance Activities and the lack of results from the round tables held so far for LDCs. They called upon bilateral and multilateral development partners to provide adequate resources to facilitate the implementation of various projects proposed by LDCs at round tables. The Ministers reiterated their call contained in their Seattle Declaration for an independent review of the Integrated Framework process with a view to reaching a common understanding on the objectives of the Integrated Framework, the institutional arrangements for its implementation, with clear benchmarks for its periodical review, and the expected outcome of the process and modalities for the mobilization of resources for the implementation of the various projects proposed by LDCs and by the core agencies in accordance with their respective mandates.

The Ministers stressed the importance of providing support to international organizations concerned with production and trade in commodities of LDCs, such as the International Jute Organization (IJO) and the Common Fund for Commodities (CFC).

The Ministers reaffirmed the commitment of their Governments to ensure effective and successful preparations for the Third United Nations Conference on the LDCs. In this connection, the Ministers welcomed the efforts undertaken by the UNCTAD secretariat in its capacity as the Conference secretariat for the Third United Nations Conference on the Least Developed Countries aimed at ensuring adequate country-level preparations by the LDCs for the Conference. The Ministers expressed appreciation to the European Union and bilateral development partners who have provided resources for the preparatory process for the Conference. They called upon the World Bank, UNDP and bilateral development partners who have not yet done so to provide resources to the Secretary-General of the Conference to ensure the success of the preparatory process of the Conference at various levels. The Ministers viewed the Conference as an important event for the international community to chart and adopt a "Collective Vision for Joint

Action" for the next decade to enable the LDCs to emerge decisively, once and for all, from their marginalization.

The Ministers welcomed the measures taken by the United Nations General Assembly to strengthen the Office of the Special Coordinator for the Least Developed, Landlocked and Island Developing Countries through additional resources. They called upon the Secretary-General of UNCTAD to match this effort by redeploying internal resources so as to bring the staffing position in the Office of the Special Coordinator to levels commensurate with its mandate, including in carrying out the task of spearheading the preparations for the Third United Nations Conference on the LDCs and in fulfilling its vital role in the coordination of UN-system-wide activities in favour of LDCs.

The Ministers expressed their appreciation to the Thai Government for hosting UNCTAD X and for the generous hospitality accorded them during their stay in Bangkok. They also conveyed their appreciation to the Governments of Belgium, Ireland, Norway, Switzerland and the United Kingdom for providing the resources which facilitated the participation of some LDCs at UNCTAD X, as well as to the Governments of Finland and The Netherlands and to the European Union for their contribution in support of the preparatory process for the Third United Nations Conference on the Least Developed Countries.

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