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1. INTRODUCTION

In the Fall of 1982, when the debt crisis erupted, there were few who anticipated that the debt problem could still be acute at the end of the decade. In fact the "distress" in the debt problem countries has become increasingly evident in the last two years. The complex interlinkages between political, social and economic factors in the debtor countries are more obvious and are seen to be not only a domestic concern but also an important international concern.

The aim of this paper is to define and analyze the problem of indebtedness of Third World developing countries and the several initiatives which have been launched to solve it since the outbreak of the debt crisis in 1982. It does not approach the debt crisis as primarily a technical issue of financial stability, but rather as a social, political and economic problem that should be of critical importance to all parties concerned - the debtor countries governments, the governments of the industrialized nations, the main creditors (governments and international financial institutions) and the commercial banks. Whenever possible, special attention will be drawn to the view of the European Community (or one of its institutions) and of its member States. However, these views do not represent a policy of the European Community as such. The EC does not have direct competence in matters of financial policy - only indirect competence insofar as the debt issue affects foreign trade, which is an area of exclusive EC competence (Art. 113 EEC Treaty). The Community also has the obligation to harmonize the positions of its member States in international economic organisations and conferences (Art. 116 EEC Treaty). Yet, this does not apply to the IMF or the World Bank.

The study starts with a **general analysis** of the present situation of the external debt of the developing countries. Special attention is focused on the economic burden of the external debt of two groups of debt-distressed countries - the Highly Indebted Countries or HICs (mainly South and Central American countries) and Sub-Saharan Africa, which between them account for more than half of all debts. For these groups the debt crisis has become a growth crisis as well. For reasons of comparability, the statistical data in this chapter have been derived from one main source, the World Debt Tables 1988-89 of the World Bank.

In chapter 3, before going into the various initiatives which have been launched to solve the debt crisis, the **origins of the debt crisis** are reviewed. Four principal areas can be distinguished: External factors such as rising real interest rates, declining commodity prices and recession in the industrialized countries; inadequate policies in debtor countries; imprudent bank lending; failure of the industrialized countries to detect sufficiently early the incipient crisis. Without any understanding of these major causes and principal actors it would be impossible to assess the different initiatives which have been launched since 1982.

Finally, in chapter 4, the evolution of debt strategy - i.e. the strategy of solving the debt problem - is traced. Since the outbreak of the debt crisis in 1982 three distinct phases can be distinguished in this strategy. Following an initial phase (1982-1985) dominated by efforts to contain the systematic threats to the international financial and economic system posed by the eruption of the debt crisis ("crisis management"), and a second phase (1985-

1988) in which the intention was to restore capital flows and growth to debt-distressed countries (The "Baker-initiative"), the debt strategy has now clearly entered into a third phase (1988-), directed at the "solvency" dimension of the debt problems, in which the reduction of debt burden is seen as a sine qua non condition for resumed growth and creditworthiness in debtor countries.

The paper concludes with a bibliographical annex which gives references on the subject and on the resolutions adopted by the European Parliament since 1985, and with a glossary of terms used.

2. ANALYSIS OF THE CURRENT SITUATION

According to current estimates in the World Bank 1989 World Debt Tables the total debt of developing countries had reached nearly \$ 1,320 billion - around 50% of their combined GNP - at the end of 1988. This would represent an increase of \$ 39 billion, or 3%, over the debt outstanding at the end of 1987, and points to a much slower rate of nominal debt accretion than in 1987 (11%). This can be attributed to three main factors:

- Some voluntary debt reduction by commercial creditors favoured a number of major middle-income debtors.
- Exchange rate changes: The appreciation of the US dollar brought down the dollar value of debt denominated in other currencies (yen, deutschmark and pound sterling, among others).
- The continued reluctance of commercial lenders to provide new funds.

Table 1.

The growth of External Debt, 1982-89

(US\$ billions)	1982	1983	1984	1985	1986	1987	1988a	1989a
DRS reporting Countries	752	816	852	962	1,053	1,170	1,200	1,175
Long-Term Debt b	562	645	687	794	894	996	1,020	1,000
From Official Sources	203	226	238	305	364	437	450	460
From Private Sources	359	419	449	489	530	559	570	540
Short Term Debt c	169	140	132	131	119	133	140	135
Use of IMF Credit	21	31	33	38	40	40	40	40
Other Developing d Countries	86	86	81	89	99	111	120	125
Total External Debt	831	894	933	1,051	1,152	1,281	1,320	1,300

- a. Data are preliminary estimates
- b. Data for Poland are included only from 1984 onwards
- c. Data reflects the no-rescheduling of some billion of short term debt to banks into long term debt in 1983-87
- d. Includes data for developing countries that do not report through DRS and for those that report in a form that does not permit publication in the standard tables; excludes debts of the high-income oil-exporting countries

Source: World Debt Tables 1988-89. Volume I, Volume I, p. x, World Bank 1989.

Despite the generally favourable conditions for economic growth in 1988 the debt crisis entered its 8th year. During 1988 the global economy continued to improve beyond expectations, due mainly to an acceleration of growth, to 3.9% in the industrialized countries. Interest and exchange rates were less volatile than during earlier phases of the recovery from the world-wide recession of 1982, and prices of the principal commodities exported by developing countries rose by an average of 20% in \$ terms.

Some developing countries had taken advantage of the favourable world environment. Most countries in Asia did well; their average real Gross Domestic Product (GDP) growth was estimated at 6.8% for 1988. Average real GDP growth for all developing countries is now projected at 4.4% for 1988, virtually unchanged from 1987.

Table 2

Growth of GDP and GNY per Capita in Developing Countries, by Region, 1980-88 (average annual percentage change)								
Country Group	GDP (US\$ billions) 1987	Population (millions) 1987	GDP (US\$ billions)			GNY per capita		
			1980-86	1987	1988 ^a	1980-86	1987	1988 ^{a,b}
All Developing Countries	2,556.0	3,648.0	3.8	4.5	4.4	1.4	3.1	2.3
Regional Groups								
Sub-Saharan Africa ^c	131.0	412.0	0.3	-1.8	3.1	-3.4	-5.2	0.0
Asia	1,082.0	2,519.0	7.1	7.4	6.8	5.4	5.8	4.9
Europe, Middle East, and North Africa	496.0	281.0	2.8	3.1	3.1	0.4	1.2	0.8
Latin America and the Caribbean	762.0	403.0	1.1	2.6	1.8	-2.1	1.5	-0.4
Income Groups								
Low Income	684.0	2,420.0	7.6	6.7	6.9	5.6	4.4	5.0
Middle Income	1,872.0	1,229.0	2.3	3.5	3.2	-0.6	2.3	0.9
Miscellaneous Groups								
Exporters of Manufacturers ^d	1,282.0	2,115.0	6.2	6.4	5.8	4.6	4.9	4.1
Middle-Income Oil Exporters ^e	430.0	487.0	1.2	0.6	2.2	-2.6	-0.2	-0.4
HICs ^f	867.0	583.0	0.8	1.6	2.0	-2.4	-0.1	-0.4

Source: World Bank data.

Notes:

"Developing countries" refers to the ninety-country group used for analytical purposes in the World Development Report and other Bank documents plus Poland and Hungary. GNY per capita (income per capita) is the GDP per capita, corrected for changes in terms of trade.

a. Preliminary, as shown in 1988 *World Development Report*. Subsequent estimates show very little change except for China.

b. Preliminary GDP per capita estimate.

c. Excludes South Africa.

d. Includes Brazil, China, Hong Kong, India, Israel, Republic of Korea, Portugal, Singapore, Yugoslavia, and Taiwan, China.

e. Includes Algeria, Cameroon, Congo, Ecuador, Egypt, Gabon, Indonesia, Mexico, Nigeria, Syria, Trinidad and Tobago, and Venezuela.

f. Includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cote d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia.

Source: World Debt Tables 1988-89. Volume I, p. xiv.

But, as in the past, that average comprises wide divergences between regions and country groupings, and aggregate trends are notably influenced by the strong performance of just a few countries. The financial and economic

situation in the developing countries has become markedly heterogeneous in the course of this decade - to the point that it is no longer useful, or indeed valid, to present comments and analyses on the situation of developing countries as a group. Given this diversity, some form of more or less comprehensive "financial geography" is essential. In other words, there is no substitute for close analysis of the financial position of various categories of developing countries. This can never be totally satisfactory because of the heterogeneity within any defined category, whether it is an income group or a regional group, but at least it offers insights into the complex patterns and trends in the debt situations of developing countries.

For the two groups of debt-distressed developing countries - the **Highly Indebted Countries or HICs** (mainly South- and Central American countries) and **Sub-Saharan Africa**, which between them account for more than half of all debts - the impact of strong growth in industrial countries has been limited. The growth rates of many African countries remained near zero. The heavily indebted Latin-American economies also continued to stagnate. Obviously, for most of these countries, the debt crisis has become a growth crisis as well. This seems reasonable enough to look in details into the economic burden of the external debt of these groupings.

2.1. The Highly Indebted Countries (HICs)

The World Bank puts the world's 17 most highly indebted developing countries into this category. As table 2, note f, shows, most of these countries are located in Latin America. Two of them, however, Nigeria and the Ivory Coast are Sub-Saharan Africa.

During 1987 the external debt of the HICs grew by 9.5% to \$527 billion. Over 70% of that nominal increase was the result of valuation effects associated with the continued weakness of the dollar throughout 1987. HICs' total debt remained virtually unchanged in 1988 (\$529 billion) for reasons already mentioned at the beginning of this chapter.

More than two-thirds of the HICs' total debt is held by commercial creditors whose claims contain a dominant share of dollar denominated loans. Of the remainder, 8.2% is owed to the World Bank and 4.1% to the International Monetary Fund (IMF), whose loans include a large component of non-dollar currencies.

In order to be able to assess the magnitude of the economic burden of the external debt of the HICs, a financial and economic analysis of the countries is essential.

Table 3

Highly Indebted Countries and the World Economy, 1980-88									
	1980	1981	1982	1983	1984	1985	1986	1987	1988 ^c
<i>Percentage Real Change</i>									
Economic Growth Indicators									
Industrial Country Output	1.3	2.0	-0.4	2.8	4.5	3.1	2.7	3.3	3.9
World Trade ^a	1.3	2.4	-1.0	3.0	9.9	4.0	2.6	4.3	7.5
HIC GDP ^b	5.6	0.6	-0.4	-2.9	1.9	3.7	3.4	1.7	2.0
HIC Investment ^b	9.4	0.4	-13.1	-21.0	-2.1	4.5	1.9	0.8	-2.9
HIC per Capita Consumption ^b	3.4	0.3	-2.2	-4.1	-1.7	0.2	2.6	-1.4	-0.6
HIC Exports ^b	1.1	-6.6	0.0	5.0	9.3	2.2	0.7	0.4	6.4
HIC Imports ^b	8.2	2.3	-14.1	-20.4	-1.1	-1.6	4.0	-1.7	2.0
<i>US\$ billions</i>									
Total External Debt	289.0	351.0	391.0	422.0	438.0	454.0	482.0	527.0	529.0
Net Flows to HICs	28.6	43.7	34.6	19.1	13.3	6.0	4.5	6.2	7.6
Net Resource Transfers to HICs	8.8	18.3	3.7	-9.9	-19.9	-26.5	-25.8	-21.8	-31.1

a. Volume.

b. Constant 1980 US dollars.

c. Preliminary estimates

Source: World Debt Tables 1988-89. Volume I, p. xvii.

Despite adjustment measures, growth rates in the HICs are still low. Preliminary estimates put 1988 HICs growth at about 2%, up from 1.6% in 1987. The increase in their export volume in 1988 is estimated at 6.4%, compared with 10% for major exporters of manufactures. However, combined with the lack of external financing, this only permitted a modest increase of 2% in the volume of imports, after some five years of almost uninterrupted import contraction (Table 3). The HICs therefore still had to hold back on investment.

Although both per capita income and consumption in these countries have declined in practically every year since 1980, the adjustment burden has fallen mainly on investment. Investment in 1988 was only two-thirds of the average level of the 1970s. The decrease in investment is roughly equal to the amount of net resource transfers. In 1988, net transfers - disbursements minus interest and principal repayments - on long term debt from HICs to their creditors amounted approximately \$ 31.1 billion. This implies that total debt service payments - the payment obligations arising from debt outstanding and disbursement (debt stock) - exceeded gross inflows. In other words, net real resources were transferred from the economy.

In parallel to the failure of investment to recover in the HICs, runs the reluctance of the commercial banks to provide new funds to the HICs. Out of the six debt-restructuring agreements with commercial creditors, negotiated in 1988, only one, for Brazil, contained a significant new money component (\$ 5.2 billion). That package represented almost 70% of total concerted lending commitments for 1988. It served mostly to clear the interest arrears that Brazil had accumulated since February 1987. Generally, the main focus of concerted lending was to refinance a proportion of interest due so as to keep loans current.

Both phenomena, declining investment and new commercial funds, are mutually reinforcing. The uncertainty surrounding the outcome of the debt crisis and, in some countries, the sheer size of debt in relation to economic capacity are daunting to all investors - internal and external. These uncertainties are reflected in the secondary market prices of claims on HICs, which now average below 50 cents on the dollar, and in the continuation of the phenomenon of capital flight.

A variety of concepts are used to measure and assess the economic burden of external debt. Three of these, the traditional debt service ratio, the debt-to-export ratio and the debt-to-GNP ratio, will be applied to the HICs and Sub-Saharan Africa.

Table 4

Key Debt Indicators, 1985-88

Country Group	Debt Service Ratio ^a				Debt-Export Ratio ^a			
	1985	1986	1987	1988 ^b	1985	1986	1987	1988 ^b
Developing countries	23.1	24.6	22.6	21.5	163.5	189.0	180.7	170.0
Low-Income	12.7	14.8	14.0	14.5	156.7	177.1	182.1	180.0
Middle-Income	24.8	26.3	24.5	23.0	164.5	190.8	182.2	175.0
Memorandum Items								
Sub-Saharan Africa	24.2	21.7	18.4	20.5	191.8	273.4	307.6	315.0
HICs	33.3	36.7	30.6	35.5	246.3	308.8	309.9	295.0

a. Debt ratios are based on long-term debt and associated service payments (on a cash basis) and do not include short-term debt or arrears.
 b. Preliminary estimates.

Source: World Debt Tables 1988-89. Volume I, p. xv.

The debt service ratio, i.e., the ratio of interest and amortization payments (payments of debts) to exports of goods and services, dropped significantly for the HICs in 1987, but it is projected to rise again in 1988. However, it is important to note that debt service is measured on a cash basis. Substantial payment arrears account for a large part of the improvement in the HICs' debt service ratio in 1987. On the other hand, 1988 estimates assume a slowdown in the build-up of arrears, which explains the projected worsening of debt service ratio from 30.6% in 1987 to 35.5% in 1988 (table 4).

To sum up, the traditional debt service ratio has important shortcomings as a measure of liquidity pressure. It takes no account of other major parameters such as changes in imports or new capital inflows. In particular, increase in external finance often allows for the liquidation of arrears, thereby resulting in temporary higher debt service ratios which, however, do not necessarily reflect increased liquidity difficulties. Also, the debt service ratio does not indicate to what extent the debtor has an export problem rather than a debt problem. Finally, in time series, past and present ratios may not be comparable owing to the importance of debt reorganisation and debt reduction.

The other often quoted debt indicator, the debt-to-export ratio, takes no account of the level of and changes in debt service. It is a simple, clear, medium- or longterm indicator relating debt to capacity to repay through

exports. This is useful for a given country or an homogeneous group of debtors over time. The decline in the HICs' debt-export ratio to 295% - still a very high level - in 1988 resulted from a combination of factors. The appreciation of the dollar during the first nine months of 1988 brought down the dollar value of debt denominated in other currencies. Some countries have been able to reduce their debt through buybacks or conversion of some of the debt into domestic investments (through debt-equity swaps) or domestic currency liabilities. Finally, the sharp growth of export revenues in Brazil and Mexico during 1988 influenced the HICs' combined debt-export ratio. This indicates that, given the wide contrast amongst debtors regarding their economic condition and the financial terms of their debt (in particularly the interest costs and maturities), this ratio too has to be handled with great care.

The third often quoted indicator is the debt-to-GNP ratio. Debt stocks (debts outstanding and disbursed) in Latin America nearly doubled as a share of GNP during the 1980s, from 27% in 1981 to 52% in 1987. However, regarding most developing countries, and particularly those in the Western Hemisphere and Sub-Saharan Africa, these measures suffer from the practical difficulty of how to assess correctly the level of current GNP over a period of years, particularly in recent years.

2.2. The Sub-Saharan African developing countries.

In Sub-Saharan Africa, the debt crisis has even been more prolonged and severe than in the HICs. Excessive debt burden remains a significant constraint on the region's economic growth and often undermines the effectiveness of its adjustment efforts. During 1987, Sub-Saharan Africa's total external debt increased by 18%, to \$ 129 billion, 57% of which was owed to official creditors (governments, multilateral institutions). Debt on concessional terms, as a proportion of their total debt, fell from over 38.7% in 1985 to 37% in 1987, partly due to concessional debts being written off by a number of bilateral donors. Sub-Saharan Africa's total external debt in 1988 is estimated at \$ 138 billion, an increase of 6.5% (see table 5). The greater volatility in the rates of change of Sub-Saharan Africa's debt can be almost entirely attributed to increased official lending and valuation effects. Valuation effects have been more pronounced in Africa because non-US official creditors and multilateral agencies like the World Bank group have provided a currency mix that is largely weighted toward non-dollar currencies.

Table 5

Trends in External Debt in Sub-Saharan Africa,
1985-88
(US\$ billions)

	1985	1986	1987	1988 ^a
Total External Debt	93.2	109.4	128.8	138.0
Disbursements ^a	7.9	8.9	9.0	9.5
Amortization ^a	5.9	4.6	3.8	4.1
Interest ^a	3.4	2.6	2.7	3.2
Net Flows ^a	1.9	4.3	5.2	5.4
Net Transfers ^a	-1.5	1.7	2.5	2.2

a. Long-term only.

b. Preliminary estimates.

Sources: OECD, BIS, and World Bank staff estimates.

Source: World Debt Tables 1988-89. Volume I, p. xvi.

Among Sub-Saharan African debtors, the problems faced by the low-income countries are, by far, the most severe. As defined by the World Bank this category comprises 31 Sub-Saharan African developing countries whose per capita GNP did not exceed US \$ 425 in 1987¹. These countries now have an estimated collective external debt of \$ 70 billion, 78% of which is owed to official creditors. Although close to 57% of that debt is on conditional terms, its burden is unsustainable in an environment of stagnating economic growth.

In low-income Africa, growth is estimated at 3.1% in 1988. But per capita GDP growth in this region will be near zero in 1988, following an absolute decline since the early 1970s. As a result, per capita income is now only three-quarters of its level of the 1970s, while per capita investment has fallen by around 50% since that time.

Rising indebtedness has coincided with an erosion of the region's ability to service its debt, as export revenues declined in 1986 and 1987. In both years, most countries suffered from severe terms-of-trade losses, as the dollar prices of their primary commodity exports fell or remained low, while the dollar prices of manufactures imported from Europe and Japan rose sharply. In 1987, their debt service ratio was 18.6%, while the ratio of debt-to-export earnings exceeded 500%, compared with 307.6% for developing countries as a whole.

In fact the situation in Sub-Saharan Africa is even more critical than it is indicated by data compiled on the basis of payments actually made.

¹. It includes all countries in Sub-Saharan Africa except Botswana, Cameroon, Congo, Ivory Coast, Mauritius, Nigeria, South Africa, Swaziland, and Zimbabwe.

Estimates show that debt service obligations falling due in 1988 amounted to 47% of the region's total export revenues, compared with the debt service ratio of 20.5% in 1988, calculated on the basis of payments made (table 4).

The severity of structural imbalances presents an obvious obstacle to progress in low-income Africa. In most cases, vulnerability to the external environment is such that it can obscure progress made in carrying through structural reforms. Although much can and has been achieved through adjustment and increased efficiency, it seems impossible for these countries to grow out of debt problems unless investment picks up. All the evidence, however, points to continued low capital flows to these countries in the coming decade.

3. THE ORIGINS OF THE DEBT CRISIS

Before considering the various initiatives which have been launched since the outbreak of the debt crisis in 1982, it may be of interest to review the origins of the problem. Without any understanding of the major causes and principal actors it is difficult to evaluate the several initiatives which have been launched to solve the debt crisis.

During the 1970s the economic development of the non-industrialized countries took place in an increasingly unbalanced international and domestic environment.

