



GROUP OF FIFTEEN
The Summit Level Group of Developing Countries

**FIFTH SUMMIT MEETING OF HEADS OF STATE/GOVERNMENT
OF THE GROUP OF FIFTEEN**

5-7 November 1995, Buenos Aires

JOINT COMMUNIQUÉ

**INTERNATIONAL ECONOMIC COOPERATION FOR THE YEAR 2000
AND BEYOND**

**V SUMMIT OF THE HEADS OF STATE AND
GOVERNMENT OF
THE GROUP OF FIFTEEN
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We, the Heads of State and Government of the Summit Level Group for South-South Consultation and Cooperation - the G-15 have met in Buenos Aires, Argentina, on 5-7 November 1995 for our Fifth Summit devoted to a review of the international economic situation and cooperation among developing countries. Following comprehensive and in-depth discussions, we have arrived at the following conclusions:

A. The Challenges of the International Economic Situation

1. Since the Fourth Summit in March 1994 in New Delhi, the international economic situation continues to be characterised by an increase in global output and trade. While developing countries, as a group, have experienced sustained growth in recent years, wide disparities in economic performance and prospects are clearly evident amongst them.
2. Led by the dynamic South East and East Asian economies, the Asian region continues to be the fastest growing in the world. Exports have also increased dramatically both within and outside the region. So too have imports. The dynamism of these economies is based on a sustained increase in savings, investment and trade.
3. Having reformed their trade policies and undergone a deep trade liberalisation, a number of economies in Latin America have been able to promote growth, lower inflation and reduce external debt burdens resulting in a positive impact on economic prospects and investor confidence. Improved fiscal management, privatisation and deregulation of the economies and an increase in intra-regional trade were the main basis of these changes.
4. On the other hand, economic performance continued to be less satisfactory in the African region although there were variations in economic performance between sub-regions and among countries. In spite of the joint efforts of the African countries and the Bretton Woods institutions to implement the structural adjustment programmes, growth has fallen far short of rates registered in other regions of the world and has been negative in some countries when considered in per capita terms. Africa's share of world exports and trade has fallen steadily. The share of commodities in exports continues to be over 75 per cent.

- Globalization and Regional Integration

5. The rapid globalization of the world economic structure has created both opportunities and challenges for developing countries. The market orientation of the majority of the world's economies provides unprecedented opportunities for more than 4 billion people to become global consumers and players in international trade, as well as benefit from an accretion in trade, technology and prosperity. However, many developing countries and the poor within them risk being marginalized. In some cases, their exposure and vulnerability to the external economic environment is increasing and their integration into the world economy entails socio-economic costs.
6. The tide of liberalisation and globalization, the positive sum interdependence that is sweeping the world today, as well as the growing integration of our economies, deserve the full support of the developed countries. To this end, we need a stable international

macroeconomic framework, open markets, enhanced financial resource support and infusion of technological dynamism to build and sustain the competitiveness of our economies and overcome their problems of integration to the world economy.

