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COOPERATION AMONG DEVELOPING COUNTRIES
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DRAFT REPORT OF THE STANDING COMMITTEE ON ECONOMIC
COOPERATION AMONG DEVELOPING COUNTRIES
on its first session

Held at the Palais des Nations, Geneva,
from 11 to 15 January 1993

Rapporteur: Mr. E. Manakine (Russian Federation)

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Chapter I

ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE

(Agenda item 3)

(continued)

13. The representative of Bangladesh stated that although trade expansion was supposed to be the centre-piece of ECDC efforts, results in this area were not encouraging. South-South trade accounted for only 7.2 per cent of global trade in 1991. A number of factors had prevented ECDC efforts from realizing their full potential. These included: the imposition by developing countries of trade restrictions against other developing countries, including the least developed countries; difficulties in promoting complementary production structures; absence of an ECDC component in national macroeconomic policies of developing countries; lack of institutional arrangements at the country level for promoting ECDC; and lack of a clear understanding of the role of international support for ECDC. Regarding the latter, international donor agencies and developed countries may assist ECDC only when developing countries proposed viable projects for their investment, and when the interest of donors and recipients converged. With respect to the work programme of the Committee, a number of points were emphasized. The question of expert groups called for careful consideration: there must be an evaluation of the outcome of previous expert group meetings and scrupulous definition of the terms of reference of new expert groups, emphasizing the preparation of viable projects for ECDC with suggestions for practical implementation measures. In addition, greater involvement of the private sector was essential in order to establish joint ventures and promote flows of trade and direct investment among developing countries. Furthermore, while the scope of potential areas for ECDC was wide-ranging, there was a need to focus on priority areas. Lastly, it was urgent to overcome the current lack of coordination and solidarity among developing countries as well as at the international level, and to prioritize areas in which development could be promoted through ECDC.

14. The spokesman for the Latin American Group (Peru) endorsed the secretariat's view that the operational effort of UNCTAD regarding ECDC should be strengthened. He also stated that the work programme of the Committee should take into account the following issues: (a) give priority to the analysis and recommendations concerning links between different integration schemes, especially at the interregional level; (b) identify ways in which the various integration schemes could interact, with a view to increasing trade,

finance and technological exchanges; (c) coordinate the work of the Standing Committee with that of other UNCTAD bodies covering related fields, such as the Ad Hoc Working Groups on Trade Efficiency and on Expansion of Trading Opportunities in Developing Countries, in view of the interdisciplinary nature of the subject; (d) promote exchanges of experience among private enterprises; (e) foster the Global System of Trade Preferences among Developing Countries (GSTP) particularly preparations for the Second Round; and (f) give favourable consideration to the secretariat proposals on establishing a dialogue between the donor community and the recipient country groupings.

15. The representative of Cuba asked for document UNCTAD/ECDC/332 - Report of a meeting on inter-enterprise cooperation between developing countries, held in Havana, Cuba, from 11 to 14 May 1992 (November 1992) - to be distributed and considered as a working document of the Committee.

16. The representative of Japan said that the recent changes in the global political and economic environment had made ECDC more important. Hence the establishment of a viable and well-defined work programme of the Standing Committee merited utmost care. The main aim of the Committee's work was towards a better understanding of ECDC issues as this would pave the way to enhanced cooperation. An exchange of experiences among member States in this regard had great relevance. For example, valuable lessons could be drawn from the economic cooperation process in Asia and the Pacific region. The Committee should identify the main impediments and disincentives to the expansion of South-South trade and cooperation, then examine the policy measures needed to address those problems. Given the key role of enterprises in the promotion of ECDC, the Committee should also undertake policy analysis and formulate recommendations to enhance their contribution within groupings. Revitalization of ECDC was very important for integrating developing countries into the world economy.

17. The representative of China said that ECDC was an important factor for the economic growth of developing countries, and a stimulus to North-South negotiation and the maintenance of peace. Now that the cold war had ended, revitalization of the world economy, in particular the economies of the developing countries, was the major challenge. The deepening of some integration processes in the developed world and the increased protectionism within these countries called for adequate responses from the developing countries so as to cope with this unfavourable environment. Developing countries would have to strengthen their solidarity and rely on their own

efforts. The maintenance of the Committee, following the restructuring of UNCTAD, proved that ECDC was deemed central to coordination of policies of the developing countries. Document TD/B/CN.3/2 provided by the secretariat could serve a useful basis for discussion of the work programme as could the Terms of Reference. The need to revitalize trade as an instrument for ECDC implied the removal of structural barriers to trade, establishment of trade-information networks, improvement of export production capacities, expansion of intra-group trade, support for trade liberalization policies, and consideration of modalities for providing international support. Specifically referring to the Cartagena Commitment and to the Terms of Reference of the Standing Committee, he reminded the Committee that its task was to "review studies and, if appropriate, make proposals on the establishment of, and support for, an interregional trade finance mechanism among developing countries". While implementation of ECDC rested mainly on the developing countries themselves, there was a need to provide support to ECDC projects. China, itself a developing country, accorded high priority to cooperation with other developing countries in accordance with the principle of equality, mutual benefits, efficiency and common development. A large number of agreements covering more than 1,000 projects had already been made with other developing countries. The status of China as an observer with the Non-Aligned Movement and its strengthening relationship with the Group of 77 was evidence of China's willingness to contribute to the revitalization of the developing countries as a whole.