Accelerating inflation in industrialized countries led to a continuous increase of prices of primary commodities, uncontrolled liquidity creation, capital mobility, and to a greater instability of exchange rates. The excess of international liquidity, from the recycling of the petro-\$, reinforced this trend.

Domestically, governments of many developing countries - particularly in Latin America and Africa - were unable to build a socio-political structure and consensus supporting their development strategy because of excessively unequal distribution of income and wealth generated in the course of the development process, continued poverty among large groups of society, particular in rural areas, and increasing recourse to oppression to cling to power. High commodity prices, low or even negative interest rates, and high international liquidity made it possible to maintain relatively high growth rates despite the adverse international situation created by the two oil crises. Economic structures grew increasingly inefficient or inflexible, contributing to a long-term deterioration of those countries economic position, and as a result of the relatively high growth rates, they became heavily indebted.

In the late 1970s, the main industrialized countries displayed increasing concern with high inflation, currency instability and rising external imbalances. With the 1979-1980 round of oil-price increases and the resulting added inflationary impetus, financial policies contracted sharply. Economic growth in industrial countries declined sharply and world trade shrunk; nominal and real interest rates reached high records; the US dollar appreciated continually while prices for primary commodities fell. For

developing countries, these led to a brutal deterioration of the external financial environment.

Most of those countries that had access to the international credit market choose initially to "borrow their way out" rather than to implement an adjustment strategy suitable for the emerging non-inflationary external environment. The readiness of international banks to contribute to a further increase of (short-term) debt made this choice feasible. This process came to an abrupt and disorderly halt when an increasing number of debtor countries were faced with payment difficulties in 1982.

Further analysis of the debt crisis shows that its origins can be found in four principal areas:

3.1. External factors

External factors had a dramatic impact on the debtor countries but were essentially beyond their control. The crucial elements concerned were:

- Real interest rates: These have shown a sharp rise since 1980 - the annual average was 0.7% between 1973 and 1980 and 6.7% between 1980 and 1985 - it was accompanied by a strong US dollar which increased the burden of debt.
- Commodity prices: With the onset of recession, the decline in real commodity prices gathered pace. From 1980 to 1982, such prices fell by almost 15%.
- Recession: The tightening of monetary policy to halt inflation produced a severe recession in the industrialized economies.

However, developing countries that did not experience debt-servicing problems - including South Korea, the third largest borrower from commercial banks - also suffered from a deterioration of these external factors on a scale similar to that which affected the debt-distressed developing countries. This implies that external factors were not the only cause of the debt problem.

3.2. Inadequate policies in debtor countries

Until the sudden shift in the global economic environment, the inadequate policies of the debtor countries had not been apparent. In the changed economic environment, however, policy errors were starkly revealed, as the inflationary cushion disappeared.

In the period between 1979 and 1982, the debtor countries that had later servicing difficulties undertook very little adjustment, but instead borrowed heavily to finance wider current account deficits. With very low or, at times, even negative real international interest rates, they had, like everyone else, every incentive to borrow and not to make any adjustment efforts, especially if that meant unpleasant political choices.

Problems of excessive external debt are very often related to large public sector deficits. This association extends beyond direct foreign borrowing by the public sector. Large public sector financing requirements can also indirectly lead to excessive foreign debt by pushing private sector borrowers out of domestic and into foreign financial markets. Foreign borrowing by the banking system may also result from the pressure of public domestic borrowing.

Another way public deficits have indirectly affected foreign borrowing is through their effect on capital flight, a feature which has still not been eliminated in some countries, notably in Latin America. When the private sector perceived public deficits to be unsustainable, it responded by moving capital into foreign assets. This was due to the expectation that unsustainable public deficits would eventually lead to increased inflation and currency devaluation, lowering the expected return on domestic financial assets. Movement into foreign assets usually resulted in an equal amount of foreign borrowing by the public or private sectors to replace the lost capital.

In the countries where debt servicing problems have occurred, it took more of a given stock of capital to produce the same unit of output. Thus, there was inefficiency of investment and some waste of the foreign financial flows.

Taking all this into account it is obvious that these countries could not devote sufficient resources to create the kind of technological base or industrial capacity that could generate a high level of foreign exchange earnings, reduce imports and significantly increase the genuine creation of wealth.

3.3. Bank lending

Lending by commercial banks generally exceeded what could be considered prudent. This is reflected in the concentration of loans to individual countries relative to individual banks capital. This has been explicitly recognised by the regulatory authorities which in some countries have clearly instructed banks to improve capital ratios.

It seems also that risk evaluation techniques were not wholly adequate, and that the weaknesses on the lending side partly reflected inadequate in depth analysis.

Although it seems clear that banks left themselves vulnerable to fundamental changes in their external environment, this was far less clear at the time. However, banks went on lending for quite a long time after the shift to a disinflationary environment had become clear. Generally, the main focus of this continued lending was to refinance a proportion of interest due, so as to keep loans current and avoid bankruptcies.

3.4. Role of the industrialized countries

Apart from the impact of economic policy actions, government officials in the major economies actively encouraged the belief on the part of the commercial banks and the borrowers that, having completed one round of "recycling" another could be attempted successfully.

Moreover, the multilateral institutions and the regulatory authorities themselves failed to detect the incipient crisis sufficiently early.

4. THE DEBT STRATEGY. INITIATIVES SINCE 1982

Since the autumn of 1982 the debt strategy - strategy to solve the debt problem - has changed considerably. The efforts to remedy the debt crisis have passed through three distinct phases. Following an initial phase (1982-1985) dominated by efforts to contain the systematic threats posed by the eruption of the debt crisis, and a second phase (1985-1988) in which the concept was to restore capital flows and growth to debt-problem countries, the debt strategy has now clearly entered into a third phase (1988-), directed at the "solvency" dimension of debt problems, in which the reduction of debt burdens is seen to be a sine qua non condition for resumed economic growth and creditworthiness in debtor countries.

It may be of interest to consider this sequential development. Retracing the evolution of the debt strategy can provide the necessary insight and knowledge which is needed to determine the direction in which the debt strategy has to evolve. It also underlines the magnitude of the tasks ahead.

4.1. The first phase (1982-1985): "Crisis management"

The initial phase of crisis management concentrated on financial stabilisation. The collapse of the financial system which threatened to engulf the world economy since the debt crisis erupted in 1982 had to be prevented.

In the immediate aftermath of the crisis of 1982, creditors generally interpreted the situation as one of temporary liquidity. Debt restructuring agreements with private and official creditors therefore essentially sought to buy time by adjusting debt service to the countries' income losses from higher interest rates and worsened terms of trade. At the same time, net commercial lending declined. Thus, even though multilateral agencies stepped up their lending, net resource lending became negative in most HICs and Sub-Saharan African countries in this period.

Under these circumstances, the debtor's only choice was to cut domestic absorption dramatically by pruning investment and imports, so that external adjustment took the form of lower growth and falling output.

This global "crisis management" approach was based on the following factors. First, the IMF was to resume responsibility for the economic recovery

programmes and, within that framework, for determination of the needs for external financing. Secondly, the main creditor countries were to provide emergency funds to facilitate the payments most immediately required to service debt, so that there would be no interruption of such payments. In the third place, the creditor banks were to be called upon to resume their financing of the debtors on the basis of the programmes of requirements drawn up by the Fund.

In 1985 it became apparent that, although the threat of large-scale defaults - and attendant collapse of the international financial system - had been avoided, the debt strategy in force would need modification. The claim that the problem could be dealt with in the short term by means of IMF adjustment programmes was proved ill founded and the same applied to the objective of restoring "spontaneous" inflows of finance into those countries in 3-4 years. Indeed, adjustment in the debtor countries through further austerity and cuts in domestic absorption would be unsustainable in the long run.

4.2. The second phase (1985-1988): The "Baker initiative"

A partial response to these problems was the so-called Baker initiative or US "Programme for Sustained Growth", launched by US Treasury Secretary James Baker at the IMF/World Bank annual meeting in Seoul in October 1985. The initiative had three main elements:

- Debtor countries should implement economic adjustment policies aimed at renewed growth but emphasising a market-oriented approach;
- The IMF should continue to play a central role, but with a much larger role played by the multilateral development banks, in particular the World Bank. This should lead to an indicative 50% increase in their annual lending, in order to reach US \$ 20 billion for the period 1986-1988;
- Commercial banks should increase their lending in support of the above two elements to US \$ 20 billion for the period 1986-1988, implying a global 2.5% p.a. increase in exposure.

The initiative singled out 15 middle-income countries, the "Baker 15",- that is, all the HICs except Jamaica and Costa Rica - for priority action. It aimed at safeguarding existing debt servicing arrangements and eventually restoring the creditworthiness of the largest debtors. The expectation was that as growth resumed and export earnings increased, debt ratios would progressively fall.

The initiative was generally supported by the member states of the European Community without explicit reservations. The Commission, however, was rather critical of the plan. Although it was seen as a useful step in the direction of a satisfactory solution, the Commission stressed that the real challenge was not to render additional developing countries debt tolerable but to make the developing countries partners in world economic growth. The initiative was seen as part of a comprehensive strategy involving efforts of

all parties concerned. In this context, the Commission expressed its concern for the specific problems of Africa and poor countries in other regions.²

In March 1986, a Special Drawing Right (SDR) of \$2.7 billion "Structural Adjustment Facility" was established by the IMF to provide financial assistance on concessional terms to low-income countries facing protracted balance of payment problems, particularly in Africa. The IMF and World Bank would combine their expertise to help recipient countries design their medium-term growth-oriented economic programmes that would give them access to resources.

The "Baker initiative" was developed further at the Tokyo Economic Summit in May 1986, where the seven largest industrial countries agreed on a more systematic approach to international economic policy coordination that would incorporate a strengthened commitment to economic policies adjustment.

These actions were in accord with the approach adopted by the Council and the Commission of the European Community. In this connection the Council took the view that the only valid basis for a lasting solution to the debt problem was to persevere with the "case-by-case" approach, stressing that all the parties concerned (industrialised countries, international financial institutions and commercial banks) should participate in concerted efforts to assist debtor countries which adopted macro-economic and overall structural adjustment policies³.

This strategy, directed at the alleviation of the debt burden of those debt-distressed countries that had made efforts to adjust, was implemented in the following year. At the Venice Economic Summit in June 1987, the heads of the main industrialised countries recommended that for the poorest countries which were undergoing structural adjustment, consideration should be given to the possibility of applying lower interest rates to their existing debt. Agreement should be reached, especially in the context of the Paris Club - the ad hoc, intergovernmental meetings of creditor countries which arranges the renegotiation of debt owed to official creditors or guaranteed by them - on longer repayment and grace periods to ease their debt burden.

Towards the end of 1987 it became clear that initial expectations regarding the debt alleviation strategy that was launched in 1985 had not been met. Specifically, successive external shocks, failures to spur growth and debt in the debtor countries were causing political and social tensions, especially in the HICs, as well as reluctance to undertake further reforms. It became apparent that substantial changes had to be made to the existing approach.

². Joint answer to Written Questions No. 2062/85 and No. 2264/85 given by Mr. Cheysson on behalf of the Commission (27 May 1986).

Official Journal, C 314 of 8 December 1986

³. Answer to Written Question No. 2843/86 given by the Council.

Official Journal, C 133 of 18 May 1987

4.3. The third phase (1988-): Towards a solution of the debt crisis ?

In the course of 1988, a series of major actions was directed at tackling the problems of debt-distressed developing countries. The major shift that characterizes the current phase of the debt strategy is the creditors' increasing reliance on a menu of rescheduling options, aimed at debt reduction.

In December 1987, the World Bank, along with other donors, launched the three year (1988-1990) Special Program of Assistance (SPA) for low-income debt-distressed countries in Africa, in order to organize adequate and timely funding for structural adjustment programmes in these countries. The SPA includes four main elements:

- Additional disbursements from the International Development Association;
- Concessional adjustment cofinancing from bilateral donors and other multilateral agencies;
- Concessional rescheduling;
- Concessional financing of interest due on World Bank loans.

On 14 December 1987 The Council of the European Community approved a Commission plan for the implementation of a Community programme to help the poor and heavily indebted countries of Sub-Saharan Africa. Under this programme, the European Development Fund (EDF) contributed 500 million ECU, 300 million of which was additional to the countries in question, including an extra 60 million ECU from the member states. It was part of a large scale scheme coordinated by the World Bank and was intended, by financing sectoral or general import programmes, to ease the immediate constraints faced by the countries concerned. On this occasion, the Council adopted a new approach to the assessment of adjustment efforts, one of the criteria for eligibility for this programme. The Community could grant support to countries which had not concluded a programme with the IMF or World Bank, on condition that their macro-economic policies or their sectoral adjustment policies were considered valid and significant. With this the Council laid particular emphasis on the specific Community nature of the assessment of adjustment.

The IMF responded on 29 December 1987 by announcing the establishment of a special new fund, the Enhanced Structural Adjustment Facility (ESAF), to supplement the existing Structural Adjustment Facility (SAF). The new fund was aimed especially at low-income countries, which were henceforth able to draw up to 250% of their quotas.

The trend towards a more cooperative and generalized approach by creditors, especially with regard to the world's poorest countries, was underlined when the Group of Seven industrialized countries decided, at its 14th annual economic summit in Toronto on 19-21 June 1988 on a range of alternative rescheduling arrangements with respect to countries in Sub-Saharan Africa. The summit led to abandon one of the rules that have governed Paris Club reschedulings over the past three decades: nonconcessional official bilateral debt is rescheduled at market terms. The communique announced that individual creditor countries could choose among a menu of rescheduling

options for low-income debtors, "within a framework of comparability". These options included partial forgiveness, still longer maturities, and lower interest rates on non-concessional debt.

With a view to the Toronto Economic Summit, which was also attended by the President of the Commission of the European Community, M. Jacques Delors, the Community had prepared a document that constituted its response to indebtedness and structural adjustment in Sub-Saharan Africa. It supports the structural adjustment efforts advocated by the World Bank and the IMF in favour of the indebted developing countries, but it did not consider these programmes to be carried out entirely in economic and financial terms. They should also be tenable from the political and social point of view. It should be noted, however, that, as a creditor, the EC accounts for less than 1% of Sub-Saharan Africa's debt servicing. Nevertheless, it can play a role as initiator and catalyst in the debates in various international bodies on this subject, such as UNCTAD.

The "menu approach" was further defined by the Paris Club and on 24 September 1988, at the end of the G-7 meeting in Berlin, a consensus was reached among the creditors on the implementation of three comparable options:

A. Partial Writeoffs. Creditors choosing this option would forgive one third of the debt service due during the consolidation period and would reschedule the remainder at market rates over 14 years with an 8-year grace period on principal payments.

B. Longer repayment terms. Creditors would reschedule debt service due during the consolidation period at market interest rates but with a 25 year maturity and a grace period of 14 years.

C. Lower interest rates. Creditors would reschedule debt service due during the consolidation period at reduced interest rates - either 3.5% below or one half of market rates, whichever gives the smallest reduction - over 14 years with 8 years of grace.

The G-7 agreement on debt relief is to benefit 34 low-income countries with a total debt of \$ 62 billion. World Bank staff have estimated that adopting these options would reduce 1988-1990 debt service payments of the SPA-eligible debt-distressed countries by less than 5%, compared with recent rescheduling standards. These options will nevertheless make a useful contribution to alleviating debt problems faced by these countries by slowing the build-up of non-concessional debt.

The Group of Seven dealt separately with highly indebted middle-income countries. According to the communique, the only viable approach for overcoming external debt problems remained the market-oriented, growth-led strategy based on the case-by-case approach. Mr. James Baker, the US Treasury Secretary at this time, declared that the Toronto summit communique "went further on debt than any summit communique that has ever been written", and that it represented a "rather significant change" in the US position, especially with regard to the stretching out of debt maturities.

It was the explicit recognition given to the existence of a "debt-overhang" in the HICs by the Secretary to the Treasury of the United States, Mr. Nicholas Brady on March 10 1989, that cleared the way for rapid agreement

in the IMF and the World Bank to provide official support for more extensive reduction of the burden of private bank debt and debt service. The announcement, which represented a major US policy revision on the debt question, was aimed at encouraging debt-reduction agreements between commercial banks and their Third World debtors, especially, though not exclusively, those in Latin America. The timing of the announcement was widely seen as related to major disturbances in a number of Latin American countries, in particular Venezuela.

Under the "Brady plan", as these proposals were called :

1. the USA would waive a series of banking regulations over the following three-year period in order to facilitate voluntary negotiations between commercial banks and debtor nations to establish debt reduction programmes;
2. the IMF and the World Bank would provide funding, as part of their policy-based lending programmes, to assist these debt-reduction efforts;
3. both institutions (IMF and World Bank) could offer new additional financial support to guarantee a portion of interest payments for debt or debt service reduction transactions.

Third World countries would be eligible for these elements of support only if they adopted IMF-approved policy programmes, and in particular policies which could better encourage new investment flows, strengthen domestic savings and promote the return of flight capital.

The Brady proposals did not in themselves constitute a new plan, but rather a new initiative consisting of elements which could be pulled together in country specific packages. The US Under-Secretary for International Affairs, David Mulford, estimated on 16 March 1989 that the scheme was aimed at reducing Third World debt by about 20% (a "very rough estimate") and, in some cases (believed to include Mexico and Venezuela) by considerably more. At this stage, however, it seems too early to make a comprehensive assessment of the modalities and their potential impact. There are in fact many different ways in which the financial operations could be implemented (debt-equity swaps, debt buybacks through the secondary loan market, etc.).

The broad response of the **major European industrialized countries** was one of cautious support for the plan, although many countries expressed concern that the proposals could raise expectations from debtor nations that were not reflected in the plan, which would only affect a small portion of total Third World bank debt. At the end of the meetings of the Group of Seven in Washington on 2 April 1989 a statement was released expressing the countries' broad support for the Brady proposals, stating that the IMF and World Bank should "support efforts to reduce the debt burden of countries which were committed to substantial economic reforms", and that "the debt strategy should be strengthened by placing greater emphasis on voluntary debt and debt service reductions in agreement with the commercial banks as a complement to new lending". The statement supported the US intention that IMF and World Bank resources be mobilized for the reduction of debt principal; however, it expressed caution about the Brady proposal for IMF/World Bank guarantees (point 3 above) to encourage debt reduction transactions between commercial banks and debtor countries, saying that the IMF and World Bank "should examine the establishment of limited interest support for transactions involving significant debt or debt service reduction" (The United Kingdom and West Germany had been particularly sceptical about guarantees, believing that they would involve a transfer of risk from the private to the public sector).

In the communique of the **Group of 24 (G-24) developing countries** of 2 April 1989 the Brady initiative was welcomed as a "long-overdue official recognition that debt and debt service reduction [had] to become one of the central components in the solution of the international debt problem". It called for "less stringent monetary policies" to be applied by the industrialized countries, pointing out that the resulting upward pressure on interest rates worsened the debt burden of the developing countries.

At the Spring meetings of the IMF/World Bank on April 3-4 1989 support for the Brady plan was qualified by the concern that official creditors should not substitute for private lenders and that IMF participation should be accompanied by strong financial support, including new money, from commercial banks.

At the Dakar Summit of French speaking countries held in May 1989, France wrote off FF 16 billions of debt for the 35 poorest African countries. This measure for the most deprived countries came into effect in January 1990. Debt cancellation had first been used in February 1989 when the Finance Minister, Mr Pierre Bérégovoy visited Kenya. France then wrote off FF 1.33 billions of debt in the form of principal and interest. Kenya was the first English speaking African country to have its debt written off by France.

However, France's action came after similar measures by Canada, the United Kingdom, the Netherlands, the FRG and the United States. The latter wrote off debts amounting to US\$ 735 million. Spain has agreed to write off a proportion of the debt owed by Equatorial Guinea.

At the XVIth Franco-African Summit held in La Baule on 18-21 June 1990, France converted its aid to the least developed countries into outright grants. There are no more loans. The amounts involved is FF 3.9 billion.

In the case of four middle-income countries (MICs): Gabon, Ivory Coast, Cameroon and Congo (combined debt: FF 150 billion, of which FF 54 billion for Ivory Coast), France reduced debt servicing by 50%, by cutting interest rates from 10 to 5%. The La Baule Summit will have led to total savings of FF 250

millions for the four middle income countries, or FF 1.2 billions over the next 15 years.

The steps taken by France follow pledges given by the Scandinavian countries, Italy and the FRG to the least developed countries.

During the European Council meeting in Madrid on June 26-27 1989, the situation of the debt-distressed middle-income countries, especially in Latin America, was described as "extremely worrying". The communique of the summit noted a Spanish proposal to set up a "European Guarantee Fund" to ensure "a special European contribution to the strengthening and balance of the international effort in this area".