7. The increasing trend towards the creation of regional and in some instances inter-regional economic groups and areas is a dominant feature of the emerging international economic system. These regional arrangements have both, the potential of strengthening or jeopardising the multilateral trading system.
8. The European Union has continued its expansion and the expected incorporation of the transition economies of Central and Eastern Europe will change the economic prospects of millions of European citizens. NAFTA is a new major feature of the world economy. Intra-developing country trade has also increased, particularly, in this decade. Regional groupings in many parts of the developing world are making concerted efforts to enhance their economic ties. Some of them, like ASEAN and MERCOSUR, have achieved significant levels of intra-trade. ASEAN has agreed to establish the ASEAN Free Trade Area (AFTA) by the year 2003. The South Asian Association for Regional Cooperation (SAARC) has established a South Asian Preferential Trading Area (SAPTA). The Association of Caribbean States (ACS) has been established to promote closer cooperation and consultation among Caribbean Basin States. In 1994, the countries of Africa started the first phase of the implementation of the Treaty of Abuja on the establishment of an African Economic Community to foster their economic integration and development. This process has already been set in motion by existing sub-regional economic groupings such as ECOWAS, UEMOA, SADC, COMESA and the Maghreb Union.
9. The last few years have also witnessed moves towards the establishment of wider schemes. In the Western Hemisphere, a process which is expected to lead to the establishment of a Free Trade Area for the Americas by 2005 is in progress. Similarly, the recently formed Asia Pacific Economic Cooperation (APEC) forum seeks to bring together the countries of the Pacific Rim with a view to exploiting the significant trade, investment and market potential of the entire region. Countries from both sides of the Mediterranean are engaged in consultations with the ultimate objective of establishing a Free Trade Area.
10. It is necessary to ensure that this process of establishment of regional and intra-regional schemes contributes to trade liberalisation and the lowering of trade barriers and does not lead to the fragmentation of world trade. Members of the World Trade Organisation (WTO) should work to ensure that the organisation is able to enhance and maintain a trade system that is truly open, transparent, multilateral and beneficial to all countries and which would stimulate global growth and prosperity.

- Poverty, Unemployment and Migration

11. Between the sixties and the nineties the share of world income for the richest 20 per cent of the global population rose from 70 per cent to 85 per cent. One fifth of humankind, mostly in the developed world, has over four-fifths of global income and still accounts for the bulk of world output. While globalisation has benefited the societies of some countries and regions, extreme poverty, homelessness and the creation of a burgeoning "underclass"- unemployed youth with no prospect or promise for the future - stand as one of the great challenges of our time. We also noted that although progress has been made in the areas of agriculture and nutrition in several countries, 800 million people still suffer from chronic malnutrition of which nearly 200 million children below the age of 5 are affected by protein deficiency.
12. The global, and for some countries structural, problem of unemployment, while having an important impact on the developed economies, is an even greater problem in the developing world. Although recession and low growth are clear causes, such a situation is aggravated by changes in technology and in the structure of industry. The development of

the service sector is not providing enough new opportunities to compensate for employment losses in the agricultural and manufacturing sectors. In some regions of Africa, economic stagnation over the past decade has resulted in a crisis of modern sector employment, especially in manufacturing. As a consequence of this process and of the continuation of rural to urban migration, the informal sector continues to grow and already accounts for approximately 60 per cent of the urban labour force in Africa and 30 per cent for Latin America. South Asia accounts for one of the highest levels of absolute poverty though these levels are falling. The moderate growth in the modern sector as well as the informal sector, employment and manufacturing is not sufficient to absorb and neutralise high levels of underemployment, particularly in rural areas.

13. Expanding populations and labour force, limited employment opportunities and deepening poverty, have led to a rapid increase in international migration. Developed countries should not undermine employment opportunities in developing countries by the imposition of trade barriers or the restriction of flows of resources to them. Efforts aimed at establishing more orderly flows of such labour should be undertaken, fully acknowledging that free trade and ample market access for developing countries, with its positive effects on domestic employment, afford the most effective brake to unregulated immigration flows. Quite often, immigration stimulates expansion and prosperity for all concerned.
14. We are committed to combating unemployment and poverty with all available resources. More than ever before, there are opportunities for reducing the gap between rich and poor, both within and among nations, and for promoting understanding and global dialogue with a view to finding viable and practical solutions to problems of poverty, unemployment and environmental degradation. The new world political framework which resulted from the end of the cold war should contribute to bringing about greater convergence between North and South.

