INTERGOVERNMENTAL GROUP OF TWENTY-FOUR ON INTERNATIONAL MONETARY AFFAIRS

FORTY-SECOND MEETING OF MINISTERS

COMMUNIQUÉ

May 6, 1990

l. Ministers of the Group of Twenty-Four on International Monetary Affairs held their Forty-Second Meeting in Washington, D.C. on May 6, 1990. Mr. S. M. H. Adeli, Governor, Central Bank of the Islamic Republic of Iran, was in the Chair, with Mr. Luis Fernando Alarcón, Minister of Finance and Public Credit, Colombia, and Mr. S. Olu Falae, Minister of Finance and Economic Planning, Nigeria, as Vice-Chairmen. The meeting was attended by Mr. Michel Camdessus, Managing Director, International Monetary Fund, Mr. Barber B. Conable, President, World Bank, Mr. Bernard T. G. Chidzero, Chairman, Development Committee, Mr. K. K. S. Dadzie, Secretary-General, UNCTAD, Mr. Sidney Dell, Project Director, UNDP/UNCTAD, Mr. Rafeeuddin Ahmed, Under-Secretary General, United Nations, Mr. S. Balabanoff, Head, Economic Section, OPEC, Mr. Y. Seyyid Abdulai, Director-General, OPEC Fund, Mr. A. 0. Abudu, Coordinator, Economic and Policy Planning Department, Islamic Development Bank, Mr. Carlos Pérez del Castillo, Permanent Secretary, SELA, Mr. Mohammed Mehdi Saleh, Acting Minister of Finance and Minister of Trade, Iraq, Mr. Mohammed Dairi, Director of Treasury and External Finances, Ministry of Finance, Morocco, and Mr. Osama Faquih, Deputy Minister of Finance, Saudi Arabia; Mr. Liu Zhongli, Vice Minister of Finance, Ministry of Finance, People's Republic of China, attended as invitee.

2. The Meeting of the Ministers was preceded on May 4, 1990 by the Fifty-Fifth Meeting of Deputies of the Group of Twenty-Four with Mr. Masoud Mozayani, of the Islamic Republic of Iran, as Chairman, and with Mr. Hernán Mejia, of Colombia, and Mr. Mallam I. Usman, of Nigeria, as Vice-Chairmen.

ISSUES BEFORE THE INTERIM COMMITTEE

World Economic Outlook

3. Ministers expressed concern that the sluggish growth of world output and trade, combined with increasing inflationary pressures in the industrial countries, have adversely affected growth prospects in developing countries and continue to constitute a serious threat to the adjustment process of developing countries.

4. Ministers reiterated that near-exclusive reliance by major industrial countries on monetary policy for a long period to contain inflation has adversely affected investment and the level of economic activity. They therefore urged these countries to pursue appropriately balanced monetary, fiscal, and structural policies in their fight against inflation. These policies should be

conducive to the enhancement of savings and the acceleration of growth in the world economy.

5. Ministers reiterated the need for more effective coordination of macroeconomic policies among the major industrial countries with a view to, inter alia, stabilizing exchange rates, narrowing inflation and interest rate differentials, and reducing external imbalances.

6. Ministers noted with concern that the high and rising trend in real interest rates had added to debt-servicing burdens, seriously impairing the already diminishing payment capacity of heavily indebted countries and has adversely affected investment prospects in many developing countries, particularly those suffering from weakening commodity prices.

7. Ministers noted with concern the secularly declining trend in the terms of trade, particularly of primary commodity-producing developing countries, and emphasized the need to arrest that trend in order to strengthen developing countries' financial capacity which can, inter alia, improve their economic growth prospects and the living standards of their populations.

8. Ministers pointed out that in the context of developments in Eastern Europe and the insufficiency of financial resources available to the developing countries, the promotion of global saving in both developing and industrial countries should be emphasized. They stressed the greater global responsibility of industrial countries in this respect, and emphasized that financial support for Eastern Europe should be fully compatible with the need for increased financial flows, including those on concessional terms, to developing countries.

9. Ministers drew attention to the severe impairment of the ability of developing countries, particularly sub-Saharan African and heavily- indebted countries, to achieve sustained growth and contain inflationary pressures because of the unfavorable external environment, the continued negative net transfer of financial resources to these countries, and their heavy burden of external debt.

10. Ministers deplored the persistence of industrial, agricultural, and trade policies in many industrial countries which adversely affect developing countries, and emphasized the need for the implementation of structural policies in the industrial countries to, inter alia, eliminate the existing trade barriers and to promote international trade and facilitate orderly adjustment worldwide.