The Brady proposals were strongly endorsed during the 15th annual economic summit of the G-7 in Paris on July 15-16 1989. The industrialized countries urged commercial banks to take a "realistic and constructive approach" on negotiations with debtor countries and to conclude "promptly" agreements on debt and debt service reduction and "new money".

As a result, public resources are ready to be made available through the IMF and World Bank - \$ 13 billion and \$ 11 billion respectively over the following three years⁴ -for approved debt reduction and interest support operations and for some promised bilateral funding (notably by Japan: \$ 4.5 billion over the next five years).

According to the Annual Report of the UNCTAD, the industrialized countries have made the promise to write off 30% of the debt of the 15 most indebted countries - such as Argentina, Brazil, the Ivory Coast, Mexico, the Philippines,

The second LDC Summit took place in Paris on 3-14 September 1990. The final declaration recognized that public aid is vital to the least developed countries. Levels of aid given need to be substantially increased. Most aid should be given as grants and administered in a way which is both efficient and clear.

The delegates also expressed their resolve to continue efforts within the framework of an international debt strategy and to contribute to improving the international financial climate.

5. CONCLUSION

It appears that the strategy for the future will evolve in the following direction:

- A more cooperative and generalized approach by the creditor countries. In this respect, the international harmonization of the tax and regulatory regimes that governs loan-loss provisions could provide great impetus to voluntary debt reduction.

⁴. According to a statement of the World Bank's chief economist, Stanley Fisher on April 18 1989.

- Voluntary debt reduction by commercial banks.
The menu of market-based options makes commercial bank's debt workouts with the HICs considerably more flexible than in the past. It enables them to exchange existing debt claims for new assets. These assets usually have a lower nominal value, but carry a lower credit risk.
- Serious adjustment efforts by debtor countries.
In this respect it is important that the discounts applied to commercial bank debt be significant enough to make sustained adjustment efforts feasible and attractive and growth in debtor countries possible.
- A more catalytic role of the multilateral institutions.
If the IMF and the World Bank agree on disbursing funds to debtor countries even while there are still outstanding arrears to commercial banks this will change the balance of forces between debtors, commercial banks and the financial institutions in a way which will encourage agreement on adequate discounts.

The selective use of official guarantees by the IMF and the World Bank - without unduly putting official resources at risk - will stimulate new lending.

ANNEX I : BIBLIOGRAPHY

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OJ No C 122 of 20.5.1985, p. 113
3. Resolution on the Community initiative at the United Nations
OJ No C 262 of 14.10.1985, p. 116
4. Results of the work of the ACP-EEC Consultative Assembly
OJ No C 036 of 17.2.1986, p. 218
5. Resolution on the World Economic Summit in Tokyo on 4, 5 and 6 May 1986
OJ No C 120 of 20.5.1986, p. 154
6. Resolution on the World Economic Summit in Tokyo and the forthcoming GATT negotiations
OJ No C 120 of 20.5.1986, p. 155
7. Resolution on the outcome of the World Economic Summit in Tokyo
OJ No C 148 of 16.6.1986, p. 68
8. Resolution on the new series of multilateral negotiations within GATT
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9. Resolution on economic relations between the European Community and Latin America
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10. Resolution on North South Relations
OJ No 76 of 23.3.1987, p. 45
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12. Resolution on monetary instability and trade
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13. Resolution on Work of the ACP/EEC Assembly in 1988
OJ No. C 47 of 27.2.1989, p. 128
14. Resolution on the indebtedness of the ACP countries
PE 145.895

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- Report on the problem of indebtedness in developing countries by Mr W. VERGEER
Doc. A2-0201/86, OJ C 76, 23.3.1987
- Working Document on the external debt of Latin American countries by Mrs BARBARELLA
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ANNEX II : GLOSSARY OF SELECTED ABBREVIATIONS AND TERMS

- Baker, James : Us Treasury Secretary, who launched the US "Programme for Sustained Growth" in October 1985
- Brady, Nicholas : Secretary to the Treasury of the US who launched a set of proposals for the reduction of Third World Debt on 10 March 1989
- Concessional loans: Loans with a grant element of 25% and above (World Bank definition)
- Debt-equity swaps: Conversion of debt into domestic investment (shares)
- Debt-Export Ratio: The ratio of debt to capacity to repay through exports
- Debt Service : The payment obligation arising from debt outstanding and disbursed
- Debt Service Ratio: The ratio of interest and payments of debt to export of goods and services
- Debt stock : Debt outstanding and disbursed
- Debt-to-GNP-ratio: Debt stock as a share of GNP
- DRS : Debtor Reporting System. Information system of the World Bank
- ESAF : Enhanced Structural Adjustment Facility
- GDP : Gross Domestic Product
- GNP : Gross National Product
- GNI : Gross National Income
- Grace : Extension (of payment)
- G-7 : Group of Seven major industrialized countries (Canada, France, Italy, Japan, West Germany, the U.S and the U.K.)
- HICs : Highly Indebted Countries (mainly South and Central American)
- IDA : International Development Association
- IMF : International Monetary Fund
- Maturity : Expiration date
- Net Resource Transfers : Disbursements minus interest and principal repayments

- Paris Club : The ad hoc, inter-governmental meetings of creditor countries which arranges the renegotiation of debt owed to official creditors or guaranteed by them
- SDR : Special Drawing Rights: (IMF currency)
- UNCTAD : United Nations Conference on Trade and Development

RESOLUTION

on the dept burden of the Latin-American countries and the summit of the seven industrialized countries in Bonn (May 1985)

The European Parliament,

- A. apprised of the emergency meeting of a group of 14 international banks on the Latin-American debt;
- B. aware that certain major debtor countries, such as Argentina and Brazil, are continuing to encounter difficulties in complying with the conditions laid down by the IMF;
- C. fearing firstly the risk of an international financial crisis and secondly a deterioration in the economic and social situation of the debtor countries, which will not favour the consolidation of the democratic regimes;
- D. noting that the rescheduling of debt negotiated since 1982 among the creditor banks, the debtor countries and the IMF has offered no more than contingency solutions;
- E. convinced that the question of the debt must be tackled in its many financial, economic and political aspects and is therefore a problem for the international community;
- F. whereas the global political dialogue requested by the Latin-American countries, in the first instance in the Final Act of the VIth Interparliamentary Conference held in Brussels in June 1983 and, subsequently, at the meetings in Mar del Plata (September 1984) and Santo Domingo (February 1985) is essential in this connection:
 - 1. Urges the Bonn Summit to advocate a favourable, and the swiftest possible, response to the request from the Latin-American countries for an international meeting to tackle the problems of the debt in a global and long-term approach;
 - 2. Considers it also to be essential, as regards the debt, that the efforts which, it is hoped, will be made to stabilize the international monetary system should produce the instruments for:
 - (a) reducing substantially the level of interest rates payable by the debtor countries;
 - (b) establishing, as a general principle for the agreements between the International Monetary Fund and the debtor countries, that economic reform must be compatible with the socially just development of these countries;
 - (c) widening the scope of action by multilateral financial bodies to aid the social and economic development of these countries;
 - 3. Calls on the Council, the Commission and the European governments who will be attending the meeting in Bonn to do everything in their power to secure from the summit a commitment along the above lines;
 - 4. Instructs its President to forward this resolution to the Council, the Commission, the Foreign Ministers meeting in Political Cooperation, the governments of the Ten and the President of the Latin-American Parliament.

(1) See Annex I, p. 22

RESOLUTION

on the Bonn Summit on 4 and 5 May 1985

The European Parliament,

- A. having regard to the difficulties caused by the imbalances in the international monetary system and, in particular, the distortion produced by fluctuations in the value of the dollar;
- B. having regard to the inadequate development of international trade resulting from this situation and the deflationary consequences of the total level of world debt;
- C. having regard to the widespread emergence of protectionist trends, particularly among the major world trading countries;
- D. whereas it is in the vital interests of the Community to achieve greater stability in the world economic system and a greater degree of liberalization in trade;

1. Calls on the President of the Commission to defend a number of fundamental Community demands at the Summit of the most industrialized western nations (in Bonn on 4 and 5 May 1985), and in particular:

- fixing of definite dates and arrangements for an international conference to restore balance and stability to the world monetary system;
- speeding up the finalization of procedures for a new round of GATT negotiations, with the full participation of the developing and underdeveloped countries;
- securing a commitment to launch and conduct these two sets of negotiations in parallel, although they must of necessity remain separate;
- deciding on the opening of a multilateral political dialogue to tackle the international debt crisis on a global level, so as to improve the quality of the world economic system and ensure greater stability for Third World democracies;
- considering the above measures as vital preconditions for a lasting and widespread economic recovery;

2. Instructs its President to forward this resolution to the Council, the Commission and the governments of the Member States.

RESOLUTION

on the Community initiative within the framework of the United Nations

The European Parliament,

- A. having regard to the deteriorating economic situation in many developing countries.
 - B. having regard to the constant advance of desertification in Africa, and the ravages of famine and malnutrition in those countries.
 - C. having regard to the duty incumbent on the EEC and the international community to show solidarity with the peoples affected by this scourge.
1. Calls on the Member States to step up their development aid and their efforts to combat hunger so that they can rapidly reach the objective of 0.7 % of their GNP as stated in resolution 2626 of the UN General Assembly of October 1970;
 2. Recalls the commitment made at the Paris conference of 1981 to devote 0.15 % of GNP to the least developed countries;
 3. Notes that the Community average is only some 0.15 %, despite the efforts of some of its members;
 4. Deplores the low level of involvement of certain economically powerful countries such as the USA, Japan and the Soviet Union which devotes only 0.27 %, 0.3 % and 0.19 % of their GNP respectively;
 5. Recalls that the fight against hunger and the effectiveness of efforts to promote development require that the countries of Africa live in peace;
 6. Stresses that war, which requires enormous outlay in terms of military expenditure, further exacerbates peoples' suffering and the famine situation;
 7. Recalls that respect for human rights is incumbent on all regimes, both in the industrialized countries and in the developing nations;
 8. Stresses that 'food strategy' policies should be implemented as a matter of urgency in all the countries of the Sahel, ensuring a satisfactory balance between cash crops for export and food production for local consumption;
 9. Calls on the Commission to carry out research into ways of improving the effectiveness of rural development programmes, in the best interests of the rural population, by giving support in particular to the implementation of small-scale projects;
 10. Is dismayed at the fact that the request for the creation of a special fund of 50 million ECU, adopted by the ACP/EEC Joint Committee last January, to develop SMUs in the ACP countries, has been ignored;
 11. Considers it essential that the serious debt problem of the developing countries be integrated in the development strategies;
 12. Recalls the importance of the problems of delivering food aid to its final destination and the disastrous consequences that any delay entails;
 13. Instructs its President to forward this resolution to the Council, the Commission and the governments of the Member States.

RESOLUTION

on the results of the work of the Joint Committee and the ACP-EEC Joint Assembly

The European Parliament,

A. having regard to the following resolutions, adopted by the Joint Committee in Bujumbura ⁽¹⁾ and the ACP-EEC Joint Assembly in Inverness ⁽²⁾:

- the Bujumbura final declaration,
- on Southern Africa (Bujumbura),
- on the crisis in the North-South dialogue,
- on security and cooperation in Africa and Europe,
- on aid to refugees,
- on the landlocked ACP countries,
- on the incorporation of environmental issues in the Third Lomé Convention and on information concerning the Convention's provisions as regards the environment,
- on ACP-EEC cooperation for the development of fisheries in the lakes and rivers of the ACP States,
- on the negotiations with regard to the Fourth International Cocoa Agreement,
- on the use of vegetable fat in the manufacture of chocolate,
- on the least-developed countries,
- on deforestation and desertification,
- on the creation of biogenetic reserves and the rational management of stocks of animal and vegetable living matter, both terrestrial and marine,
- on the role of women in the development process with reference to the 1985 World Conference on the Decade for Women,
- on human rights,
- on the Third ACP-EEC Convention — prospects and constraints,
- on Southern Africa.

⁽¹⁾ CA/CP/562 of 7 February 1985 and CA/CP/563 of 6 February 1985.

⁽²⁾ AP/68 Annexes I to XV of 3 October 1985.

- B. having regard to the report of the Committee on Development and Cooperation (Doc. A2-192/85),
 - C. having regard to the need for the ACP-EEC Joint Assembly and the European Parliament to exchange information on positions adopted in their various spheres of competence,
 - D. convinced that the resolutions of the ACP-EEC Joint Assembly must be incorporated in the work of the European Parliament's committees,
1. Notes with satisfaction that, in order to prevent duplication of work, the new ACP-EEC Convention establishes a single parliamentary organ and acknowledges the valuable work of the Joint Assembly at its first meeting; hopes that this organ will be successful in monitoring the proper implementation of Lomé III;
 2. Considers that there is an urgent need for the new budgetary autonomy, which has in principle been conferred on the ACP-EEC Joint Assembly, to take effect as soon as possible in order to guarantee the independence and smooth functioning of this institution and its working parties;
 3. Welcomes the resolutions adopted by the Joint Committee and the ACP-EEC Joint Assembly in Bujumbura and Inverness and calls on its appropriate committees to consider these carefully and to take their content into account when drawing up texts and resolutions;
 4. Notes with satisfaction the large measure of agreement between its views and those of the Joint Assembly as regards the content of the new Convention and the measures needed for its successful implementation;
 5. Notes with satisfaction that in the Assembly important discussions also took place between the European and ACP representatives on general political matters, in particular the situation in Southern Africa, protection of human rights, security and cooperation between Europe and Africa, international tensions and the situation of refugees etc. and hopes that both the Joint Assembly and the European Parliament will look even more closely at these problems and endeavour to find appropriate solutions;
 6. Expressly welcomes the reference to human rights in the new Convention and supports the specific demands in the Assembly's resolution on human rights; supports the call for a working party to be set up if necessary;
 7. Considers that the Bujumbura and Inverness resolutions on Southern Africa are very important and stresses the need to find a peaceful solution to the problems of South Africa through negotiation involving the leaders of all important political trends and aimed at ending the state of emergency, the special powers and the restrictions; points out in this connection that the problem of apartheid will be considered for the first time in the general rapporteur's resolution by virtue of the Joint Declaration on Article 4 of the new Convention;
 8. Expresses its concern that the ACP-EEC Bureau has not carried out the wishes of the Joint Assembly concerning a hearing on South Africa for the next meeting in Swaziland, as this represents a last opportunity in its efforts to bring about constructive dialogue between all those concerned with the situation in South Africa;
 9. Insists that the Member States and the Community institutions urgently consider measures — from an embargo on all new foreign investment in South Africa through refusal of state guarantees for export credits for South Africa to a progressive reduction in commercial contacts — if the South African Government does not put forward before the next meeting of the Joint Assembly a packet of measures to do away with apartheid and to begin negotiations with the leaders of the black population, leading to full participation by the black population in the government of their country on the basis of free elections;
 10. Agrees with the Assembly that, in view of the refugee problems in many ACP States, the special allocation for refugees is too small and calls on the Commission, with the participation of the States concerned, to ascertain the real requirements forthwith;

11. Shares the Assembly's deep concern at the deadlock in the North-South dialogue and calls on the institutions of the Community and the Member States to do all in their power to ensure that the North-South dialogue is resumed as quickly as possible;
12. Shares the Assembly's view that the following key points should be taken into account: replenishment of international funds such as IFAD and IDA, implementation and conclusion of commodity agreements, creation of the common fund, liberalization of international trade and solutions to the problem of indebtedness;
13. Welcomes the fact that, for the first time, the new Convention contains specific obligations with regard to cultural and social cooperation and supports, therefore, the Assembly's call for social and cultural aspects to be taken into account in the planning, formulation and implementation of development strategies and programmes;
14. Criticizes once again the inadequate financial resources of Lomé III, which jeopardize achievement of the Convention's goals; draws attention in this connection to the reports by Mr Irmer, Mr Cohen and Mr Chasle and calls on the Community and its Member States to consider the possibility of increasing the financial resources under the EDF during implementation of the Convention; calls on the Member States to bring about greater coordination of their policy of aid measures in the implementation of the Lomé Convention and thus increase the financial effect;
15. Reiterates its demand that, in view of the adverse food situation in many ACP States, the main efforts and a considerable part of the financial resources of the EDF should be concentrated on improving agriculture and the rural environment;
16. Supports, therefore, the Assembly's call for intensive use of the new provisions in Lomé III on cooperation in the fisheries sector in order to improve the food situation;
17. Considers that, in view of the interaction between the environment and development, there is an urgent need for ecological factors to be taken into account in the planning and implementation of development projects and welcomes, therefore, the specific demands in the various resolutions on environmental policy and calls for them to take effect immediately;
18. Points out that the role of women in the development process is considered in a very detailed resolution and welcomes in particular the fact that this resolution contains a practical action plan for all the main areas concerned;
19. Shares the Assembly's view that no more projects should be planned, formulated, implemented and concluded under Lomé III without investigation at each stage of the effects on the female population;
20. Considers also that it is right and proper to increase aid to the least-developed countries and landlocked and island states and draws attention in this connection to its relevant resolutions on the Paris Conference;
21. Understands the concern of the cocoa-producing ACP countries and supports the Joint Assembly's appeal to the Community and its Member States to show the appropriate flexibility and political determination for an international cocoa agreement to be concluded in the near future;
22. Notes expressly that the working parties under Lomé II have completed valuable and effective work and welcomes, therefore, the fact that the new ACP-EEC Joint Assembly set up three new working parties at its first meeting which are to consider very important subjects for the successful implementation of Lomé III:
 - women and population in the context of development,
 - rural development and environmental problems,
 - indebtedness in developing countries;
23. Welcomes the development and strengthening of the annual meeting between the delegations of the Joint Assembly and the representatives of the economic and social sectors in the ACP States and Member States and hopes that they will be closely involved in the work of the various institutions of the Convention, in particular the ACP-EEC Council of Ministers;

24. Draws attention to the importance of the rapid entry into force of the new Convention and calls, therefore, on all signatory States to complete the ratification procedure as quickly as possible;

25. Expresses, lastly, its agreement with the ACP-EEC Joint Assembly that peace is a major factor in the success of development efforts and in particular in improving the living conditions of the people affected by famine;

26. Instructs its President to forward this resolution to the ACP-EEC Joint Assembly, the Co-Presidents of the ACP-EEC Council of Ministers, the Commission of the European Communities and the ACP Secretariat.

RESOLUTION

on the World Economic Summit in Tokyo on 4, 5 and 6 May 1986

The European Parliament,

- A. having regard to the forthcoming summit in Tokyo.
- B. having regard to the present international economic and monetary environment, which is marked by:
 - falling interest rates (which are still too high), unstable currency parities and a yen that is undervalued against the other currencies.
 - a collapse of oil prices, bringing a danger that the dollar will be seriously undervalued, and an alarming Third World debt situation exacerbated by debt servicing.
 - disturbing unemployment in the Community and worrying budget deficits in many industrialized countries, notably the US.
 - a flurry of protectionist reactions that is a serious threat to the expansion of world trade.

Currencies and growth

1. Reaffirms the urgent need to ensure stable and predictable exchange rates in order to eliminate uncontrolled currency fluctuations, which are prejudicial to commerce, the smooth expansion of world trade and growth;
2. Believes that the downward trend in interest rates made possible by the conquest of inflation and the drop in oil prices (which markedly improves the consumer countries' prospects for growth) must be encouraged to allow, among other things, a broad upturn in investment;
3. Considers that the yen should be revalued to make Japan bear more fully the consequences of its trading position (surplus of \$ 150 billion from 1981 to 1985) and welcomes the agreement by the Japanese authorities to the principle of making the yen the third prop of revised international monetary system alongside the dollar and the ECU;
4. Believes that greater openness of the Japanese market is crucial to restoring balance to economic relations between the Community and Japan;
5. Is of the opinion that the fall in oil prices will lead to:
 - a rise in purchasing power in most of the European countries at the same time as a general decline in balance of payments deficits.
 - a fall in energy expenditure by the oil-importing developing countries, giving grounds for hope of a measure of stabilization in their trade balances;
6. Believes, in view of the currency adjustments that have taken place and the general interest rate situation, that the Tokyo summit should aim at a return to monetary order and reaffirm the broad principles underlying smooth expansion of international trade, particularly by way of preparation for a future GATT round;

Debt

7. Believes, furthermore, that the first steps must be taken towards meeting the challenge of the developing countries' excessive debt (\$ 550 billion in the case of Latin America and \$ 130 billion in the case of Africa) by contemplating a rescheduling of international debt to release the vice in which the developing countries are caught and promote healthier trade development (given the drop in oil prices), which should in the long term increase the ability of the countries concerned to repay their debts;

8. Welcomes, in this connection, the shift in the US position and the contents of the Baker plan, believing that to escape from the debt and poverty trap, fresh loans must be extended to the major debtors, on condition that they pursue internal policies geared to expanding and developing their export potential and to enhancing growth (interest payments alone at present eat away 40 % of these countries' export earnings), and draws attention to the vital part played by interest rates in releasing substantial resources for exports;

International trade

9. Believes that the various current trade disputes should be discussed within GATT and compromises sought without recourse to unilateral and arbitrary decisions;

10. Condemns the United States' recent protectionist offensive against the Community, which now covers a wide variety of products and threatens to escalate into an out-and-out trade war;

11. Believes, moreover, that an all-round increase in protectionism would have a disastrous effect on world trade and could paradoxically worsen the United States' foreign trade deficit;

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12. Instructs its President to forward this resolution to the Heads of State or Government attending the summit, the Commission and the Council.