- Financial Flows and External Debt

15. Although the risk for the international financial system associated with the developing countries' debt has receded in recent years, the debt service is still a major problem for a number of these countries. For a number of economies of Latin America and Asia the debt-to-GDP (Gross Domestic Product) and debt service ratios have fallen but a number of African countries continue to experience the heavy burden of external debt, the servicing of which is a huge drain on their scarce and much needed resources for development. Africa's debt-to-GDP ratio was 83 per cent in 1994. A substantial portion of their debt, is owed to multilateral institutions and presently cannot be rescheduled. Of the 58 heavily indebted countries, 32 are least developed. The large majority of these countries have arrears exceeding 50 per cent of scheduled debt service.
16. Flows of Official Development Assistance (ODA) from developed to developing countries continue to fall in both absolute terms and as a ratio of donor countries' GNP. Africa is heavily reliant on aid programmes with sub-Saharan Africa receiving around one-third of global net aid transfers. ODA net transfers to Africa fell from \$14.4 bn in 1990 to about \$10 bn in 1993. We therefore call for an early and full implementation of the UN New Agenda for Africa in the 1990s, taking into account the Cairo Plan of Action adopted by the OAU Summit in June 1995.
17. The renewed confidence of international investors in the future of some developing countries is reflected in increased flows of capital in the form of foreign direct investment (FDI) and other private flows to these regions. However, such flows, while bringing with them much needed capital and helping to raise output in recipient countries, are driven, in part, by short term decisions in core financial markets. The rapidly industrialising economies of Asia and Latin America accounted for over three quarters of FDI flows to developing countries. In recent years Asian developing countries have been the largest recipients of portfolio and foreign direct investment and the relatively high ratio of private investment to GDP in the high-capital-recipient countries in the region continued. In Latin

America much of recent FDI flows have been in support of privatisation or portfolio-oriented investment. At the same time, the share of FDI going to Africa has fallen significantly.

B. A new Partnership for Development

18. In the past decade, most developing countries have undertaken wide-ranging structural adjustment, in some cases, at considerable social cost. New dynamic economic centres in the South have emerged. Successful and wide-ranging adjustment policies, combined with sound macroeconomic management, an emphasis on industrialisation and human resource development and a constructive partnership between government and business have propelled these economies forward and enabled them to reap benefits from ever increasing globalization. The sustainability of this trend and of their domestic economic liberalisation has to be underpinned by a positive external environment. At the same time, a large number of developing countries continue to experience stagnation and even deterioration in terms of economic performance and prospects. Moreover, increasing inter-linkages among the trading, monetary and financial systems and growing economic interdependence among countries have made developing countries more exposed to external factors.
19. We are committed to fostering a global approach to the world economy through a constructive dialogue within and among regions. An effective partnership should be based on a combination of inter-governmental action and free market policies. It essentially should foster a democratic and participatory approach to global decision-making and institutions. The evolving international system should be based on consultation, coordination, transparency, equity and respect for agreed multilateral rules on trade and finance. It should take into account the special needs of developing countries.
20. There is a need to focus attention on the revitalisation, reform and restructuring of existing institutions and their agencies to make them more effective, to rationalise their activities and to adapt them to the present circumstances and needs of the global community. We hope that the UN and the Bretton Woods Institutions will become stronger from current reform processes, better equipped and able to fully discharge their respective mandates for fostering development. Together with the newly established WTO, they would be expected to contribute and complement each other in upholding international trade, financial and monetary systems and rules conducive to accelerated economic growth, social justice and sustainable development of developing countries.
21. The G-15 has repeatedly emphasised that the United Nations should play a central and constructive role in pursuit of the mutually supportive objectives of peace and development. The UN has a comparative advantage of having an inter-disciplinary, inter-sectoral and inter-institutional overview which can provide useful inputs for global economic policy, macroeconomic coordination and integration of issues relating to trade, money, finance and development.
22. In the context of pursuing the goals of development and industrialisation, UNCTAD and UNIDO have a particularly relevant role to play. Their efficiency must be strengthened to allow them to fulfil their mandates within the framework of an improved distribution of responsibilities among the UN bodies, including the regional economic commissions and their secretariats.
23. We are concerned over the manner in which the issues of development have been internationally addressed. A comprehensive approach on poverty, environment, or social development should include the central question of economic growth, and issues such as international trade and finance, external debt, technology transfer and development. We attach importance to UNCTAD in providing a development perspective to global economic policy making. Its relevance has increased in the post Uruguay Round context and we hope that the UNCTAD IX Conference, to be held in South Africa in 1996, will

establish and confirm this further. We call for an active dialogue to improve the efficiency and constructive role of the entire UN economic system.