11. Ministers urged the Fund to enhance its surveillance role by conducting symmetrical surveillance of developing and developed member countries, particularly those that have a large impact on the world economy, and thus ensure that the cost of adjustment is borne by all in a more equitable manner.

Implementation of the Debt Strategy

12. Ministers noted with deep concern that the debt problem is still far from being resolved: the rise in real interest rates is increasing the cost of debt servicing; commercial banks remain reluctant to participate in financial packages of heavily indebted countries that require new money and debt and debt-service reduction operations; and many indebted countries continue to

have insufficient flows of foreign resources, particularly non-debt creating flows.

13. Ministers expressed deep concern that the financial resources needed to restore external viability in heavily indebted countries undertaking strong adjustment efforts have not been forthcoming. They regretted that the external environment has not been supportive of appropriate adjustment policies, especially in heavily indebted countries, and in many cases has significantly impaired successful implementation of these policies.

14. Ministers called attention to the case of heavily and moderately indebted countries that are implementing effective adjustment programs including those which have not restructured their external obligations. These countries have not been provided with an adequate solution to commercial bank debt, and are also confronting excessive conditionality in obtaining access to, and use of, the resources from the multilateral organizations.

15. Ministers urged the commercial banks to adopt realistic and constructive approaches in their negotiations with the debtor countries and conclude rapidly, without exception, financial agreements appropriate to each country's circumstances involving a meaningful reduction in debt and debt service, the provision of new money, and the granting of waivers to contractual clauses when required in the context of structural adjustment.

16. Ministers called on the two Bretton Woods institutions to further enhance their support for debt and debt-service reduction within the framework of the strengthened debt strategy, and stressed the need to strengthen the catalytic role of the Fund and the World Bank by providing appropriate and increased support for all initiatives aimed at reducing debt and debt service. Ministers urged fungibility of treatment of such funds with more timely and flexible access, including front loading of set-aside and augmentation resources when required to implement successful negotiation efforts.

17. Ministers regretted that only a few creditor countries have made resources available to heavily indebted countries for the enhancements required to effect debt and debt-service reduction operations. Ministers further stressed that the creditors' support for debt and debt-service reduction operations should include contingency financing mechanisms to protect debtor countries against adverse exogenous factors during the course of their adjustment programs.

18. Ministers noted with satisfaction the recently modified policy of the Fund on financing assurances, particularly with regard to the toleration of arrears in specific and defined circumstances, especially when the achievement of adjustment program objectives might be in jeopardy.

19. Ministers reiterated their deep concern about the serious situation of the heavily indebted developing countries, particularly the low and lower middle-income countries whose debts are mainly to official creditors, and called on the governments of creditor countries to take urgent measures to reduce the official debt and debt-service burden of these countries.

20. Ministers emphasized the need for the timely re-establishment by official creditors of new medium- and long-term credit and insurance cover at appropriate terms for developing countries.

21. Ministers reaffirmed that the repeated application of standard rescheduling terms has not provided a durable solution to debt-servicing problems. They emphasized that to enable low, lower middle-income, and middle-income countries to attain external viability in the medium term, official creditors should not only lengthen maturity and grace periods, but also lower interest rates and grant debt forgiveness for these countries.

22. Ministers underlined with satisfaction the steps taken by bilateral official creditors to provide debt relief for some low-income countries under the Toronto terms, and called for the extension of these terms to other low-income and lower middle-income countries. Ministers noted that the grant element under the Toronto terms is well below the standard grant element of other bilateral concessional assistance. They urged bilateral official creditors to increase the concessionality of the Toronto terms to help restore investment and growth in heavily indebted low and lower middle-income countries.

23. Ministers noted with deep concern that progress under the strengthe-ned debt strategy has been less than initially expected. They urged commercial banks to expedite their effective participation in negotiations on debt and debt-service reduction operations and to support the adjustment efforts of heavily and moderately indebted countries, including those that have not restructured their obligations.

Ninth General Review of Quotas

24. Ministers took note of the progress made so far on the Ninth General Review of Quotas, but expressed deep concern that the Ninth General Review has not yet been completed and reaffirmed the need to complete this review by the target date.

25. Ministers expressed strong opposition to the attempted linkage between the completion of the Ninth Quota Review and a change in the Articles of Agreement to provide for suspension of voting and related rights of members that fail to fulfill their obligations under the Articles.