RESOLUTION

on the Tokyo World Economic Summit and the next GATT round

The European Parliament.

- A. having regard to the forthcoming economic summit meeting of the leaders of the seven main Western industrial countries and the President of the Commission to take place in Tokyo on 4 to 6 May 1986.
- B. having regard to its resolutions of 18 April 1985 concerning the Bonn Economic Summit.
- C. having regard to its resolutions of 17 January 1986 concerning European Community exports to Japan.
- D. concerned that the international economy continues to suffer from the related problems on insufficient economic growth, high unemployment, international monetary instability, serious imbalances in international trade and great international indebtedness.
 1. Calls on the participants of the Tokyo Summit meeting to take concrete steps aimed at a reduction of unemployment and poverty through the further re-generation of the international economy;
 2. Notes with approval the conclusions of the IMF Interim Committee of April 1986 to the effect that there is scope for a more growth-oriented policy in those countries with a sound balance of payments and a low rate of inflation, which is in line with the new economic cooperation strategy proposed by the Commission of the European Communities; appeals urgently, therefore, to countries such as Japan and some Member States of the Community to take practical steps to achieve the necessary economic growth;
 3. Calls on the Tokyo Summit to take every possible measure to bring about a coordinated reduction in interest rates in the near future in order to stimulate economic growth and thus to combat unemployment, to increase monetary stability and to reduce the major problem of indebtedness of the developing countries;
 4. Considers that the recent fall in oil prices provides the leading industrial countries with a major opportunity to undertake such steps, in view of the enormous savings being made in energy costs, while the accelerating introduction of new technology and the consequent rise in productivity and efficiency should, through the freeing of further productive investment resources, lead to the stimulation of new economic activity, the creation of new jobs and a general reduction in working time; takes the view that, in order to prevent an economic crisis, consultation is needed between the oil producer and consumer countries on the scale of oil production and on oil prices;
 5. Notes that the growth of world trade has slowed down seriously, both in value and in volume, in 1985; is deeply concerned by the growing protectionism in the world; hopes that the Tokyo Summit will reach agreement on the conditions for the opening of a new round of GATT multilateral trade liberalization negotiations, which takes account of the genuine apprehensions expressed by the developing countries;
 6. Welcomes the general recognition that any new GATT round must be accompanied by parallel negotiations on international monetary cooperation and the establishment of greater currency stability;
 7. Notes that, despite the improvements resulting from the 'Group of Five' in New York, there are still major exchange rate fluctuations between the US dollar, the Yen and EMS currencies; considers that there is an urgent need to greater monetary stability, with regard to world trade and in particular to the situation of the developing countries; takes the view that the setting up of a system of target zones merits further consideration; urges the Tokyo Summit to reach agreement on improving the monetary system;

8. Expresses its alarm at the continuing vast Japanese trade surpluses both with the United States and with the Community and calls on the Tokyo Summit to agree to a substantial increase in the international value of the Japanese Yen, in particular in terms of the European Community currencies;

9. Takes note of the conclusions of the Maekawa Report and the proposed measures announced by the Government of Japan for reforming the structure of the Japanese economy; welcomes this inherent recognition that the basic structure of the Japanese economy is a major factor in preventing greater import penetration;

10. Regrets, however, the absence of clear deadlines for the implementation of the measures proposed and calls on the Tokyo Economic Summit to fix a rapid timetable for the execution of these overdue reforms; stresses that failure to do so must inevitably compel the Community to take strong measures at an early date to reduce its unbearable trade deficit with Japan;

11. Takes note of the discussions relating to the 'Baker Plan' to ease the problems of certain debtor countries but considers, however, that this has been an inadequate initiative to deal with the critical levels of international indebtedness; calls on the Tokyo Summit, therefore, to agree to a more comprehensive initiative to reduce the debt problem of all developing countries and to insist that the Finance Ministers take swift action both to reduce further the existing interest rates and to ease substantially the severe conditions presently applied by the International Monetary Fund to debtor countries, such that these countries have a real opportunity to develop their economies and once again play an active role in international trade;

12. Calls on the United States and Japan in particular to help ensure that the eighth tranche of funding for the IDA is increased considerably;

13. Considers that the Community's aims in the forthcoming GATT round negotiations should include the following:

- a new GATT Article on Fair Labour Standards (a 'social clause') must ensure that the ILO Conventions which cover, in particular, the freedom of association and collective bargaining, discrimination in employment and forced labour, are respected by GATT member countries,
- an Agreement is required by which GATT member countries respect the ILO Tripartite Declaration on Multinational Enterprises,
- a GATT Article is required to deal with environmental questions with regard to trade,
- all non-tariff barriers to trade should be monitored and gradually removed by means of internationally agreed standards for the technical and environmental specification of products,
- a clear definition of subsidies is required which permits only temporary subsidies for restructuring,
- trade in services should be included, with special exceptions for the developing countries,
- studies should lead to the gradual inclusion of investments in the GATT Rules,
- the procedure for the settlement of disputes should be strengthened;

14. Instructs its President to forward this resolution to the Commission and the Council and the Governments of the Member States, and to the Governments and Parliaments of the United States, Canada and Japan.

RESOLUTION

on the results of the world economic summit in Tokyo

The European Parliament,

- having regard to the Tokyo economic declaration.
- having regard to its resolutions of 18 April 1986 on the world economic summit in Tokyo.

1. Takes note of certain intentions expressed by the Heads of State and Government in the final declaration at the Tokyo Summit as regards the coordination of economic and monetary policies, and in particular the fact:

- (a) that they reaffirm their undertaking to intervene in the currency markets with a view to stabilizing them;
- (b) that they reaffirm their desire to expand bilateral and multilateral public capital flows towards the developing countries and that they stress the importance of a further increase in the resources of the IDA and the capital of the World Bank;
- (c) that, according to certain reports, interest rates are due to fall very shortly in a concerted manner;

2. Hopes these undertakings will be implemented in the near future;

3. Profoundly regrets, however, that, in certain important areas, the Tokyo Declaration contains no precise, short-term commitment to practical measures to solve the major problems confronting the world economy;

- (a) with regard to the fight against unemployment, the Tokyo Summit stakes everything on the coordination of national economic policies and makes no provisions for specific measures to combat unemployment;
- (b) the stabilization of exchange rates is still too heavily dependent on the goodwill of the major financial powers. The study requested by the European Parliament in April 1986 with regard to a system of target zones was not taken into consideration;
- (c) the conversion of the group of five Finance Ministers into a group of seven Ministers clearly involves a risk of creating a sort of financial 'directoire' of the great western powers. (It is extremely regrettable that the European Community as such is not part of this group). This risk might be counterbalanced by the early admission of the Community, which has indeed been requested by certain participating countries;
- (d) the fact that the opening of a new round of GATT negotiations has again been postponed;
- (e) given the absence of a policy designed to solve the problem of the ever-increasing indebtedness of the Third World, the International Monetary Fund should above all be requested to show greater flexibility with regard to the economic constraints to which the developing countries, especially the most indebted ones, are subject; the governments of the Member States are therefore invited to pursue an active common policy to reduce the debts of the developing countries through closer cooperation between the Finance Ministers and the Commission;
- (g) such flexibility would also be necessary to assist the developing countries hardest hit by the fall in oil prices. Oil-producing and consumer countries should engage in consultations on the volume of production and the price of oil;

4. Instructs its President to forward this resolution to the Commission, the Council, the governments of the Member States and the governments and parliaments of the United States, Canada and Japan.

RESOLUTION

on the new round of multilateral trade negotiations within GATT

The European Parliament,

- having regard to the motion for a resolution by Mr Moorhouse and Mr van Aerssen on the future of the GATT (Doc. 2-1017/84),
- having regard to the motion for a resolution by Mr de Gucht on the negotiations during the next GATT round (Doc. B2-519/85),
- having regard to its resolution of 28 October 1983 on the delincation and further development of GATT and of the free trade principle underlying the GATT system and possible consequences for the EEC and GATT .
- having regard to the opinion of the Economic and Social Committee on the new round of GATT negotiations (Doc. CES 884/85),
- having regard to the declarations by the Council of Ministers of 14 May 1984 and 19 March 1985 and the communication from the Commission of 26 March 1984 on the new round of multilateral trade negotiations,
- having regard to its recent resolutions concerning important aspects of the forthcoming GATT round, in particular that of 13 December 1985 on US protectionism ⁽¹⁾, of 21 February 1986 on the renewal of the Multifibre Arrangement ⁽²⁾, of 25 October 1985 on international trade in counterfeit goods ⁽³⁾ and the Moorhouse report on trade between the EEC and Japan (Doc. A2-86/86),
- having regard to its resolution of 7 July 1983 on the impact of the CAP on the external relations of the European Community ⁽⁴⁾,
- having regard to its resolution of 29 March 1984 on external trade of the EEC and the problems of global financial instability ⁽⁵⁾,
- having regard to its resolutions of 14 May 1986 on the Tokyo Summit and the next GATT round ⁽⁶⁾,
- having regard to the interim report of the Committee on External Economic Relations and the opinions of the Committee on Agriculture, Fisheries and Food and the Committee on Development and Cooperation (Doc. A2-87/86),

- A. having regard to the OECD study 'costs and benefits of protection' of April 1985, according to which the short-term benefits of protectionist measures are countered by much higher long-term costs for the user of such measures and for the whole trading system.
- B. referring to the OECD ministerial meeting of 17/18 April 1986 and the world economic summit in Tokyo from 3 to 5 May 1986, both of which welcomed the GATT ministerial conference of 15 September 1986 as the first stage of the new negotiating round.
- C. taking into account with due seriousness the draft 'ministerial proclamation' in respect of the Conference of Punta del Este which 10 representative third world countries adopted in Geneva on 26 June 1986.
- D. (a) having regard to the 15 recommendations contained in the study on 'World trade policy for a better future' of March 1985, which were drawn up by a group of experts led by the Swiss Fritz Leutweiler at the invitation of the Director-General of GATT,
 - (b) having regard in particular to the first of these recommendations, to the effect that
 - trade policy should to a greater extent be the subject of public discussion.
 - the costs and benefits of all trade policy measures, both existing measures and those considered in future, should be analyzed and weighed in an assessment of protectionism, and
 - private and public undertakings should indicate in their income statement the amount of any subsidies received.

GATT and the challenge of distortions to trade

1. Affirms that GATT is and must remain the authoritative international trading system for the maintenance and development of world trade;
2. Expects greater compliance with GATT rules, not least by its most important members;

(¹) OJ No C 352, 31. 12. 1985, p. 300.
 (²) OJ No C 68, 24. 3. 1986, p. 176.
 (³) OJ No C 343, 31. 12. 1985, p. 111 ff.
 (⁴) OJ No C 242, 12. 9. 1983, p. 76.
 (⁵) OJ No C 117, 30. 4. 1984, p. 98.
 (⁶) OJ No C 148, 16. 6. 1986.

3. Points out, however, that the original aim was to draw up a more comprehensive Havana Charter offering opportunities for greater global coordination of economic policies;

4. Considers that the slowness of national economies to adjust to changes in international conditions of competition have led to numerous disruptions and restrictions in international trade, as traditional industrial countries have largely failed to react with sufficient flexibility in adapting to these changes and have thereby failed to convince the newly industrialized countries (NICs) to fulfil their GATT obligations to open up their markets to fair competition;

5. Notes that since the conclusion of the 1979 Tokyo Round, and in particular following the GATT ministerial conference of November 1982, declarations on trade policy have always emphasized the need to maintain free trade and reject protectionism but that in trading practice the gulf between declarations and reality has constantly increased;

6. Considers that the next round of negotiations within GATT should tackle and solve the — for developing countries — decisive problem of exports of agricultural products, by removing various tariff and non-tariff barriers existing in the more highly industrialized countries for basic products, processed and semi-processed agricultural products and, in general, for all the traditional products of the developing countries;

Follow-up to the Tokyo Round

7. Proposes to investigate the conditions that must be created to enable the codes adopted during the 1979 Tokyo Round (e.g. on technical barriers to trade, subsidies, countervailing duties, anti-dumping measures, the Import Licensing Code, government procurement, etc.) to be signed by more of the parties to GATT;

8. Calls for the work programme agreed on at the 1982 GATT ministerial meeting to be swiftly completed;

9. Proposes to make a critical assessment of why recognized rules or agreements reached at the 1982 ministerial meeting have not been observed or not yet put into practice;

10. Wishes explicitly to draw attention to the need of continuing to work for the lowering, or preferably scrapping, of duties still levied on certain products in some large industrialized as well as some newly industrialized countries;

11. Takes the view that non-tariff barriers — which are increasingly being introduced — have a far-reaching influence on trade and that the Tokyo Round did well to pinpoint them, and to some extent rectify them by framing 'codes', work which has to be pursued in greater depth during the new round, and calls in particular for the GATT secretariat to undertake studies of the impact on international trade of distortions of competition caused by environment protection measures which differ from one country to another and by the frequently degradingly low wages and lack of satisfactory social security systems in many countries;

Circumstances of the new round

12. Requests those attending the ministerial conference of 15 September 1986 to approve the work programme drawn up by the preparatory committee;

13. Expresses its satisfaction that the GATT ministerial conference is for the first time to be held in a partner country from the Third World, namely Uruguay;

14. Calls for the convening of the New GATT round within six months of the ministerial conference;

Global role of GATT

15. Considers that further liberalization measures should be adopted within the multilateral framework of GATT as a means of combating protectionism, but stresses that such measures must be conditional upon a strengthening of the role of GATT in supervising international trade; moreover, warns against bilateral solutions which, especially if they do not contain most-favoured-nation clauses, can give rise to considerable trade distortion;

16. Takes the view that the balance of concessions must be complied with and that if certain countries do not take part (either *de jure* or *de facto*) in the granting of mutual concessions in certain fields, they should no longer benefit from the relevant advantages;

17. Warns against any proposal to hold trade negotiations outside GATT in the event of certain contracting parties refusing to accept some of the subjects for discussion, since this would undermine the global principle of GATT; calls on all contracting partners to allow the maximum openness to prevail when dealing with the various subjects;

18. Emphasizes that the traditional GATT working method is to adopt decisions by consensus, not by a vote;

19. Takes the view that, while at present, however, it may not be appropriate for the Soviet Union to be granted observer status within GATT, any future request by the Soviet Union for such status should be carefully considered by the Community within the context of the future development of EEC-Comecon relations and the, as yet, undefined role of state-trading countries within GATT;

20. (a) notes the recent granting of observer status in GATT to the People's Republic of China, which arose from the opening up of China to foreign trade and the introduction of market economy factors;

(b) welcomes the accession to GATT of Hong Kong, which is of major trade policy significance in the Pacific, and refers in this connection to its resolution of 11 July 1985 on trade relations between the EEC and Hong Kong⁽¹⁾;

(c) welcomes Mexico's recent application for full membership of GATT;

The EEC as an integrated unit and GATT

21. Expects that in the new GATT round the Community will speak with one voice and that, as in the past, the negotiations will be conducted by the Commission; in this connection rejects any directives from the Council which restrict the Commission's mandate;

22. Is convinced that, in the context of the progress towards integration, the Community should make use of its potential competences in external trade and should seek to solve the legal issue in a coherent manner by replacing the Member States as members of GATT, possibly in stages, and that the EEC must in any event take responsibility, instead of the Member States, for fulfilling the obligations arising from GATT;

Aspects of monetary and financial policy

23. Asks explicitly that, alongside the trade negotiations, efforts be made in the competent international bodies to create a more stable world monetary system in which currency fluctuations, which disrupt world trade flows, can be substantially reduced e.g. by regulation of floating between the major currencies;

⁽¹⁾ OJ No C 229, 9. 9. 1985, p. 102 ff.

24. Calls in this connection for a more coordinated trade and financial policy, whereby the former should not be detrimental to the latter through, for example, restrictions on imports of goods from heavily indebted developing countries, which damage their ability to service their debts, or liquidity shortages which induce countries to turn to bilateral agreements, barter dealing and other measures which jeopardize the multilateral trade system;

25. Calls for greater cooperation between GATT, the IMF, the World Bank and individual countries or groups of countries which deal with indebtedness in the Third World, in order to bring about improved coordination among those responsible for trade and finance and find a solution to the problems arising from this indebtedness;

Practicability of the GATT system

26. (a) regrets that, although many trade policy issues require a rapid solution, the GATT negotiating rounds take place only at long intervals and, moreover, are extremely protracted;

(b) calls, therefore, for a strengthening of GATT as a permanent negotiating body;

27. (a) endorses recommendations that a permanent ministerial committee be set up in GATT, which would have restricted membership but which would, through an appropriate election procedure, nevertheless be representative of all contracting parties and in which the Commission would represent the Member States of the Community;

(b) notes that such a committee would enable members of governments with responsibility for trade and economic policy to exchange views and experiences more frequently and to support each other in resisting protectionist pressure, which would improve international cooperation on the strengthening of the multilateral trade system;

28. Points out in connection with the view that a principal negotiating goal in the new round is to be the 'fair distribution of world trade flows', that this principle may ultimately lead to a situation in which later, during the new round, every question can be blocked by a 'fairness veto' based on the simple, subjective assertion that balance in world trade is being disturbed;

29. (a) notes that there is a worldwide trend towards bilateral trade and that the GATT rules on the creation of customs unions and free trade zones have been interpreted very broadly, thereby creating precedents for further special arrangements which undermine the multilateral trade system;

(b) proposes that the GATT rules on customs unions and free trade zones be reviewed and made more strict, so that ambiguities are eliminated and only countries genuinely wishing to create a customs union or free trade zone may have recourse to these provisions;

30. Proposes that the GATT Secretariat should regularly draw up, for publication, studies on the trade policy of individual countries, thereby enabling GATT, acting as guardian not a judge, to prevent infringements of the trade rules and bring greater transparency to trade policy, and requests that the means be made available for any strengthening of the GATT Secretariat which may be required;

Dispute settlement procedure

31. Acknowledges the hitherto positive aspects of dispute settlement within GATT, particularly efforts to speed up the procedure;

32. Would, however, like to see more effective dispute settlement by GATT, in particular by means of

- more rapid establishment of panels, with binding deadlines,
- earlier conclusion of the panels' work, likewise with binding deadlines,
- a clear statement of the rationale for conclusions,
- compilation of a list of non-governmental experts who, if consulted regularly and rapidly, could contribute towards the development of a kind of case law ('de-governmentalization' and 'professionalization'),
- early conciliation of disputes by the Director-General of GATT,
- strengthening the role of the Director-General of GATT,
- surveillance of deadlines within which the recommendations of the panels are to be complied with,
- measures to increase the authority of the panels' reports and their acceptance by the parties at dispute;

Expectations of the new round: individual issues

33. Expects the contracting parties, having concluded a 'standstill' agreement, to establish during the negotiating round the 'roll-back' principle (elimination of existing protectionist attitudes) by means of a fixed timetable for the dismantling of existing trade barriers, and in particular excessive tariffs;

34. Urges that in the course of the New Round the Community should not grant any new concessions to Japan until that country effectively and in binding form declares its readiness to establish a reasonable balance, by opening up its markets and increasing its willingness to import, in the disproportionate advantages it derives at present from the free world trade system;

35. Calls on the Community's negotiators to insist that the contracting parties undertake scrupulously to observe Article 24 (b) by avoiding taking any ill-considered unilateral measures, for whatever purpose;

Developing countries

36. (a) points to the fact that trade remains the most important factor in improving the economic situation in the developing countries and expects therefore that the new GATT round will lead to a lasting opening up of the markets in the industrialized countries to the Third World, a process which could be adapted to each country depending on its specific development requirements if a definition of the concept of development requirements can be found that is satisfactory to all parties;

(b) suggests that the proposal to bind tariff preferences in GATT be considered with an open mind;

(c) expects the developing countries to contribute to the further liberalization of international trade; believes that once an internationally accepted definition of 'threshold countries' is found, this group of countries in particular can make a contribution by gradually abolishing quantitative restrictions and lowering their customs tariffs;