24. The functions of the International Monetary Fund (IMF) in the coordination of macroeconomic policies of all its membership, including the industrialised countries, for sound, global, financial and economic management, should be reinforced. It is also necessary to improve the surveillance role of the IMF, especially in assessing the implications for developing countries of the macroeconomic policies of the major industrialised countries and, conversely, the implications for industrialised countries of developing country performance. We welcome the decision to establish exceptional procedures (Emergency Financing Mechanism) that would enable the Fund to respond promptly and prudently in the event of exceptional, serious financial crises. Additional resources should be raised for this mechanism.
25. The development lending role of the World Bank should be increased, for investment in infrastructure and human resources, particularly with regard to widening the access to health and education. The International Development Association (IDA) should continue to provide concessional loans, especially to support efforts towards poverty alleviation.
26. Trade liberalisation, taking into account the interests of developing countries, should continue in the framework of the WTO. It is imperative that all countries respect and implement the commitments undertaken in the Uruguay Round. Unilateral actions or the threat thereof undermine the multilateral trading system. The dispute settlement mechanism of the WTO is a key element for the credibility of this system. Consensus should be built over time on all trade policy initiatives. The WTO should not undertake new work programmes that focus on issues which are within the competence of other international fora.
27. The relationship between economic growth and sustainable development is a positive one in developing countries. Economic growth, far from degrading the environment provides the resources for environmental preservation and conservation, poverty alleviation, and for investment in environment-friendly technologies. We reaffirm the indispensability of sustained and accelerated economic growth for the achievement of sustainable development in developing countries, as recognised in the UNCED outcome.
28. Faced with the gravity of the agricultural problem and of food insecurity in some developing countries, especially in Africa, we welcome and support the initiative to convene the World Food Conference to be held in Rome in November 1996. We commit ourselves to making every effort to ensure its success.
29. We need to work on a new partnership for development, with a fresh approach and new momentum. We need collective action to accelerate world-wide growth and economic development in the developing countries. We call for a constructive dialogue with our partners in the G-7 to make the following common aspirations a reality:
 - A- Urgent international action is required to bring reasonable stability to exchange and interest rates so as to limit the uncertainty and volatility of capital flows which mostly affect developing countries. Macroeconomic policies of industrialised countries should take into account the interests of all countries, in particular developing countries, with a view to creating an environment aimed at global stability, economic growth, enhanced trade, investment and development. We welcome the G-7 countries commitment to reduce public deficits, maintain low inflation and increase national savings rates with a view to enhancing resources available for global investment.
 - B- Structural unemployment in developed countries should not be an impediment to the intensification of their trade and investment relations with developing countries. We therefore call upon our developed country partners to heed the cautionary advice from the OECD which clearly indicates that the cost of protecting jobs and livelihood through trade

restraints and resource curbs are extremely high. We believe that their economies would be well served to expand their trade and investment ties with developing countries, thus providing impulses for the creation of new growth centres in the global economy.