26. Ministers reaffirmed the guideline provided by the Interim Committee that all members should receive a meaningful increase in quotas, and that the current balance between different groups of countries should be maintained.

27. Ministers reiterated that maintaining an adequate size of the Fund relative to the size of the world economy, keeping the Fund as a mainly quota-based institution with sufficient resources and liquidity, strength-ening the Fund's role at the center of the international monetary system, assisting members that are pursuing growth-oriented adjustment programs, and enabling the Fund to play the central role in the strengthened debt strategy, all point to the need for a substantial increase in quotas. Ministers strongly urged that, as a minimum, the present maximum access levels to Fund resources be maintained.

28. Ministers welcomed the agreement to re-examine, within the framework of the next general review of quotas, formulas underlying the quota calculations, with a view to making them better reflect the need and economic strength of the members.

29. Ministers supported the legitimate request of those developing countries that have required ad hoc quota increases so as to ensure that the size of their quotas better reflects their current position in the world economy.

Overdue Financial Obligations to the Fund

30. Ministers expressed concern about the continuation of the problem of overdue financial obligations to the Fund, particularly their impact, through the burden sharing mechanism, on the developing countries using the Fund's resources. They took note of the current cooperative strategy, and urged the arrears countries to take advantage of the cooperative strategy to become current in their payments to the Fund. They noted the initiatives to strengthen the preventive measures in order to aim at an early diagnosis of potential repayment problems that may emerge in the future. But Ministers called for the use of flexibility and discretion, so that preventive and deterrent procedures do not become unduly generalized and rigid, which could adversely affect the access of future users to Fund resources.

31. Ministers re-emphasized the preferred creditor status of the Fund but called for a flexible approach in special cases where the flow of alterna-tive financing to members with arrears with the Fund may be adversely affected.

32. Ministers expressed opposition to the proposals aimed at intensifying deterrent measures and reaffirmed the need for greater understanding and flexibility with regard to deterrent measures in order to allow sufficient time for those members with arrears to implement serious adjustment measures in order to become current in their payments to the Fund. Ministers strongly emphasized the cooperative nature of the Fund and, in that context, stressed that the proposal for suspension of voting and representation rights of those members will not serve a useful purpose and is not acceptable.

33. Ministers welcomed the initiatives to introduce, and provide conces-sionary funding for, the "rights" scheme, but emphasized that the extension of the burden sharing mechanism as a mode of financing is unacceptable, as it will place a disproportionate burden on users of Fund resources and on some countries with net creditor positions.

34. Ministers regretted that the present burden sharing arrangement is inequitable. It has placed an oppressive burden on developing country debtors by equating them with industrial country creditors. Ministers called for an urgent review of the principles behind the current mechanism. Ministers underscored that a burden sharing arrangement in a cooperative institution like the Fund has to be based on quota shares as a matter of equity, and it is imperative that the Fund move in this direction as soon as possible.

35. Ministers called on support groups, the international financial organizations, and bilateral donors to show greater support for those countries making serious adjustment efforts to clear their arrears to the Fund. They encouraged these countries to adopt measures aimed at resolving their external difficulties in the context of growth-oriented adjustment.

36. Ministers reiterated their concern that the new collaborative approach to overdue obligations to the Fund fails to take into account the scope for implementing statutory provisions such as the rescheduling of overdue obligations or the payment of charges in local currency. They urged that prompt consideration be given to incorporating such measures in the new collaborative approach insofar as it does not impair the revolving character of the Fund's resources.

ISSUES BEFORE THE DEVELOPMENT COMMITTEE

The Contribution of the Private Sector to Development and the Roles of the Bank Group and the Fund

37. Ministers noted the existence of a considerable potential for expanding the role of the private sector in the economic development of many developing countries, and emphasized the importance of an appropriate internal and external environment for the growth of the private sector in these countries.

38. Ministers stressed the need for substantial external financial support, especially from bilateral and multilateral agencies, to bridge the financing gap created in the transitional period until the private sector gains enough momentum.

39. Ministers stressed that a sound private-sector development policy should be appropriately sequenced and based on extensive preparatory work. Ministers further stressed that such a policy would require more financial and technical assistance from the international financial institutions and donor countries. Ministers underscored that an unduly accelerated pace of deregulation and liberalization of the financial sector, or hasty privatization, could have destabilizing effects.

40. Ministers expressed concern about the imposition of any further conditionality on public sector financing by the Bank, including requiring proof of the nonexistence of private alternatives to productive and infrastructure projects the government intends to undertake. Ministers emphasized that such conditionality should be avoided.