(d) in this connection rejects the principle of global reciprocity but approves of graduated reciprocity which should, by dismantling existing quantitative quotas and reducing tariff levels, be introduced gradually in developing countries which increasingly display the characteristics of a newly industrialized country;

- (e) points to the fact that an important factor in improving the economic development is the South-South trade i.e. bilateral trade between the developing countries; considers it therefore favourable to grant special concessions to the developing countries in order to encourage this South-South trade;
 - (f) approves of special emphasis being placed on negotiations to open up markets for primary products, agricultural products (processed as well as non-processed) and special attention given to tropical and other typical products of the developing countries;
 - (g) recalls once again the urgent need to deal with indebtedness in the Third World and stresses in this context the importance of a more rapid trade liberalization;
 - (h) points to the need for closer cooperation and coordination of the international food-aid measures, which should not be an instrument of trade policy;
37. Believes that the levels of indebtedness reached by the developing countries call for special financial action to abate this debt, particularly in the case of the least developed countries;
38. Calls attention to the possibility of granting concessions (e.g. transitional and special provisions, compensation, etc.) to the developing countries when the new GATT round deals with trade in services, and to the fact that many developing countries have the beginnings of strong service industries and must therefore themselves be interested in eliminating trade barriers which hinder growth;
39. Points to the fact that the economic situation in most developing countries has worsened during the last years mainly due to the deterioration in the terms of trade and the increasing burden of servicing their external debts;
40. Draws attention in this connection to the forthcoming negotiations on the renewal of the Multifibre Arrangement and believes that a more flexible approach on the part of the industrialized countries, more specific rules on the origin of products and greater differentiation between newly industrialized countries and developing countries proper are called for;

International agricultural trade

41. Considers that it is in the interest of neither the Community nor its trading partners, particularly the developing countries, to launch trade wars and to continue the dumping of agricultural products on world markets;
42. (a) considers that, because of increasing agricultural production throughout the world, surpluses are becoming larger and thus competition on world markets will increase still further if no clear agreements are reached during this GATT round;
- (b) consequently takes the view that, as regards international agricultural trade, if the GATT rules are correctly applied:
- the problems on the world agricultural markets must be solved through international negotiations and that appropriate improvements must be made in the agreements which already have been, or may be, concluded within GATT;
 - to this end, clear agreements must be reached in the forthcoming GATT round to ensure that, through a system of production and export agreements better market stability can be achieved for these products, without dumping and all its attendant adverse effects;
 - direct and indirect export refunds must be restricted in so far as they affect world trade;
43. Takes the view that not only export subsidies but also other forms of aid to agriculture affect the competitive position of a country on the world market; considers, therefore, that such measures should always be considered as a whole;

44. Stresses the urgent need for the establishment of a GATT code to govern the international trade in agricultural products, especially with a view to helping developing countries which have been squeezed out of third country markets;

45. Takes the view that, within GATT provisions, it must still be possible to conclude and improve preferential agreements with certain developing countries and that it must be possible to maintain existing cooperation with the remaining Mediterranean countries;

46. Points to the fact that since 1955 the USA has been able, in international agricultural trade, to introduce quantitative restrictions to avoid endangering its agricultural support programmes; hopes that this waiver will be renegotiated with a view to its abolition at an early date;

47. Proposes that consideration be given to placing an obligation on the contracting parties not to introduce new protective measures in the agricultural sector and points out in this connection that the principles governing a 'standstill' arrangement of this kind are not the same as for a similar agreement for industrial goods;

48. Considers that it must be possible for the European Community to keep its agricultural policy priorities, e.g. the objectives laid down by Parliament on the protection of family farms, even when these priorities differ from those of its partners;

49. Wishes to see controls on multinational agri-business companies;

Subsidies

50. Would like more contracting parties to sign the code on subsidies, for whose application clear definitions and criteria should be sought during the new round in order to eliminate existing ambiguities;

51. (a) endorses the present ban on export subsidies for non-agricultural products;

(b) notes that the GATT rules for subsidies other than export subsidies, as laid down in particular in the 1979 subsidies code, have proved to be insufficiently precise in many cases;

(c) suggests, therefore, for internal subsidies, which are basically accepted in the subsidies code as internal economic policy measures, that it be established more accurately than hitherto in which cases these affect international trade flows to the detriment of other contracting parties and therefore should not be permitted, and that the definition, calculation and measurement of the level of subsidies be specified;

(d) suggests in particular, when distinguishing between permissible and impermissible subsidies, against which countervailing duties can be levied, that the criterion of sectoral and regional specificity of the subsidy measures should be applied;

52. Warns against subsidies for the state sector in the field of advanced technology which would lead to competition no longer between firms but between governments or governments and undertakings, and points in this connection to the danger of a form of technological protectionism;

Safeguards

53. Calls for a binding programme to be prepared during the new round to provide for an inventory of all trade restrictions based on protective agreements and contrary to GATT, with the aim of restoring GATT discipline and bringing about full transparency;

54. Notes that the voluntary restraint agreements and orderly marketing agreements, which are for the most part negotiated outside Article XIX of GATT, contravene GATT rules and are therefore not subject to the rule that compensation must be provided for measures to protect the market, because *inter alia* the concept of 'serious injury to domestic producers' is not clearly defined and certain GATT rules apply only selectively in respect of individual supplier countries;

55. Calls for the transformation of such agreements into clear, non-discriminatory arrangements and for their elimination as far as possible in accordance with a timetable to be fixed, e.g. by placing a time limit on existing agreements;

56. Proposes an obligation to notify and submit to subsequent supervision by GATT for all cases in which the contracting parties feel they cannot dispense with selective bilateral protective measures but considers unilateral selective measures to be inadmissible;

Trade in services

57. Stresses the economic importance of services in the Community which, in the context of the changing economic structure, account for an increasingly large share of gross domestic product and of foreign trade, particularly in relation to the labour market;

58. Emphasizes the need for trade in services to be governed by a GATT code, work on which should begin during the new round, but stresses that this issue must not be permitted to overshadow the important issue of the liberalization of trade in goods;

59. Considers a 'dual-track' negotiation, that is, negotiation on services running parallel to the general GATT round, to be feasible;

60. Proposes a general section of an agreement on free trade in services, which a majority of the contracting parties should sign; thereafter, regards as both possible and desirable sectoral agreements on trade in services in certain sectors, particularly transport and insurance, which could be signed by all countries or contracting parties involved in the sphere in question ('signature "à la carte"'), since it is also necessary to differentiate between services;

Trade in counterfeit goods

61. Recognizes that inadequate protection of intellectual property represents a major distortion of international trade; emphatically supports the Commission in its efforts to introduce a GATT regulation to prevent trade in counterfeit or forged goods, calls for completion of the counterfeit code begun during the Tokyo Round negotiations and supports GATT discussions in cooperation with the secretariat of the World Intellectual Property Organization (WIPO) on the trade-related aspects of intellectual property rights;

Trade related investment

62. (a) notes that foreign direct investment can be an important source of capital, new technologies and employment opportunities for developing countries if proper conditions are provided to encourage such investment in host countries. Restrictions on foreign direct investment not only deny developing countries the potential benefits from such investment but also have potential trade distorting effects;

(b) proposes discussions within the framework of the new GATT round which will address trade-distorting investment restrictions such as *inter alia* local content regulations, export requirements and import restrictions;

Advanced technologies

63. Proposes the drafting of a code for advanced technologies which could, for example, include: new international forms of cooperation between undertakings or governments, the internationalization of research and development, the commercial use of technological innovations, tariff and non-tariff problems in trade in advanced technology goods and services, procurement, export promotion, standards, strategical aspects, testing procedures, industrial property rights etc.;

Social clause

64. Considers that the non-adherence to, and persistent violation of recognized international labour standards in certain GATT contracting parties acts as a distortion of fair competition and is a major cause of pressure for greater protectionism in industrialized countries;

65. Re-affirms, therefore, its earlier demand (Resolution of 28 October 1983) that a new GATT article should be negotiated to cover Fair Labour Standards (on the lines of Article 7 of the 1948 Havana Charter) and that, in particular, all GATT member countries should be required to respect the ILO Conventions on freedom of association and collective bargaining, on discrimination in employment, and on forced labour;

Other topics

66. Would welcome the possible inclusion in the new GATT round of subjects such as restrictive business practices (e.g. split prices for raw materials, etc.), barter and the export of domestically prohibited goods;

Procedural questions

67. Calls on the contracting parties to set a reasonable deadline from the outset, whereby the new round should be completed at the latest by the end of 1991;

68. Draws attention once again to the demand made in its resolution of 11 July 1985 on GATT (paragraph 16) that Parliament should investigate the practicality of sending an *ad hoc* delegation to future GATT conferences as observers, by analogy with the frequent attendance of national parliamentarians at, for example, the UN General Assembly;

69. Decides that the delegation is to be composed of a limited number of Members from the main committees having an interest in the GATT negotiations, i.e. REX, Agriculture, Economic, and Development, with REX naturally having the largest representation; further wishes it to be institutionalized as a European Parliament working party, with the same status as, for instance, the Working Party on Dairy Quotas;

70. Considers that the delegation should be able, at any point in the negotiations, to convey its point of view to Parliament as a whole in the form of interim reports, giving an account of preparatory work and the progress of negotiations within GATT; it should also be able to draft motions for resolutions;

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71. Instructs its President to forward this resolution to the Commission, the Council, the governments of the Member States, the GATT Secretariat, all contracting parties to GATT meeting at the GATT Ministerial Conference in Punta del Este (Uruguay) and the OECD.

RESOLUTION

on economic relations between the European Community and Latin America

The European Parliament,

- having regard to the Final Acts of the Sixth and Seventh European Community-Latin America Interparliamentary Conferences, held in Brussels from 13 to 16 June 1983 and in Brasilia from 16 to 20 June 1985 respectively,
- having regard to its resolutions of 12 October 1983 and 13 June 1985 on economic and trade relations and cooperation between the European Community and Latin America,
- having regard to its resolution of 13 April 1984 on the conclusion of a framework agreement for cooperation between the European Economic Community and the countries party to the Cartagena Agreement (Bolivia, Colombia, Ecuador, Peru and Venezuela),
- having regard to its resolutions of 13 June 1985 and 15 May 1986 on the conclusion of the Cooperation Agreement between the European Economic Community, of the one part, and the countries party to the General Treaty on Central American Economic Integration (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) and Panama, of the other part,
- having regard to the outcome of the meetings held on 28-29 September 1984 and 11-12 November 1985 between the Foreign Ministers of the Member States and of Spain and Portugal and the Foreign Ministers of the Central American Common Market and of the four Member States of the Contadora Group,
- having regard to its resolution of 18 April 1985 on the debt burden of the Latin-American countries and the summit of the seven industrialized countries in Bonn (May 1985),
- having regard to its resolution of 17 January 1986 on the political situation in South America,
- having regard to the joint declaration of intent on the development and intensification of relations with the countries of Latin America, annexed to the Final Act concerning the accession of Spain and Portugal⁽¹⁾,
- having regard to the conclusion of the Presidency of the European Council at its meeting in The Hague of 26-27 June 1986, and to Parliament's resolution of 9 July 1986 on that meeting⁽²⁾,
- having regard to the ministerial declaration adopted on 20 September 1986 on the occasion of the special session of the Contracting Parties to GATT in Punta del Este, and its resolution of 9 September 1986⁽³⁾ on the latest round of multilateral trade negotiation within GATT,
- having regard to the communication from the Commission to the Council on 'Guidelines for the strengthening of relations between the Community and Latin America' of 6 April 1984 (COM(84) 105 final), and the Commission memorandum on 'The Community and Latin America' of 2 December 1986 (COM(86) 720 final),
- having regard to the motions for resolutions tabled by Mrs Lizin (Doc. 2-465/84), Mr Vergeer (doc. 2-1500/84), Mrs Lizin (Doc. B2-192/85 and Doc. B2-1060/85), Mr Pearce (Doc. B2-1355/85), Mr Duran Corsanego (Doc. B2-1492/85), Mr Tuckman (Doc. B2-1658/85), Mrs Lizin (Doc. B2-706/86), Mr Baron Crespo (Doc. B2-818/86), Mr Newens (Doc. B2-984/86), Mr Gilinne (Doc. B2-965/86) and Mr Guermeur (Doc. B2-364/86),

- having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Development and Cooperation and the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A2-194/86).
- A. whereas the expansion of trade relations between the Community and Latin America has not been commensurate in past years with the potential of the regions in question,
- B. having regard to the importance of intensifying economic and trade relations between the Community and Latin America in order to sustain and give a broader basis to the recovery of the world economy that has begun to appear in the past few years,
- C. having regard to the new opportunities for trade and cooperation offered by the enlargement of the Community to include Spain and Portugal, and the Community's commitment to developing and strengthening its relations with Latin America pursuant to the joint declaration of intent annexed to the Treaty of Accession.

As regards trade

1. Emphasizes the vital necessity for most of the countries of Latin America to be able to maintain and increase in future years a high level of exports so that the ratio of debt to exports can gradually be reduced and imports can be kept at a level that is compatible with the development of their economies and does not lead to their political and social destabilization;
2. Points out to this end the desirability for the countries of Latin America to be able increasingly to diversify their flow of goods, thereby strengthening both regional economic integration and trade with the Community;
3. Stresses the need to establish ways of maintaining the volume of trade between the countries of Latin America and the new Member States;
4. Points out that the protectionist policies applied by the developed countries, particularly in the textile, steel and agricultural sectors, have contributed in past years to a substantial increase in the problems facing the Latin American economies, hitting the most indebted countries particularly hard and, at the same time, threatening the open multilateral system of trade;

(¹) OJ No L 302, 15.11.1985, p. 479

(²) OJ No C 227, 8.9.1986, p. 52

(³) OJ No C 255, 13.10.1986, p. 69

5. Notes that the negotiation of a multilateral liberalization of trade, on a reciprocal basis, at the forthcoming GATT round would be the most effective means of achieving a long-term recovery of world trade and hence one valid way of giving a fresh long-term boost to the economies of the Latin American countries;

6. Stresses the importance of establishing, as soon as possible, a clearer and more effective definition of GATT rules and procedures in the agricultural sector, with a view to a general liberalization of trade; considers, to this end, that there is an urgent need for a substantial reform of the common agricultural policy, which is largely responsible for the growing problems encountered by the developing countries in producing and exporting basic agricultural products;

7. Considers that there are preferential agreements and arrangements which sometimes have to be maintained side by side with opportunities for establishing free trade areas and customs unions, as upheld by Article XXIV of GATT;

8. Welcomes, in this connection, the achievement of regional and subregional integration in Latin America (Andean Pact, Central American Common Market, LAIA, LAES) and the establishment of a Central American Parliament by the Esquipulas Declaration, as decisive factors for the political stability of the continent and effective instruments against the economic dependence to which many countries in the region are subject; an increase in intra-Latin American trade would have an extremely positive impact on the restructuring of the economies of the countries in the region, particularly since there is a great deal of productive capacity which is still under-used;

9. Expresses its concern at the Commission's latest proposals to set up a STABEX system for the least developed countries, i.e. those contained on the United Nations' list, which totally excludes all Latin-American countries, and takes the view that the Commission's criterion should be changed;

10. Stresses that only sustained world growth can prevent sharp falls in international raw material prices, which have already caused reductions in the trade surpluses of Latin American countries and whose consequences have more than counteracted the positive effects of the fall in interest rates;

As regards the external debt

11. Endorses the organizational efforts and attempts at dialogue made by the debtor countries within the Cartagena Agreement and the Group of 24 so that joint strategies can be adopted;

12. Regrets the fact that the lack of regional integration and the differences in strategies and situations force the various states to seek individual solutions to their debt problem; stresses the need for a worldwide approach to the debt problem, which cannot be solved solely in the financial sphere, since general conditions enabling the debtor countries to cope with their commitments must be created; therefore asks the Community to press for an initiative designed to bring all the countries which drew up the Cartagena Agreement, the multilateral organizations, the commercial banks, the governments of the creditor countries and representatives of the EEC together round the same negotiating table; an institutional settlement binding creditor and debtor countries (similar to the 1953 London debt settlement) is thus needed;

13. Considers that the GATT ministerial declaration adopted in Punta del Este on 20 September 1986 may prove very useful when it comes to amending a number of points relating to trade relations and debt repayment by the countries in question;

14. Endorses the initiative proposed by Mr James Baker at the IMF/World Bank meeting in Seoul in October 1985, as it contains a number of positive features; emphasizes, however, that the sums proposed in the Baker plan are not sufficient to make servicing the debt compatible with economic growth and that the planned increase in financial resources to be provided by the commercial banks has not yet materialized;

15. Considers, for the purpose of strengthening the action of multilateral bodies, that a substantial increase in the World Bank's capital (for 1987) and the eighth renewal of the IDA are essential; stresses the urgent need to replenish the IADB's capital; endorses wider access to IMF appropriations for loans to compensate 'external risks' such as falls in the prices of raw materials and fluctuations in interest rates;

16. Stresses that it is impossible for many Latin American debtor countries to implement the IMF's medium-term adjustment plans and therefore calls for account to be taken of the requests put in by these countries which have maintained that the possibility of real economic growth in terms of per capita income needs to be kept open and for policies involving over-drastic cuts in public spending to be avoided, since there is a risk that these, besides undermining development potential, will foment dangerous destabilization processes in countries which have only just returned to the democratic fold;

17. Recalls in this connection that, according to World Bank data⁽¹⁾, an increase in protectionist policies by the developed countries such as to worsen the Latin-American countries' terms of trade by 10% would cause a drop in their export earnings equivalent, in real terms, to the interest payments of these countries, and that in 1983 the existing obstacles to trade caused losses in Latin-American export earnings of 4.7 billion dollars for beef and veal and 3.4 billion dollars for sugar;

18. Considers that the debt burden could be significantly reduced by

- (a) a greater flow of investment to Latin America;
- (b) vigorous measures in the Latin American countries to reduce flights of capital in their area and give greater encouragement for their own investment; similar measures by those countries to which the majority of such capital is flowing, particularly the USA and Europe;
- (c) the development of new market and financial instruments to facilitate the management of the debt, such as a secondary market for the debt itself;
- (d) improvements in the quality of aid from the industrialized countries, particularly by giving preference in the short-term to contributions rather than loans which have a serious effect on indebtedness;

19. Considers the slump in investment and the resulting loss of capital, owing to the net transfer of resources from Latin America to other countries, to be one of the factors threatening the future expansion of the economies of these countries; notes that this transfer reached 105 billion dollars between 1983 and 1985;

20. Welcomes the recent establishment of the Multilateral Investment Guarantee Agency within the World Bank, and of the Inter-American Investment Trust within the IADB, and proposes that consideration be given to the possibility of taking initiatives at Community level to facilitate investment, particularly in the form of joint ventures, which will reinforce the Community's presence in Latin America;

21. Stresses that some of the less advanced countries are in a desperate situation, calling for further specific measures involving sympathetic action on the part of the creditors affected, including greater generosity in applying GSPs;

22. Stresses the need for other developed countries which are poor aid donors, such as Japan and the USSR, to display a willingness to do more;

As regards economic relations and the dialogue between the European Community and Latin America

23. Subjects the requests made at the Seventh and Sixth European Community-Latin America Interparliamentary Conferences to a critical examination, adopts the summary included as an integral part of this resolution and urges the Commission and Council to take action as soon as possible on these requests and proposals;

24. Underlines the fundamental importance of a growing influx into Latin America of capital from the Community, mainly risk capital, both for the current equilibrium of the balance of payments of the countries of Latin America and for the future prospects of economic development in the region;

⁽¹⁾ World Bank, World Development Report 1985, p. 38

25. Stresses, in particular, the considerable opportunities for development in the agricultural sector in Latin American countries, to which aid should, as a priority, be directed, rather than to the large, spectacular projects which are so costly for the economies of those countries; at the same time steps must be taken to combat the growing of crops intended for drug production and peddling;

26. Deplores the large, spectacular projects undertaken in those countries: these proved detrimental for the environment, the local inhabitants and farmers and took no account of the legitimate demands of the indigenous Indian population;

27. Welcomes and supports the plan decided at the Esquipulas Conference, and now further developed, for a directly elected Central American Parliament which could contribute to closer relations between the EC and Central America;

28. Expects the joint 'Costa Rica' conferences initiated in 1984 between the Foreign Ministers of the Member States of the European Communities, Central America and the Contadora States to be institutionalized, in order thus to create a basis for a permanent dialogue with the aim of greater political and economic cooperation between the EC and Central America;

As regards the consequences of the accession of Spain and Portugal

29. Considers the joint declaration of intent on the development and intensification of relations with the countries of Latin America, annexed to the Final Act of the Treaty of Accession, to be a significant step towards the resumption of the dialogue with the Latin-American countries, and calls on the Council promptly to implement the undertakings contained in the declaration and confirmed at the European Council meeting in The Hague of 26-27 June 1986;

30. Considers that the trade relations which existed between the two new Member States and Latin America must be further developed, and that provision must be made in future for Community activities which guarantee that the special character of the trading positions predating the signing of the Treaty of Accession is maintained as far as possible;

31. Considers that the strong links formed by direct investments between the new Member States and the Latin American countries can to a large extent stimulate further investment flows between the Community as a whole and Latin America;

32. Calls on all Community bodies to implement, within the framework of the budget, the suggestions contained in this resolution;

33. Urges the Commission to draw up specific proposals, aimed at establishing a comprehensive EC/Latin America policy, which would develop and build on the recent communication 'The European Community and Latin America' (COM(86) 720 final);

34. Endorses the declaration made by the Spanish delegation at the 28th session of the Ministerial Conference between the EC and Spain (19 February 1985) ⁽¹⁾ and the statement made by the King of Spain to the European Parliament on 14 May 1986 ⁽²⁾ on the need to establish an appropriate framework for cooperation between the enlarged Community and Latin America;

In conclusion

35. Reiterates that the liberalization of trade between the Community and Latin America is important for the strengthening of economic and trade relations between the two regions and making a positive contribution to their economic development; considers that the liberalization of the internal markets of the most developed countries in Latin America (NICs) is desirable, provided this does not mean abandoning commercial activities properly agreed upon by the Community or cooperation and aid activities for Latin America (particularly the GSPs), especially for countries in the area worst hit by recession (LDCs);

(1) PE 96,698

(2) EP Verbatim Report of Proceedings, May 1986, p. 134.