18. The representative of the Organisation for Economic Cooperation and Development (OECD) said that this meeting was regarded as important for anchoring the work on ECDC in the context of the new international environment and in the spirit of Cartagena. OECD had taken an increasing interest in monitoring the activities of regional groupings. The phenomenon of regional integration was the subject of OECD trade studies to assess its compatibility with the objectives of the Multilateral Trading System. The extent to which it could contribute to the integration of developing countries into the world trading system was the primary focus. In addition, while acknowledging the growing interest among developing countries in the new generation of regional initiatives, OECD's Development Assistance Committee (DAC) recognized that the donor community must become increasingly sensitive to the objectives of these groupings, seek ways to encourage them and avoid policies which might obstruct these efforts. To this effect, the DAC held a meeting in September 1992 on

the "New Regional Initiatives and Roles for Development Cooperation". The outcome of the meeting showed that DAC members recognized the range of new regional cooperation and integration initiatives being promoted by developing countries through pragmatic approaches, in a shift away from industrial planning and import substitution towards market-oriented policies that promoted international competitiveness. They were likewise made more aware of the need to reflect the regional dimension in the design and implementation of development cooperation and were ready to support and encourage such initiatives. This factor constituted a major challenge for donors as their aid policies had traditionally been conducted on a primarily bilateral basis. In this respect, five points were relevant, namely: (a) the need for greater sensitivity to the regional dimension of assistance; (b) support must lead to a rationalization and streamlining of regional institutions; (c) donors could help in identifying areas suitable for regional approaches; (d) innovative ideas were needed for promoting communication and problem-solving capacity by both governmental and non-governmental sectors; and (e) promising examples for regional arrangements should be identified and their progress monitored so as to provide useful lessons for others.

19. She also outlined the objectives and working methods of the OECD which, historically, were to increase transparency, enhance coordination and coherence of OECD country policies, and to work towards an open, multilateral trading system. The working methods revolved around consensus-building through the exchange of information among experts, sharing of experiences, monitoring of policies, and peer review to oversee implementation.

20. The representative of Food and Agriculture Organization (FAO) said that ECDC/TCDC was among the priority means of action in FAO's activities. Support to ECDC went back to the early years of the Organization through the regional fishery bodies, desert locust programmes and commodity groupings.

Intercountry economic cooperation was now the centre-piece of the activities of a number of FAO-sponsored commissions, technical bodies and intergovernmental commodity groups. The regional and subregional cooperation and integration groupings provided natural channels for such cooperation, thus signifying the importance of such bodies, as mentioned in (TD/B/CN.3/2, para. 11). FAO's studies on global and regional strategies and policies made significant contributions to ECDC by focusing on production complementarities, trade possibilities and on programmes and policies designed to promote collective or regional self-reliance. Similarly, FAO's ongoing collaboration

with the Organization of African Unity (OAU) in the development of a "Common African Agricultural Programme" (CAAP) was expected to provide the basis for the preparation of a protocol on food and agriculture by the African Economic Community (AEC). FAO was collaborating with a number of developing countries as well as regional and subregional bodies in promoting cooperative arrangements in the field of pest control, food security, environmental protection, agricultural and commodities trade and market information, fisheries and forestry research, management and development. As noted by the secretariat, there was a growing realization in the developing world that the scope of ECDC should go beyond trade (TD/B/CN.3/3, para. 2). FAO had been supporting ECDC across the whole range of its field of its competence. The Organization was guided by the conviction that the developing countries were the prime movers and that FAO's support was catalytic. Lastly, he assured the Committee of FAO's continued support to ECDC within the resources available.

21. The representative of Iraq concurred with the Chairman's assessment of the important themes for ECDC set out TD/B/CN.3/2 and other relevant reports. Revitalization of trade among countries members of integration groupings was important because trade was the driving force for their development. In this respect, an essential area for inclusion in the work programme of the Committee was the removal of barriers, whether structural or other, to the expansion of trade among developing countries. Iraq, a major oil exporter, had an open economy where foreign trade was important and so it could contribute to increasing South-South trade flows. However, actions to prevent such trade flows, as for example the economic blockade imposed on Iraq still in force after over two years, prevented it from fulfilling its national and international economic commitments and fully expanding trade relations with other developing countries. The Committee should, both from humanitarian and economic viewpoints, seek to address such problems.