- C-** One of the most readily available answers for enhancing global development and to create jobs is trade. Developed countries must resist the protectionist temptation, unilateralism and subsidies. The current and potential comparative advantages of developing countries and the benefits resulting from the Uruguay Round should not be impaired by new forms of protectionism in the guise of labour or environmental standards.
- D-** It is essential that a system of "open regionalism" is consistent with an open and transparent multilateral trading system enabling all countries, in particular, those in Africa, to benefit from the new multilateralism. The Generalised System of Preferences (GSP) should be expeditiously reinforced, and its coverage widened and deepened. It should not be weakened by the introduction of new conditionalities.
- E-** New ways should be found to secure enhanced capitalisation of the IMF. The role of Special Drawing Rights (SDRs) created by the IMF to meet the needs of international liquidity has to be oriented to respond to the liquidity requirements of the developing countries. There is a strong case, and even urgency, for a substantial general allocation of SDRs and doubling of IMF quotas. We support the on-going quota review exercise.
- F-** ODA should be considerably increased on better terms for meeting the variety of needs of developing countries identified by the international community and should be based on the principle of additionality and not on a mere re-ordering of priorities or re-allocation of limited resources. Increased FDI and other private flows to supplement domestic investment, do not detract from the continued value of official multilateral and bilateral resource flows for developing countries.
- G-** The resources of the World Bank institutions and the regional development banks should be increased. We also welcome the G-7 commitment to multilateral international cooperation for sustainable development and the call for donor countries to fulfil pledges to IDA-10 and for a significant replenishment through IDA-11, particularly for alleviating poverty.
- H-** A systematic and comprehensive approach to the resolution of external debt problems in many developing countries is required and the cancellation or substantial reduction of the debt of the least developed and low income countries should be actively considered with a view to its early implementation. To this end, proposals contained in the Ministerial Declaration on Africa's External Debt adopted in Addis Ababa in May 1995, should be taken into consideration. We call for a durable and definitive settlement of their debt, including the multilateral debt. For some other countries that have been current on their debt service commitments, enhanced export opportunities and additional flows of financial resources, including investment flows, would alleviate their debt burden.
- I-** Developing countries need to enhance their technological capacities and in this regard, increased resources should be made available for R&D. Innovative collaborative mechanisms - regional and international, intergovernmental, academic and commercial - to integrate science and technology effectively into the development processes of these countries are required. Prominence has to be given on the global agenda for scientific and technological R&D and for the unimpeded access to, transfer, use and dissemination of technologies, including ecologically sound technologies to developing countries.

C. Strengthening Cooperation among Developing Countries

30. An increasingly important aspect of international action for development is the expansion of South-South trade and economic cooperation. Expansion of trade among developing countries through the mutual reduction of trade barriers should be enhanced. A framework for expansion of preferential trade relations among developing countries is the Global System of Trade Preferences (GSTP). We give the highest priority to the successful outcome of the Second Round of GSTP negotiations, which will serve as a catalyst for a growing preferential trade market among our countries.
31. The emergence of new and dynamic economic groupings in the South representing alternative economic centres can serve as a powerful engine to boost South-South cooperation in such areas as trade, transport, telecommunications, exchange of information and technology, technical expertise and infrastructural development.
32. The G-15 has initiated and launched a number of specific projects covering a wide spectrum of issues of priority concern to countries from the South. These projects can form the nucleus for future, wider inter-regional cooperation, among all developing countries. An objective assessment of the current programme of activities of our Group is being undertaken with the view to ensure that they better serve the common interest and include the non-governmental sector. We instruct our Ministers of Foreign Affairs to embark on a detailed analysis of new possibilities of viable and practical cooperation among developing countries.
33. We are committed to play a catalytic role in fostering South-South cooperation. The scope of intra G-15 economic cooperation will be broadened and intensified through the establishment of the Committee on Trade, Investment and Technology. The Committee will work toward the evolution of trans-regional arrangements, among other key issues, on the liberalisation, facilitation and promotion of trade, investment and transfer of technology among members of the G-15 and other developing countries. The private sector would have a crucial role to play in this venture. This initiative is designed to build on our complementarities and fully utilise them to enlarge markets and accelerate growth and development in our countries.
34. An important element of these efforts has been the inclusion of the role of the business community. The Business and Investment Forum is one initiative launched to that end. The G-15 should endeavour to strengthen these nascent, inter-regional linkages so as to make such efforts sustainable and attractive to other developing countries.
35. We welcome and accept the offer made by the Government of Zimbabwe to host our Sixth Summit Meeting in 1996.
36. We thank the people and Government of Argentina for their hospitality and the excellent arrangements made for the holding of the Fifth Summit Meeting of the Group of Fifteen.