36. Considers, however, that such liberalization presupposes sustained growth in the economies of the industrialized countries and must go hand in hand with an agreed policy of encouraging exports from the developing countries in which the rich countries have invested; also expects much more benefit in the long term from local development projects such as those of the NGO's, which aim to organize the local population in the context of greater autonomy;

37. Considers that relations with Latin America should be placed on an institutional footing by means of permanent consultation at political level, and urges the Commission to consider, as a matter of urgency, the possibility of drawing up a wider and more coordinated political and economic agreement between the Community and Latin America making it possible to take more initiatives in the social, political and economic fields than under the present agreements, and based in certain respects on the Lomé Convention;

38. Welcomes the guidelines contained in the aforementioned new document drawn up by the Commission ('The European Community and Latin America'), particularly those aspects concerning industrial cooperation investments and exchanges of information; stresses, however, the need to consolidate the Community's analyses and efforts with respect to trade liberalization and the intensification and diversification of trade;

39. Asks the Commission to increase the number of its delegations in Latin America, devoting greater financial and human resources to them, and to regard them as instruments for dialogue and cooperation;

40. Considers that in the communities' budget the appropriations for the Latin American countries should be clearly separated out from those for other developing countries, and that such appropriations should be substantially increased;

41. Takes the view that, in the utilization of appropriations under Chapter 93 of the Commission budget (financial and technical cooperation with Latin American and Asian developing countries), full account should be taken of the decisions adopted at the meetings in San José de Costa Rica (28-29 September 1984), Luxembourg (11-12 November 1985) and The Hague (26-27 June 1986), and of the remarks inserted in the European Parliament in the 1987 budget;

42. Urges once again the Board of Governors of the European Investment Bank to authorize, within the meaning of Article 18 of the Bank's statute, the financing of projects in Latin America;

43. Stresses finally the deep-rooted links that inevitably exist in all countries between economic development and social and political stability and also respect for human rights and the democratic character of their political systems;

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44. Instructs its President to forward this resolution and the report of its Committee to the Commission, the Council, the governments of the Member States of the Community, the Latin-American Parliament, the Parliament of the Andean Pact and the European Investment Bank.

Summary of the requests made at the Seventh and Sixth European Community-Latin America Interparliamentary Conferences

Requests Seventh Conference	Action taken by the Commission	Action taken by the Council	Request made by the European Parliament
<p>Paragraph 34 Abandonment of protectionist practices</p>	<p>De facto implementation, as from 1 January 1983, of voluntary restraint agreements on exports of textile products from 7 Latin-American countries. These agreements, which were due to expire on 31 December 1986, were recently renegotiated (with the addition of Argentina) and initialled. Voluntary restraint agreement with Brazil on steel exports (June 1986)</p>	<p>Regulations of 20 May 1985 approving the current agreements.</p>	<p>(a) Renewal of the MFA on more flexible lines and for a limited period (Resolution of 21 February 1986). Approval of 4th MFA on 25 November 1986.</p> <p>(b) Progressive liberalization along with the restructuring of the sector (Resolution of 13 June 1985).</p>
<p>Paragraph 37 Urgent response to the debt problem (establishment of criteria of compatibility).</p> <p>Paragraph 38 Role of the EEC in working for a reduction in interest rates.</p>	<p>Contacts with representatives of the Member States of the Cartagena Group (25-26 March 1986); statements by Mr Delors (14 May 1986) and Mr Cheysson (10 June 1986) before the EP.</p>	<p>Position approved by the Monetary Committee (February 1986). Debate within the Council on 10 March 1986.</p>	<p>(c) Initiatives in the appropriate international bodies to guarantee compatibility between adjustment and development (See resolution of 13 June 1985).</p>
<p>Paragraph 39 Establishment of a Euro-Latin-American bank. Extension of the EIB's activities to Latin America.</p>	<p>No position.</p> <p>Endorsed in document COM(84) 105 final of 6 April 1984. Substantial reservations expressed by Mr Cheysson on 10 June 1986 before the EP. Largely positive statement by Mr Matutes in Caracas on 12 September 1986.</p>	<p>No position.</p> <p>No position.</p>	<p>(d) Reintroduction of the proposal.</p> <p>(e) Reiterates the request urgently and calls on the Council to take an official stance on the subject.</p>
<p>Paragraph 60 Revival of trade between Latin America and the EC.</p>	<p>Joint declaration of intent annexed to the Treaties of Accession on the development of relations with the countries of Latin America.</p> <p>Document COM(84) 105 final of 6 April 1984. Commission Memorandum of 19 November 1986.</p>	<p>Discussion by the ad hoc group on 26-27 June 1986.</p>	<p>(f) Progressive liberalization of trade on a reciprocal and non-preferential basis with a view to achieving substantial progress at the new GATT round.</p>

Requests Seventh Conference	Action taken by the Commission	Action taken by the Council	Request made by European Parliament
<p>Paragraph 61 Requests the Commission to begin negotiations for cooperation agreements with (a) Argentina and (b) Uruguay.</p>	<p>(a) High-level consultations between the Commission and Argentina on 18-19 March 1986. Answer by Mr Cheysson to Written Question No 1917/85 by Mrs Gadioux.</p> <p>(b) Meeting of the joint committee on 26 November 1985. Continuation of work on the basis of the trade agreement of 1 August 1974 (future developments clause).</p>		<p>(g) Pursue efforts.</p>
<p>Hopes that the EC/Brazil and EC/Mexico cooperation agreements will be implemented.</p>	<p>Meeting of joint committee on 15 January 1984 (EC/Brazil), 5 December 1984 and 7 November 1985 (EC/Mexico).</p>		<p>(h) Further initiatives.</p>
<p>Hopes that the EC/Andean Pact Agreement will enter into force.</p>	<p>The measures proposed in the agreement have been initiated.</p>		<p>(i) Requests the parties to set up a joint committee and step up cooperation activities; supports initiatives aimed at securing the direct election of the Andean Pact Parliament.</p>
<p>Paragraph 64 Welcomes the cooperation agreement between the Community and the countries of Central America.</p>	<p>The measures contained in the agreement have been initiated.</p> <p>(Agreement signed on 12 November 1985. Not yet ratified by Costa Rica or Panama).</p>	<p>Ministerial conferences of San José (28-29 September 1984) and Luxembourg (11-12 November 1985).</p>	<p>(j) Calls for effective implementation and the strengthening of financial resources; supports proposals for the direct election of the Central American Parliament, particularly the Esquipulas Declaration.</p>
<p>Paragraph 66 Establishment of the European-Latin American Institute.</p>	<p>Appropriations entered in 1984, 1985, 1986 and 1987 budgets (Madrid seat opened and work begun in 1985).</p>		<p>(k) Continued support for IRELA. Opening of the Latin-American seat.</p>

Requests Sixth Conference	Action taken by the Commission	Action taken by the Council	Requests made by the European Parliament
Paragraph 37 Signature of a framework agreement between the EEC and SELA.	24 October 1984 — breaking off of contacts aimed at resuming institutionalized dialogue.		(l) Hopes that contacts will be resumed promptly.
Conclusion of an EC OLADE agreement in the energy sector.	No initiative for a specific agreement. Cooperation within existing agreements.		(m) Renews its call to explore the feasibility of such an agreement.
Promotion of small and medium-sized undertak- ings, e.g. by arranging visits by groups of experts.	Measures taken as part of cooperation agreements.		(n) Efforts in this field to be intensified.
Diversification of Latin- American products (a higher proportion of fin- ished products).			
Solution of problems relat- ing to transport between the EC and Latin Ameri- ca.	No action	No action	(o) Renews the request.
Improvements in the gen- eralized system of prefer- ences.	17. December 1985 — adoption of the 1986 scheme of tariff preferences. Annex I to the EC/Central America agreement (Community declaration undertaking to im- prove the GSP). 24 November 1986 — adoption of the GSP scheme for 1987 (inclusion of raw coffee).		(p) While hoping that the GSP will be strengthened and used more effective- ly, stresses the inherent limits of this approach which cannot replace re- ciprocal liberalization of trade, particularly in new- ly industrialized countries (NICs).
Establishment of a Com- mission delegation in Bra- zil.	Opening of the Commission delegation in Brasilia.		(q) Further extension of the network of Commission delegations in Latin America.
Establishment of a political body of Latin-American States with the necessary powers to be the partner of the European Communi- ty.			(r) Renews the request.
Development of GRULA as an effective instrument of cooperation.	Ongoing informal talks be- tween Mr Cheysson and GRULA.		(s) Hopes that the dialogue will be officially re- sumed.

RESOLUTION
on North-South cooperation

The European Parliament,

- having regard to the report of the Committee on Development and Cooperation (Doc. A2-203/86),
 - having regard to its resolutions of 18 February 1987 ⁽¹⁾ on:
 - the problem of indebtedness in the developing countries,
 - the Community's relations with developing countries with regard to trade and raw materials,
 - development and disarmament,
 - having regard to the motions for resolutions ⁽²⁾ on:
 - the fight against hunger,
 - fishing agreements with developing countries,
 - desertification,
 - cooperation between the European Community and the non-governmental organizations,
 - aid to refugees and displaced persons in developing countries,
 - the coordination of development aid;
- A. whereas since the establishment of the European Community it has become increasingly apparent that North and South are mutually interdependent as regards the objectives of peace, economic development, employment, world-wide social justice and respect for human rights,
- B. whereas the Community was established in the wake of two terrible world wars which were European in their origins, to make a creative contribution to world peace and that, as a regional community it is particularly well qualified — and has a special responsibility — to strengthen inter-regional cooperation and thereby contribute to reducing tension; whereas, furthermore, it is in the interests both of the Community and of the developing countries to improve North-South cooperation,
- C. whereas the reality of interdependence, and in particular faster economic growth in developing countries, will bring not only relief from hunger and poverty in those countries but also employment and improved living standards in developing and developed countries alike,
- D. whereas the developing countries' wish for decisive action in tackling the problem of North-South relations to which they believe the most advanced countries pay scant attention is fully justified,
- E. whereas, if North-South dialogue is to develop positively, there must be increased dialogue between the countries of the South and effective forms of cooperation must be established between them,

⁽¹⁾ See these same minutes.

⁽²⁾ Scheduled to be adopted on 19 February 1987.

- F. whereas the Community must assume its responsibility by speaking with a single voice and taking creative initiatives in the key issues set out in its North-South resolutions; Proposes the following fifteen-point programme:**
- 1. Proposes the following programme: The European Council must, by declaring itself firmly in favour of multilateral cooperation, take overall responsibility for a world-wide and regional initiative by the Community aimed at revitalizing the North-South dialogue and achieving definite progress in North-South relations. It must ensure that this initiative is pursued in all appropriate international organizations and institutions and in international negotiations. Its meetings in 1987 should concentrate on this task;**
 - 2. The Commission must draw up comprehensive practical proposals and must consult Parliament. The proposals should cover settlement of the UN crisis, a more constructive role for the International Monetary Fund and greater involvement by the developing countries in UN decisions;**
 - 3. In organizations such as the IMF where negotiations have so far been conducted exclusively by the representatives of national governments, the Commission must be granted the right of attendance and be invested with the authority to coordinate preparations for Community policy;**
 - 4. A special European effort to solve the debt crisis is long overdue. The European Community must press for debt clearance or rescheduling measures which aid development, and then combine them with injections of fresh capital, a marked increase in public development aid, improved market opportunities and greater international currency stability. In this connection the ECU must play a more important role;**
 - 5. Aid and trade — in a combination appropriate to the state of development and opportunities on the world market of each individual country — should be the Community's answer to the problems of the developing countries; The Community has at the same time a duty to aid every joint endeavour by the countries of the South to develop technologies geared to conditions in those countries;**
 - 6. Better trade conditions for the developing countries means the opening of the Community market to products from developing countries, particularly products from the poorest countries in the world. To this end, the system of generalized preferences must be improved and the Multifibre Arrangement phased out. In the forthcoming GATT negotiations the Community must argue, in particular, for the abolition of the non-tariff barriers applied to trade with developing countries. The Community should do more than hitherto to promote trade between the countries of the South. The conclusion of agreements on commodities and the entry into operation of the Common Fund remain important factors — even under different conditions — for stabilizing the export earnings of the developing countries;**
 - 7. More aid means a significant increase in the budgets of both the Community and its Member States to promote self-determined development which focuses on the men and women of the Third World, their basic needs, rights and abilities. Its North-South resolutions pinpoint specific areas in which considerable additional funds are required. These funds must ensure that the commitment to increase public development aid to 0,7 % and 0,15 % for the poorest developing countries is finally met. The Community must give a clearer undertaking with regard to the reconstitution of the IFAD and IDA funds;**
 - 8. Not least in order to improve the financing of development aid, the Community must use every means at its disposal — including the forum of European Political Cooperation — to adopt a common stance in international negotiations on arms control, disarmament and the reduction of arms exports to developing countries. It must also expand its regional cooperation beyond Lomé and the existing cooperation agreements, in particular in Latin America, but also in Asia and the Mediterranean. The main concern must be to provide greater support for regional cooperation between developing countries in order to promote the development of good relations between neighbours, the reduction of regional conflicts and the strengthening of non-military aspects of security. The Commission must submit a medium-term programme;**

9. The fight against hunger, the promotion of rural development and self-sufficiency in food-stuffs will remain the top priorities of the development cooperation work of the Community and its Member States for the foreseeable future; more attention must be given to the implementation of food strategies — even at regional level —, the co-financing of special international measures in favour of Africa, the transformation of food aid into an instrument of development policy and the reform of the CAP so as to prevent sales of structural surpluses on developing countries' potential export markets;

10. The objective of regional fisheries agreements between the EC and developing countries must be to conserve fish stocks and serve their mutual interests by opening up new fishing grounds to Community fishermen in return for efforts to promote development and secure food supplies in the developing countries;

11. It is imperative that the Community not only consider the environmental consequences of all the projects and programmes in which it is involved, but also launch an initiative for a joint action plan involving both donor countries and the recipient developing countries to halt desertification, to regenerate exhausted soil and to conduct a massive reforestation programme. In view of the gravity of the problem, substantial funds are necessary;

12. The non-governmental organizations are making an increasingly valuable contribution to development. The Community and its Member States are urged to acknowledge their contribution, notably by providing financial aid, and gradually to increase this aid so as to enable the NGOs to promote development — given adequately coordinated measures — with every means at their disposal;

13. In order to play a responsible role in alleviating the plight of refugees in the Third World the European Community must on the one hand, contribute to development and the reduction of 'tension' and thereby tackle the refugee problem at its roots; and, on the other, provide comprehensive and immediate aid in acute emergencies and, notably, increased support for the humanitarian work of the UNHCR, draw up more specific projects within the framework of the Lomé Convention and allocate more resources to budget heading 936 to facilitate the transition from the survival phase to self-sufficiency and create the political and financial preconditions for voluntary repatriations wherever possible;

14. If all these measures are to be more successful than in the past, it is essential that coordination, starting with the Community and its Member States but including all other major donors, be greatly improved; the Commission is urged to make specific and far-reaching proposals for improved coordination of aid policy, programming, project design, appraisal and implementation, evaluation of aid and emergency aid, and to see to their implementation within the context of aid to Asia, Latin America, and to the ACP, for which Lomé III gives an excellent basis for coordination;

15. If North-South relations are to be improved and the Community measures demanded in this Fourteen Point Programme are to prove successful the Community and its Member States must pursue a coherent and continuous policy in the overall context of development, cooperation on the one hand, and trade policy, agricultural policy, industrial and energy policy, economic and monetary policy and European Political Cooperation on the other; the European Parliament sets itself the task of ensuring a greater coherence of Community policy in future both in its own resolutions and vis-à-vis the Council and the Commission;

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16. Instructs its President to forward this resolution to the European Council, the Member States, the Council and the Commission of the European Community and calls on these two latter institutions to submit an annual progress report on North-South cooperation.

RESOLUTION

on the Fourth ACP-EEC Convention

The European Parliament,

- having regard to the guidelines of the Commission,
 - having regard to Rule 33 of its Rules of Procedure,
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets, the Political Affairs Committee and the Committee on External Economic Relations (Doc. A2-49/88),
 - having regard to its resolution of 16 September 1983 on the context of the Third Lomé Convention ,
 - having regard to its resolution of 19 February 1987 adopted during the debate on North-South relations
 - having regard to the resolutions adopted by the ACP-EEC Joint Assembly (!),
- A. deeply perturbed by the constant alarming state of the living conditions of a large number of populations in the southern hemisphere,
 - B. perturbed in particular by the deterioration of the food-supply situation in a number of ACP countries,
 - C. whereas numerous negative events, both old and new, with particular regard to the adverse combination of a deterioration in terms of trade, the constant decrease of commodity prices, the sharp fall of the dollar and the exceptionally heavy debt servicing burden have aggravated the situation of many countries,
 - D. perturbed by the unsatisfactory development of overall economic relations between industrialized countries and many developing countries, which are often characterized by different approaches in essential sectors such as structural adaptation and agricultural, financial and trade policies, consequently hampering the effectiveness of the Convention,
 - E. perturbed by the difficulties that exist between neighbouring ACP countries in the same region,
 - F. whereas there is a need for appropriate measures to encourage participation by all creative social forces in directly productive activities in all areas in order to promote a genuine process of self-reliance,

- G. convinced of the irreplaceable role of NGOs in both the EEC and the ACP countries as on-the-spot promoters of awareness and agents of development in close collaboration with the people,
- H. convinced of the increasing need to improve the infrastructure and services network,
- I. whereas there is a need to promote the cultural dimension whilst preserving the identity of each people,
- J. convinced of the importance of the rights of man and of nations as a basic prerequisite for any development, and considering that the promotion of Human Rights must constitute the pillar of the new Convention,
- K. recalling the link that exists in the Convention between those rights and the common commitment effectively to combat apartheid and deeply perturbed by the serious repercussions it continues to create throughout the whole region,
- L. convinced of the need for a better coordination of implementation of the Convention and the activities of Community Member States and the other multilateral cooperation institutions as part of an all-round approach to North-South relations,
- M. having regard to the EEC's achievements over about 25 years in its contractual relations with 66 countries in Africa, the Caribbean and the Pacific that have signed the Lomé Convention,
- N. convinced of the special importance of this type of relations as a credible reference point in the overall framework of North-South relations and of the new responsibilities incumbent upon the EEC in the present trend in international relations,
- O. firmly believing that the constructive development of relations between the major powers and the consequent arms reduction and decline in the arms trade can help to resolve or attenuate local conflicts and tension and liberate the resource needed for an international revival of development both externally and internally,

(¹) OJ No C 322, 13.12.1985.
OJ No C 168, 7.7.1986.
OJ No C 10, 14.1.1987.
OJ No C 197, 27.7.1987.
AP/437, 6.10.1987.

(a) Basic principles and fundamental objectives of ACP-EEC cooperation

1. Points out that the fundamental objective of all ACP-EEC cooperation must be to promote the autonomous development of the ACP countries so that they have the means effectively to combat famine, poverty, disease and social injustice and to promote the cause of Human Rights and thus enable all individuals to meet their basic needs and lead a dignified human life;
2. Stresses the value of and its confidence in furthering cooperation on an equal basis between sovereign and equal partners with the greatest possible involvement of the democratic representatives of the peoples party to this cooperation, their economic and social partners and all communities and leaders of society;
3. Considers it important to link the development policies of individual countries with the promotion of a strong regional context in order to pursue the essential objective of autonomy;
4. Stresses the need for all potential contributors, whether public or private, individuals, associations, cooperatives, undertakings or administrations to participate in development efforts under the direction of the institutionally responsible authorities; calls to this end for systematic encouragement of the development of polycentric cooperation;
5. Stresses the important role of non-governmental organizations, particularly in the rural, health and education sectors; considers that their means of action should be strengthened and the emergence of ACP organizations promoted, particularly in liaison with the development of the policy of microprojects;
6. Welcomes the positive outcome of implementation of the new procedure of dialogue on policies and calls for the policy and strategy approach to be made systematic;
7. Repeats its opinion that respect for human rights is of vital importance in any authentic development policy and stresses that respect for human rights is closely linked to improving the economic and social situation of the people;
8. Stresses the progress achieved in this field under the Third Lomé Convention; takes the view that further progress is both necessary and possible considering the developments brought about by certain legal instruments such as the African Charter of Human Rights;
9. Considers in this connection that an explicit reference to adherence to Human Rights and fundamental freedoms in all member countries of the Convention, and to the significance in promoting them of the scheme introduced under the Lomé agreements, must be inserted in the text of the Convention as a means of promoting the spread of these rights and their consolidation throughout all the member countries, to the advantage of associated individuals and peoples;
10. Urges that the Community uphold the commitments already entered into in Lomé III by playing a more active part in the struggle for the abolition of apartheid;
11. Stresses the extreme importance of devising a balanced cooperation policy in an overall framework with all the countries of Africa, the Caribbean and the Pacific adapted to the conditions peculiar to those three main regions so that greater account can be taken of factors such as insularity, distance and the smallness of certain populations;
12. Reconfirms adherence to the principle of the non-conditionality of aid as an essential element of EEC-ACP cooperation;
13. Stresses that facilities for trade between the EEC and the ACP countries should only be granted insofar as they do not have a serious impact on the environment and that special attention should be paid to the export of toxic products and waste (including pesticides) to the ACP countries;

14. Calls for a special undertaking to be given in respect of the import/export of tropical timber, taking account of the recommendations of the Action Plan for Tropical Forests and the Code of Conduct proposed by Friends of the Earth International;

(b) Innovative guidelines

15. Considers that the next agreement should consolidate the achievements of the Third Lomé Convention which should be allowed the time necessary to become fully effective; nevertheless considers it essential that in the years to come ACP-EEC cooperation be based on certain new strategic guidelines, including:

- (a) a policy towards the most highly indebted countries that includes a series of measures and structures to alleviate the effects of indebtedness as well as measures to encourage reform and policies of adaptation, particularly policies to promote investments giving a quick return,
- (b) a strengthening of structural measures in liaison with development strategies,
- (c) a more determined regional cooperation approach and policy, taking account also of economic, cultural and linguistic ties,
- (d) greater coordination, at a higher level, with other multilateral cooperation institutions, taking account of the development of macro-economic issues,
- (e) special health measures,
- (f) a strengthening of social policy, particularly as regards middle and senior management training and working conditions in liaison with ILO regulations,
- (g) a strengthening of the role of the private sector;
- (h) a policy of active support for the growth of the cooperative movement in the ACP countries: this policy, which has been neglected in the previous Lomé treaties, should seek to: foster the growth of cooperative forms of production, consumption, financing and insurance in the developing countries; help devise legislation to support cooperatives; direct the Technical Centre for Agricultural and Rural Cooperation and the Centre for Industrial Development to devote special attention to promoting cooperatives; foster and encourage support by the cooperative movement in the EEC countries for the development of an autonomous and original cooperative movement in the developing countries; provide the Commission's DG VIII with the means to take initiatives in this field and coordinate activities with the International Labour Office and cooperative movements in Europe; if firm emphasis is given in the next Lomé Convention to the importance of the cooperative movement in the developing countries and the necessary measures are taken, it will be possible to help achieve the objectives set by the first African Ministerial Conference on cooperatives held in Gaborone (Botswana), which designated the decade 1985-1995 the decade of the development of cooperatives;
- (i) environmental protection in the southern hemisphere having regard to the close interdependence of the EEC and the ACP countries, with special concern for the consequences of the sale and burying of industrial waste originating in the northern hemisphere in the countries of the southern hemisphere;

16. Considers that ACP-EEC links are sufficiently clearly defined to propose the conclusion of a ten-year basic agreement that would set out the basic principles of cooperation, include the political resolve to accord permanence to relations between the ACP states and the EEC, and be accompanied by renewable five-year technical and financial protocols;

17. Considers that in view of the level of socio-economic development and geographical situation of Haiti and the Dominican Republic and their links with other ACP countries in the region, the EEC and ACP should welcome their applications to accede to the Convention. Takes note of the resolution on the subject recently adopted by the ACP-EEC Joint Assembly in Lomé;

18. Considers it essential for the EEC to guarantee greater consistency between its various policies and its development policy and the greatest possible coordination between its development policy and that of its Member States and other international bodies and donors in anticipation of a unified market in 1992; in this respect stresses the importance of Community monetary decisions and the need to harmonize policies on a series of products governed by the annexes to the Convention (rum, bananas etc.);

19. Points out that the Community's agricultural policies have wide-ranging repercussions for agricultural production in the developing countries and for their agricultural exports; calls on the Community to give careful consideration to possible repercussions for the ACP of decisions taken under the CAP and to inform its partners in full of all decisions to be taken;

(c) Rural development, food security and preservation of natural resources and the environment

20. Stresses that cooperation should continue to accord the utmost priority to promoting rural development and meeting basic food requirements, which form the prerequisite for the success of the other fields of cooperation;

21. Is convinced that, failing an international agreement between the major foodstuffs exporters, prices will continue to fall and render the situation of ACP farmers more difficult;

22. Stresses the direct links between the natural environment and rural development, preservation of the environment being essential for guaranteeing the continuity of rural development, and stresses the need to promote special measures to conserve natural resources and in particular combat desertification and deforestation;

23. Calls for the establishment in all countries of national and/or regional conservation strategies and for development projects to fit into their framework;

24. Points out that it is mainly small farmers, and particularly the women, that are the main exponents of rural development and preservation of the environment and that it is to them that training and integration efforts should be directed as a matter of priority; at the same time stresses the need to promote the creation of women's cooperatives in order to encourage their participation in the development process, increase their economic independence and enhance their social status;

25. Points out that increased agricultural production requires both a series of measures as regards production methods and techniques and a series of measures concerning activities upstream, downstream and in parallel with production that affect the public as well as the private or cooperative sectors; considers that the aim of all these measures should be to provide a framework to encourage farmers to produce more and better products;

26. Stresses the achievements of food strategies over several years and calls for consolidation of this approach;

27. Points out that while priority should be granted to small-scale producers and traditional food crops, a certain balance must be maintained between those crops and export crops in the light of the peculiarities of each country;

28. Stresses the importance of better exploitation of fishery resources, including those of inland waters, for balanced food supplies and economic and rural development in the ACP countries;

29. Requests that, when dealing with the question of the environment in the negotiations for Lomé IV, it should be deemed to include:

- the protection of natural resources, and
- the improvement of both the physical and socio-cultural aspects of urban and rural life;

30. Stresses the positive role gradually being played by the Technical Centre for Agricultural and Rural Cooperation, particularly in the dissemination of information and research; considers that the creation of regional centres in ACP countries and the participation where appropriate of representatives of economic and social circles linked to the rural community would help to increase its effectiveness;

31. Calls for the Technical Centre for Agriculture and Rural Cooperation to extend its terms of reference to the management, conservation and improvement of natural resources;

(d) Fisheries cooperation

32. Stresses that the new Convention must include provisions to the effect that both parties are prepared to negotiate mutually satisfactory fishery agreements that contribute to the development of the ACP states;

33. Urges that fishery agreements should not be concluded without a prior assessment of their impact on fish stocks exploited for non-industrial fishing;

(e) Mechanisms for responding to the debt situation

34. Points out that increased indebtedness has become the most perturbing factor for the ACP countries since Lomé III came into force, and considers it essential for the new Convention, as a contract of solidarity, to deal specifically with the question of indebtedness by envisaging the setting up of a separate facility and of a specific working team in the services of the Commission;

35. Calls for the introduction of mechanisms that will enable the ACP states to cope with a serious crisis that jeopardizes the maintenance of production in the short term without resorting to measures that could compromise their subsequent development;

36. Draws attention to the achievements of the sectoral development and import programmes (Article 188, Third Lomé Convention) and the importance of the recent special Community programme for certain poor, heavily indebted sub-Saharan African countries as a model of its kind; requests that, on the basis of experience gained, a similar mechanism be proposed in the next Convention;

37. Considers it necessary for special loans to be replaced by subsidies, for EIB intervention procedures to be improved and for appropriate measures to improve financial mechanisms to be taken;

38. Points out that it also seems essential to envisage possible support facilities for longer-term macro-economic measures closely coordinated with the activities of the main international economic and financial institutions in this field; calls on the Commission to consolidate the initiatives taken and put forward specific proposals in this sector; stresses the dangers of strict application of structural adjustment programmes which link development assistance resources to specific inflexible measures;

39. Considers that the Community should play an important role as coordinator and motivator vis-à-vis its Member States on the subject of arrangements for dealing with debts commensurate with the capabilities of each country; Calls on the Commission to put forward proposals for introducing appropriate procedures in this area;

(f) Industrial cooperation

40. Recalls that the aim of ACP-EEC cooperation in the industrial field should be to promote development:

- (a) that is balanced between the agricultural, industrial and trade sectors and respects cultural identities,
- (b) that ensures on-the-spot processing of an increasing proportion of local raw material and gradually allows for a full processing cycle, including the final stage (refining of sugar, vegetable oils, etc.),

- (c) that is geared to the promotion of craft industries, small and medium-sized undertakings and joint ventures, and to the encouragement of consortiums and cooperatives,
- (d) that is suited to the environment and includes a prior assessment of the environmental impact of the establishment of industries which cause pollution;

41. Takes the view that the section on industrial cooperation should include the requirement that environmental impact assessments must be made on major development projects;

42. Reaffirms the importance of promoting private investment; points out that the present Convention, which recognizes this objective, has so far achieved little, and hopes that the Commission will, on the basis of the Lomé III provisions implemented, take new measures towards an increased commitment in this sector;

43. Points out that the ACP states need improved access to the resources of the international capital market and again wonders about the advisability of creating a special banking and financial instrument to this end;

44. Calls for greater scope for intervention by the Centre for the Development of Industry;

(g) Trade cooperation

45. Notes that, despite the importance of this sector, the result of ACP-EEC cooperation has been disappointing, and taking account of the links between the Lomé IV negotiations and the current GATT negotiations as part of the Uruguay Round, calls for:

- (a) EEC efforts to ensure that the concessions it makes are accompanied by a corresponding openness on other third markets to ACP products,
- (b) a revised and improved policy to promote trade,
- (c) the promotion of trade not only between the ACP and the Community but especially between the ACP countries, with the creation of regional markets;

46. Urges the Commission to submit proposals for the setting up of a mixed ACP-EEC group of experts to study the repercussions that the proposed single European market — scheduled for 1992 — could have on ACP-EEC trade relations and, consequently, on the implementation of the provisions of the new Convention;

47. Stresses the importance of the service sector, particularly the banking and financial and transport sectors, in trade promotion, and considers it essential that ACP-EEC cooperation should devise a series of measures in this sector;

48. Points out that the main aim of ACP-EEC international economic cooperation in this sector should be to:

- (a) coordinate efforts to dismantle protectionist measures affecting international trade,
- (b) adjust reductions in incentives fairly by taking account of the structural characteristics of the different economies,
- (c) seek to obtain stable remunerative prices for commodities when promoting product agreements,
- (d) list all trade flows which lead to the depletion of natural resources, or the disruption in other ways of the environment, and establish measures to combat this depletion and/or disruption;
- (e) remove all obstacles to penetration of the various markets by ACP products;

49. Recalls that the EEC is required to apply the protocol on sugar and to fix the price of ACP sugar in accordance with the provisions of that protocol;

(h) Regional cooperation

50. Points out that the majority of ACP countries are, for various geographical, economic and political reasons, confronted with major problems beyond the capabilities of any one of them;

51. Considers that ACP-EEC cooperation should as a matter of priority endeavour to suggest solutions to such problems and that in the circumstances it is necessary to rethink regional cooperation;

52. Requests that, since there can be no real development without participation, and participation without communication, funds be allocated for programmes of information and communication that will enable greater participation of the peoples directly involved in their development problems, especially in the area of regional integration;

53. Considers it necessary to adapt the volume of financial aid for regional cooperation, possibly by making provision for a special scheme under the European Development Fund;

54. Considers it necessary to promote a number of structural and institutional measures; considers in particular that:

- (a) increased priority should be given to studying and solving problems involving several states; in this respect the dialogue on policies approach should be applied at regional level;
- (b) the EEC should be willing to aid the restructuring of the various regional organizations in the major ACP regions; in particular it should be willing to help develop, rationalize and harmonize the existing subregional organizations within each of these regions;
- (c) the Commission should instruct some of its delegations to cooperate in the development of regional policies;
- (d) the criteria for determining the regional nature of the programmes should be revised and defined in the light of the new priority to be accorded to such measures;

(i) Policies that focus on human resources — Social Dimension of the Convention — NGOs

55. Considers that ACP-EEC cooperation should now be given a truly social dimension that should constitute one of the main aspects of the future convention;

56. Points out that the aim of a truly social dimension should be to enable the social operators to assume a role of active partners at all stages of development and is inconceivable without the full participation of representatives of the economic and social partners, cultural, economic and professional organizations and all types of local community at the various levels of cooperation;

57. Stresses how important it is that the social provisions of the Convention should take due account of the main ILO International Labour Conventions;

58. Calls for the provisions on the promotion of human rights in the new Convention to be strengthened by the introduction of mechanisms which help encourage and foster respect for basic individual human rights;

59. Deplores the lack of consideration given to cultural cooperation when defining the indicative programmes and stresses the need to change this tendency since it is convinced that cultural cooperation is more essential than ever if human resources are to be fully exploited and cultural identity and dialogue between the various cultures promoted;

60. Calls for the creation under the new Convention of an institute for cultural cooperation along the lines of the other centres already created for the purpose of promoting cultural encounters and exchanges and strengthening the dialogue between the peoples and cultures of the ACP and EEC countries;

61. Considers it essential for the NGOs to take action in this area and calls for such action, which could possibly be coordinated by a joint consultative body, to be facilitated through the development of microprojects;

62. Calls for greater educational and training efforts that take account of the need to ensure that training is adapted to life-style; calls in particular for special management training initiatives that take account of experience gained with European programmes such as COMET;

63. Points out that the real social policy can be devised without implementing a health policy that can provide an immediate specific response to the numerous scourges that afflict ACP populations;

64. Calls for appropriate account to be taken in the various aspects of social policy such as culture, education and training and health, of the diversities and peculiarities of the principal social groups, especially the least-favoured;

65. Hopes that during the preparation of all major projects and programmes account will constantly be taken of the socio-cultural context, that accompanying socio-cultural measures will be taken during the implementation phase and a permanent dialogue conducted with the population concerned;

66. Calls for a series of special measures for women to be devised in this and other sectors of ACP-EEC cooperation in order to promote equality in all fields;

67. Recalls the initiatives it has taken to include separate provisions for refugees in the present Convention; considers it necessary once again to adapt these provisions on the basis of experience gained, taking account both of the diversity of situations and their tendency to extend over a period of years;

68. Calls for full account to be taken of the status and needs of the aged in all aspects of ACP-EEC cooperation, having regard to the massive increase in the number of persons aged over 60 (both in real and proportional terms) that will occur over the next 50 years, especially in urban and suburban areas;

(j) Specific policies and measures at international level

69. Points out that piecemeal intervention in developing countries by donor countries and multilateral organizations reduces the overall impact;

70. Calls for the new Convention to include amongst its priorities more structured and systematic coordination with other bilateral and multilateral aid bodies and for a strengthening of relations with the main negotiating circles, provided that the contractual nature of the Lomé Convention is recognized and the independence of the European Community guaranteed in determining its development cooperation policy objectives, particularly as regards the social aspects;

(k) STABEX and SYSMIN

71. Recognizes the role of STABEX as a mechanism for stabilizing export earnings from agricultural commodities and as a basic component of ACP-EEC cooperation;

72. Recognizes the link between this system and international agreements on commodity prices;

73. Considers that STABEX would be more effective if it were linked to programmes of structural readjustment;

74. Considers that revision of the Convention should provide an opportunity for the Commission to take stock of its implications for:

- (a) the diversification of cultures,
- (b) the relationship between export crops and food crops,
- (c) the degree to which products are processed;

75. Is concerned by the stagnation of SYSMIN and considers that its operational mechanisms should permit greater use of an instrument that is still essential for exploitation of the natural resources of the ACP states;

76. Calls for adequate funds to be made available to ensure the effective working of both STABEX and SYSMIN;

77. Stresses that it is a matter of urgency to ensure that other multinational organizations make an effort commensurate with the EEC's to guarantee a minimum price for commodities;

(1) Financial cooperation — EIB

78. Calls for the funds to be allocated to the new agreements to be determined on the basis not of the capabilities of the donor countries but on criteria such as:

- (a) the need to pursue effective policies,
- (b) indebtedness and trade balance deficits,
- (c) monetary depreciation,
- (d) population growth,
- (e) any increase in the number of ACP states,

on the basis of an appropriate dialogue between the contracting parties:

79. Considers that financial cooperation with the ACP countries involving the EDF and the EIB should be of a Community nature;

80. Considers it necessary for the funds to be adapted to the needs of the populations and the objectives of the Convention and for provision to be made for an appropriate dialogue to this end between the contracting parties;

81. Stresses the need to increase financial flows by promoting and, where appropriate, guaranteeing private investment;

82. Reiterates its opinion that joint financing with other donors or partners, whether private or public, should be encouraged;

83. Stresses the need to encourage the development of risk capital and facilitate joint investment operation by SMUs, ACP and EEC;

84. Calls for all measures taken under the Convention to be jointly monitored and assessed by the Commission, the Court of Auditors and the European Parliament in order to ensure the optimum use and effectiveness of resources; stresses the need to improve information and control procedures relating to EIB operations;

85. Notes that the EIB's centralized financing mechanisms and procedures tend to restrict its interventions to a small number of large companies and therefore recommends that decentralized measures be adopted which will encourage the granting of financial aid to the network of small and medium-sized undertakings and industries;

86. Notes the slowness and inadequacy of the rates at which appropriations allocated under previous Conventions have been committed and paid out. Calls for a careful enquiry into the causes thereof in order to prevent any recurrence of this unfortunate phenomenon when the next Convention is implemented;

87. Points out that with regard to Article 199 of the Treaty and in order to ensure a coherent presentation of all Community revenue and expenditure the question of the inclusion in the budget of the EDF should be raised during the negotiations;

88. Considers that this inclusion in the budget should take place in such a way as to ensure the financial security of the beneficiary countries and that provision should be made for a transitional period until the adoption of a new system for financing the general budget after 1992; during the transitional period, the Member States' contributions based on the established scale and the annual trend in Community expenditure should be included in the budget;

(m) The Institutions

89. Points out that through its work the Joint Assembly has made major contributions to the debate on development policy guidelines and, through its control activities and proposals, has constituted a dynamic aspect of the Third Lomé Convention; hopes that the Joint Assembly will strengthen its terms of reference and activities in the area of adherence to the promotion of Human Rights in all the associated countries;

90. Notes that the radical reform that has taken place under the present Convention with the creation of a restructured Joint Assembly has proved positive even if some problems peculiar to the initial stage of operation have arisen over internal organization and procedures; therefore considers it necessary to consolidate this new institutional structure and at the same time make the appropriate adjustments from these two points of view, taking account in particular of the need adequately to monitor the follow-up to decisions taken;

91. Notes the progress made within the Assembly and its parliamentary working parties and, with a view to increasing professional participation in its proceedings, considers that

- (a) its name should be changed to 'Parliamentary Assembly';
- (b) the role of the so-called working parties should be strengthened to provide continuity for their activities and effective follow-up to the decisions adopted;

92. Calls, having regard to the operational difficulties with which it has hitherto been confronted, for the Assembly to be provided, in the context of the Convention, with sufficient financial autonomy to enable it to discharge its functions with the independence appropriate to a parliamentary institution;

93. Considers it essential for cooperation between the ACP-EEC Council and the Parliamentary body to be considerably improved; considers that ad hoc procedures should be introduced to permit appropriate exchanges of views between the two institutions before and after each of their meetings;

94. Calls for the definition of procedures that will guarantee an independent financing basis for the institutions of the Convention, particularly with regard to the parliamentary and social institutions;

95. Notes with satisfaction the progress made under the present Convention as regards the role of the economic and social partners through their annual meetings and especially the creation of the joint contact group between representatives of ACP-EEC economic and social circles;

96. Points out that it is up to Parliament to give its assent once the negotiations have been concluded; urges the Council to take account of its present stance when preparing the negotiating brief; calls on the Commission to adopt these proposals and to provide it with regular and detailed information on the progress of the negotiations; instructs its committee responsible to follow the negotiations closely and if necessary to draw up an interim report;

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97. Instructs its President to forward this resolution to the Council and Commission of the European Communities and to the ACP-EEC Council of Ministers and Committee of Ambassadors

RESOLUTION

on the relationship between monetary instability and trade

The European Parliament,

- having regard to the resolution of 29 March 1984 on the Community's external trade and the problem of global monetary instability
 - having regard to the resolution of 20 February 1986 on the European Monetary System, particularly the paragraphs concerning the international monetary system
 - having regard to the Commission report of 17 December 1987 on the operation and future of the European Monetary System,
 - having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A2-150/88),
- A. having regard to (i) the persistent, enormous monetary and commercial imbalances among the major industrialized economies, (ii) persistent high levels of unemployment, particularly in Western Europe, (iii) the threat to the free trade system posed by the increased use of protectionism and (iv) the delicate and still deteriorating position of the indebted developing countries,
- B. having regard to the evidence that the general level of protectionism has shown an upward tendency in recent years and that the annual average increase in the volume of world trade has fallen from 5,5 % in the 1970s to 3,5 to 4 % in the 1980s,
- C. whereas the instability of exchange markets increases the temptation to resort to protectionism and countertrade; it inhibits growth by creating instability and rise in interest rates. Exchange-market volatility served both to spark off and to spread the crisis on the financial markets in October 1987,
- D. whereas, in recent years, there have been volatile fluctuations in the exchange rates of the main currencies, the dollar appreciating by 60 % in real terms from 1980 to early 1985 before falling back virtually to its previous level within two years,
- E. whereas a review of the system of floating exchange rates reveals the following weaknesses: the extreme sensitivity of real exchange rates (i.e. inflation adjusted) to minor shocks, the lack of constraints on international liquidity creation, enabling countries to run enormous budget and balance of payments deficits, and the extreme volatility of short-term exchange rates,
- F. whereas the volume of surplus and speculative capital may seem to be one of the most important, if not the primary, factor behind the short-term volatility of exchange rates,

- G. whereas the USA, whose national currency is still the world's main financial instrument, has held exclusive control of international liquidity since 1971 and does not hesitate to impose on the rest of the world the consequences of decisions which it takes solely in the light of its own situation,
- H. whereas the disadvantages of such a situation have become steadily worse since 1985 when the US became a net debtor to the rest of the world and the US dollar was thus exposed to recurrent crises of confidence,
- I. whereas trade makes up around 15 % of the GDP of the OECD countries, illustrating the market's need for stable exchange rates,
- J. whereas the problem of international monetary instability is the result of past mistakes by both the developed and the less developed world,

1. Short-term instability

- 1.1. Takes the view that, although there can be no question of a return to the gold standard, it is essential for a new international monetary order to be established which can remedy the current instability of the exchange markets;
- 1.2. Takes the view, in general, that concerted intervention by central banks can play only a limited role in countering erratic short-term exchange rate movements, and that it will not prove to be an efficient instrument for the long-term management of exchange rates, unless it is accompanied by appropriate policy changes;
- 1.3. Welcomes the agreement between the United States and Japan, announced during the visit by the Japanese Prime Minister, Mr Takeshita, to the United States in January 1988, under the terms of which the United States will buy Japanese yen which they could subsequently use to stabilize the US dollar;
- 1.4. Urges the United States to borrow in foreign currencies so as to alleviate fears that it may introduce inflationary policies in order to reduce the real volume of its debt;

2. The European Monetary System

- 2.1. Regards it as essential that the EMS be strengthened in the following ways:
 - 2.1.1. With regard to the completion of the internal market, all 12 Member States should meet their responsibilities under the EMS; in particular the United Kingdom is requested to join the EMS as soon as possible;
 - 2.1.2. Urges central banks to use the ECU, concomitantly with other currencies, as an international reserve currency and gradually to make the ECU into a genuine parallel currency;
 - 2.1.3. Proposes to the governments of suitable third countries that they should denominate part of their currency reserves in ECU, which would have a major psychological effect in the form of the recognition of the EMS by third countries;
 - 2.1.4. Supports the creation of an independent European central bank as a further step towards the establishment of European Monetary Union;

2.1.5. Such a European central bank must be independent of the Commission and of the Council of Ministers and of the governments of the Member States and must be entirely autonomous in the performance of its duties, in order to guarantee the stability of the ECU as a European currency;

3. Long-term exchange rate management

- 3.1. Rejects any attempt to legislate away exchange rate instability by imposing new restrictions on transfrontier capital movements and, in this context, welcomes and fully supports the Commission's proposals on capital liberalization;
- 3.2. Takes the view that a coordinated shift in macroeconomic policies, based around the 'soft' monetary management of exchange rates, would have some chance of success if the major industrialized nations were willing to subordinate their monetary and fiscal policies to international requirements;
- 3.3. Supports the establishment of an exchange rate system involving 'target zones' for the ECU, the US dollar and the yen, in the first instance, with a margin fluctuating between 15 and 20 %;
- 3.4. Considers that a new international monetary system should be based on different standards of reference and not on the gold standard;
- 3.5. Stresses that at present the G 7 countries have not yet clearly defined the 'target zones' and that uncertainty therefore still persists regarding the procedures for implementing such zones;
- 3.6. Takes the view therefore that a viable economic cooperation agreement should be concluded, covering commercial, monetary and fiscal policies, without which any such exchange rate system operated in conjunction with restricted fluctuation margins would have to be adjusted under pressure from sizeable movements of private capital, and that practical proposals for the creation of 'target zones' for the main international currencies should be made as soon as possible;
- 3.7. Calls for the economic cooperation measures already approved to be stepped up by institutionalizing, with the participation of the Community, the arrangement that the G 7 Finance Ministers shall meet at least four times a year;
- 3.8. Urges that the International Monetary Fund be asked to act as the secretariat administering such cooperation, draw up political recommendations and set specific quarterly targets for each of the G 7 countries with the aim of achieving sustainable exchange rates;
- 3.9. Appeals for closer collaboration between GATT, the International Monetary Fund and the World Bank in order to contain the growing protectionist pressures and eliminate the many trade restriction measures on farm produce, manufactured goods and services;

4. International debt

- 4.1. Calls on the industrialized countries to cooperate more closely in order to alleviate the effects of the debt crisis, in particular in the poorest developing countries;
- 4.2. Regards the promotion of the formation of greater independent capital in the developing countries as essential, in order to reduce their dependence on foreign capital and to facilitate the return of flight capital;
- 4.3. Finds it important to maintain the case-by-case approach where capital must flow to each indebted developing country on its merits and on the individual prospect of the capital being employed efficiently;

- 4.4. Calls for the introduction of flexible and innovative measures to encourage renewed economic growth in the developing countries including:**
- **debt forgiveness for some of the most heavily indebted developing countries;**
 - **an extension of both existing and new loans amortization period to at least 20 years;**
 - **a reduction in interest payments, which should be linked to the economic performance of the debtor country;**
 - **the conversion of a part of the debt into international tradeable bonds with provisions to increase yield or accelerate repayment if the economy of the country performs better than expected;**
 - **debt conversion — or debt-equity swaps — which convert existing private bank debt into equity assets in the developing country;**
 - **the encouragement of direct private investments, e.g. in the form of joint ventures;**
- 4.5. To reverse the negative capital flow, proposes that new private and official loans to be indebted developing countries should aim to reach net \$ 30 billion annually over the next three years and that at least 0,7 % of the industrialized countries' GNP annually should be transferred to the developing countries;**
- 5. Instructs its President to forward this resolution to the Council and Commission, the governments of the Member States, the United States Administration and the Government of Japan.**
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RESOLUTION

on the results of the work of the ACP-EEC Joint Assembly in 1988 in Lomé (Togo) and Madrid

The European Parliament,

- having regard to the following resolutions adopted by the ACP-EEC Joint Assembly at its meeting in Lomé (Togo) on 25 March 1988 :
 - on the fact-finding mission to Suriname (Doc. ACP-EEC 253/88/fin.),
 - on strengthening cooperation with Suriname (Doc. ACP-EEC 301/88/fin.),
 - on the right of peoples to information concerning their history and to the return of their national archives (Doc. ACP-EEC 255/88/fin.),
 - on the efficient dispatching of food aid and emergency aid to Africa and the privileged role of NGOs (Doc. ACP-EEC 264/88/fin.),
 - on the development of Equatorial Guinea and the return of exiles (Doc. ACP-EEC 267/88/fin.),
 - on strengthening socio-cultural cooperation in anticipation of Lomé IV (Doc. ACP-EEC 268/88/fin.),
 - on ACP-EEC intercommunal and intercity cooperation (Doc. ACP-EEC 289/88/fin.),
 - on ACP sugar (Doc. ACP-EEC 291/88/fin.),
 - on ACP-EEC cooperation in the field of health (Doc. ACP-EEC 293/88/fin.),
 - on the accession of the Republic of Haiti and the Dominican Republic to the IVth Convention of Lomé (Doc. ACP-EEC 311/88/fin.),
 - on the pledge to grant a minimum percentage of GNP in official development aid (Doc. ACP-EEC 300/88/fin.),
 - on the renewed upsurge of racism in Europe (Doc. ACP-EEC 304/88/fin.),
 - on the Manifesto of ACP Heads of State against extermination by hunger, for the right of life and liberty (Doc. ACP-EEC 306/88/fin.),
 - on the reconstruction of Chad (Doc. ACP-EEC 307/88/fin.),
 - on the situation in Chad (Doc. ACP-EEC 308/88/fin.),
 - on death sentences in South Africa (Doc. ACP-EEC 284/88/fin.),
 - on the situation in South and southern Africa (Doc. ACP-EEC 310/88/fin.),

- **having regard to the following resolutions adopted by the ACP-EEC Joint Assembly at its meeting in Madrid (Spain) on 22 September 1988 :**
 - towards a new Convention (Doc. ACP-EEC 312/A/88/fin.),
 - on refugees and displaced persons in ACP countries (Doc. ACP-EEC 313/88/A/fin.),
 - on health in the ACP countries (Doc. ACP-EEC 315/88/fin.),
 - on the situation in South and southern Africa (Doc. ACP-EEC 357/88/fin.),
 - on economic independence of Front-Line States (Doc. ACP-EEC 341/88/fin.),
 - on the parliamentary provisions of the ACP-EEC Convention (Doc. ACP-EEC 317/88/fin.),
 - on ACP shipping trades (Doc. ACP-EEC 318/88/fin.),
 - on the disappearance of the African elephant (Doc. ACP-EEC 320/88/fin.),
 - on the flooding and civil war in Sudan (Doc. ACP-EEC 323/88/fin.),
 - on natural disasters in the Sahel region (Doc. ACP-EEC 344/88/fin.),
 - on natural disaster in the Sudan (Doc. ACP-EEC 349/88/fin.),
 - on the export of waste from the EEC to the ACP countries (Doc. ACP-EEC 326/88/fin.),
 - on the debt burden of the ACP countries (Doc. ACP-EEC 332/88/fin.),
 - on disaster relief for Jamaica (Doc. ACP-EEC 342/88/fin.),
 - on ACP sugar (Doc. ACP-EEC 340/88/fin.),
 - on the immediate and unconditional release of Nelson Mandela (Doc. ACP-EEC 347/88/fin.),
 - on the situation in East Timor (Doc. ACP-EEC 351/88/fin.),
 - on the use of Portuguese as an official and working language in all ACP-EEC bodies (Doc. ACP-EEC 356/88/fin.),
- **having regard to the report of the Committee on Development and Cooperation (Doc. A2-281/88),**

A. whereas the Joint Assembly is the independent parliamentary body established under Lomé III, an international treaty,

B. whereas regular reporting to the European Parliament on the activities of the Joint Assembly, particularly as regards current negotiations on Lomé IV and the forthcoming ratification of that Convention by Parliament under the Single Act, is of vital importance,

1. Welcomes the positive outcome of ACP-EEC parliamentary cooperation; stresses that the decisions and initiatives taken by the Joint Assembly have had a beneficial effect on the implementation of Lomé III and reaffirms, with reference to the resolutions listed above, its support for the Joint Assembly;

2. Stresses the need for the European members of the Joint Assembly to attain budgetary autonomy to ensure the independence of that body and its working parties, as previously advocated by the European Parliament on 18 December 1987; instructs its Bureau and its Committee on Budgets to establish annually the budget for the cost of the meetings of the Joint Assembly and its bodies in collaboration with the European Members of the ACP-EEC Bureau, which bears the sole responsibility for the implementation of this budget;

3. Is convinced that the decisions taken by the Joint Assembly must be integrated into the work of the European Parliament to ensure that Parliament follows the same lines on central development policy issues as the Joint Assembly;

4. Stresses the importance of the resolutions adopted by Parliament and the Joint Assembly on Lomé IV (Bersani report⁽¹⁾ — Doc. A2-49/88 and Cohen report⁽²⁾ — Doc. ACP-EEC 312/88) and calls on the negotiating parties to take due account of the demands made in those resolutions during the negotiation on the new Convention;

5. Shares the view expressed by the Joint Assembly that the Member States and the Community should actively support the ACP States' efforts to solve their debt crisis, that they should make basic improvements to the Stabex and Sysmin systems and, above all, take measures to increase productivity and the creation of wealth in the ACP States;

6. Takes the view that, given the instability of the economic situation in most of the ACP States, close consideration should be given to the possible beneficial or adverse effects of the completion of the Community's internal market in 1992 on the ACP group and accordingly welcomes the fact that the Joint Assembly has established an ad hoc working party for that purpose;

7. Agrees with the Joint Assembly that all the necessary steps should be taken to guarantee food supplies in the ACP States;

8. Supports the Joint Assembly's demand that displaced persons be included in Title VII of the new Lomé Convention, that the funds for emergency aid be increased from the present level of 750 000 ecus to at least 1 000 000 ecus, that the amount of aid to refugees at least be decided on rapidly and that greater attention be devoted to the refugee problem in the context of regional cooperation;

9. Joins with the Joint Assembly in advocating greater ACP-EEC cooperation in the health sector under the new ACP-EEC Convention and at the same time calls for an increase in the funds allocated to this sector, which has not so far received the attention it deserves;

10. Awaits the conclusions of the Working Parties on Commodities and Technology, Training and Development and calls on the Commission, the Council and the Member States to give due account to those conclusions at the appropriate time in the negotiations on the new ACP-EEC Convention;

⁽¹⁾ Resolution of 20.6.1988, OJ No C 167, 27.6.1988, p. 429.

⁽²⁾ Resolution of 22.9.1988, OJ No C 61, 6.1.1989, p. 2.

11. Draws attention to the Joint Assembly's resolutions on the situation in South Africa and southern Africa and takes the view that the EC Council of Ministers should without delay adopt a coherent and effective policy to help abolish the apartheid system and establish a pluralist and democratic society through peaceful means;

12. Supports paragraph 21 of the resolution adopted in Madrid calling for an extraordinary meeting of the ACP and EC Foreign Ministers to examine the situation in South and southern Africa;

13. Seconds the demand made in Madrid to annex a special protocol to Lomé IV banning the export of dangerous waste from the Community and in transit via the Community to the ACP States; regrets the fact that the EEC Council of Environment Ministers has so far failed to reach a consensus on the storage of dangerous waste in the developing countries;

14. Points to the special role which the two sides of industry in the EEC and the ACP States and non-governmental organizations must assume, alongside the bodies established under the Convention, in putting socio-cultural cooperation into effect; welcomes, in this connection, the fruitful cooperation between industrial partners and the two sides of industry that has been achieved under Lomé III and hopes that this will continue on a greater scale under the new Convention; also welcomes the growing interest of the ACP States in training, education and technology which they expressed in Madrid in particular, and hopes that the relevant working party will soon submit practical proposals in this area;

15. Is deeply concerned at the tragic events in Burundi and welcomes the invitation from the Burundi Government for a delegation from the ACP-EEC Joint Assembly to visit their country (including the areas concerned), and awaits its report;

16. Recalls the Joint Assembly's resolution on the accession of Haiti and the Dominican Republic to the Fourth Convention and hopes for a successful outcome to the negotiations on this, which would strengthen cooperation in the Caribbean;

17. Expresses its satisfaction at the process of democratization in Suriname and acknowledges the Joint Assembly's unfailing efforts to ensure respect for human rights and human dignity, which are one of the corner-stones of cooperation between the Community and the ACP States;

18. Instructs its President to forward this resolution to the ACP-EEC Joint Assembly, the ACP-EEC Council of Ministers, the governments of the EC Member States, the governments of the ACP States and the Council and Commission of the European Communities.

RESOLUTION

on the indebtedness of the ACP countries

The European Parliament,

- A. having regard to the scale of the debt burden that is engulfing the developing countries, especially the ACP States,
 - B. recalling the resolution on the problem of indebtedness in ACP countries adopted in 1987 by the ACP-EEC Joint Assembly meeting in Arusha,
 - C. whereas developments currently under way in the countries of Central and Eastern Europe are resulting in a reduction in financial aid to the developing countries, because the countries of Central and Eastern Europe have now stopped sending their traditional aid to a number of developing countries,
 - D. whereas the recent Gulf crisis has resulted in a significant rise in oil prices which constitutes for a large number of developing countries, not least the ACP States, a new intolerable oil shock for these countries,
 - E. noting the inadequate nature of the various plans drawn up to combat indebtedness,
 - F. denouncing the grave anomaly constituted by the net transfer of capital from South to North, which has become even more pronounced in recent years, increasing from \$ 37.6 to \$ 43.9 billion;
1. Calls on the ACP-EEC Council of Ministers to review as a matter of urgency the debts contracted by the ACP States with the Community under previous conventions, basing its actions on the joint declaration and the declaration of the ACP States relating to debt which are annexed to the Fourth Convention of Lomé, so as to alleviate in an appropriate fashion the debt burden of the ACP States by:
 - (a) cancelling debts already contracted in the form of special loans under previous conventions,
 - (b) converting into subsidies special loans not committed under previous conventions,
 - (c) abolishing the obligation to replenish the STABEX transfers carried out under previous conventions,
 - (d) converting into subsidies the resources allocated to SYSMIN under the Second and Third Conventions of Lomé, as has been provided for with regard to the resources allocated under the Fourth Convention of Lomé,
 - (e) establishing an appropriate forum for an exchange of views with the ACP States, as part of international discussions, on the general problem of indebtedness, without prejudice to any specific discussions being held in the appropriate bodies;

2. Calls on the Member States of the EEC to work towards the elaboration of a common strategy to that end;
3. Emphasizes again the need to cancel the entire ACP States' debt to the Community and also calls for the cancellation of the entire debt to the Member States of the Community;
4. Calls for debt cancellation initially to benefit the least developed countries, particularly those affected by the Gulf crisis, and to be accompanied by measures to help restore their economies, such as agreements on commodities, as well as appropriate economic policies;
5. Asks the Commission of the European Communities to submit proposals for specific measures in this field to the Council;
6. Calls for the introduction of new mechanisms to bring about a substantial reduction in those countries' debts to private sector bodies, especially the commercial banks;
7. Believes that, in order to assist the developing countries, especially the ACP States, to escape from the unprecedented economic and social crisis they are undergoing, 1% of the GNP of the industrialized nations must be given immediately in development aid;
8. Deplores the fact that the Member States' commitment to devote 0.7% of GNP to public development aid has still not been met;
9. Calls on the European Community - in the spirit of the proposal contained in the report on the effects of the 1992 single market on the ACP countries adopted by the Joint Assembly - to take the initiative in convening an international development conference with the chief purpose of adopting a substantial debt cancellation programme for developing countries, accompanied by new and genuinely effective financing arrangements, designed to promote human potential, improve the living conditions of the people and the independent development of the countries concerned; considers it desirable to organize a special sitting of the European Parliament on the new world partnership in the spring of 1991;
10. Instructs its President to forward this resolution to the Council, the Commission, the governments of the Member States and the Co-Presidents of the ACP-EEC Joint Assembly.

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