41. Ministers emphasized the importance of the complementarity of the public and private sectors, and pointed out that the respective roles of the two sectors should be defined with reference to economic efficiency and should take into account the socio-political conditions of the country. Ministers stressed that the efficiency criteria for privatiza-tion should not be overlooked and thus lead to replacement of public monopolies by private ones.

42. Ministers noted the importance of increasing public sector efficiency in developing countries, and emphasized that, where the capacity is lacking for the private sector to flourish immediately, it is crucial to restructure existing public enterprises and enhance their efficiency.

43. Ministers welcomed the Bank Group's catalyzing efforts to encourage more private financial flows to developing countries. They requested the Bank Group and other relevant institutions to enhance their efforts to assist private enterprises attract more external financing, particularly foreign direct investment with long-term interest in economic development. Ministers urged industrial countries to adopt tax, regulatory, and financial incentives favorable to the flow of

direct foreign investment to developing countries.

44. Ministers underscored that private sector development in developing countries, particularly in the context of outward looking growth-oriented adjustment, requires a favorable external environment. They called on industrial countries to pursue appropriate macroeconomic and structural policies aimed at reducing inflationary pressures and interest rates while achieving exchange rate stability. Ministers called on the Bank and the Fund to include on the agenda of their dialogue with industrial countries the effects of their economic policies -- especially taxes, trade, and interest rates -- on financial flows to developing countries.

The Debt Strategy and its Impact on the Development Projects for All Severely Indebted Countries

45. Ministers recognized the importance of debt and debt-service reduction operations for the heavily indebted developing countries, and noted with concern that, after protracted negotiations with commercial banks, only a few agreements have been finalized. Ministers expressed concern that the debt-service burden still commands a large share of indebted countries' resources, which are desperately needed to encourage growth and alleviate poverty.

46. Ministers called on all participants in the strengthened debt strategy, especially official and private creditors, to become more effectively involved in debt and debt-service reduction operations.

47. Ministers recalled that the long-standing debt problem of developing countries is global in nature and requires a comprehensive approach based on adjustment by both industrial and developing countries. They stressed that expansion of exports from indebted developing countries and an effective resolution of the debt problem are interrelated issues. Ministers urged the industrial countries to maintain a more open and stable trade and financial system and to reduce external and internal imbalances to improve the stability of foreign exchange rates and reduce interest rates.

48. Ministers reiterated the concerns expressed by the Development Committee at its last two meetings that the development needs of the severely indebted lower middle-income countries whose debts are mainly to official creditors should be given special attention. Ministers called for the extension of concessional debt relief to these countries, including debt forgiveness and lowering of interest rates on their outstanding debt.

49. Ministers expressed concern that the present concessionality of the Toronto terms is not sufficient to significantly alleviate the debt burden of the severely indebted low-income countries. Ministers called on official bilateral creditors to make the Toronto terms more concessional and to extend them to other severely indebted low-income and lower middle--income countries.

50. Ministers reiterated that the support now available for debt and debt-service reduction operations is insufficient and not flexible enough to provide meaningful debt relief for all the heavily indebted countries. They called on bilateral and multilateral official creditors to make

available additional funds from a greater number of sources to support debt and debt-service reduction operations. Ministers emphasized that the counterpart of a strong adjustment effort requires improved coordination for a reasonable burden-sharing among creditors to ensure the flexible and timely release of resources consistent with the adjustment needs.

51. Ministers recognized the importance of attracting non-debt creating flows -- including direct foreign investment and repatriation of flight capital -- to support investment activities in the indebted developing countries. In this regard, Ministers called on industrial countries to take all appropriate measures to facilitate the flow of direct investment to indebted developing countries.

52. Ministers stressed the need for financing formulas in the framework of debt and debt-service reduction for indebted developing countries that are current in their external financial obligations. Ministers called attention to the case of highly and moderately indebted countries implementing macroeconomic policies designed to promote growth and contain inflation while maintaining an adequate level of international reserves and servicing the foreign debt, especially those that have not restructured their external debt obligations. These countries not only have not been provided with an adequate solution to commercial bank debt, but also confront excessive conditionality in obtaining access to, and the use of, the resources of the multilateral financial organizations. A specific solution to their problem and more flexible access and utilization of these resources are of utmost importance not only to help reduce the debt burden, but also to support growth and the continuation of servicing the debt. An important part of that solution in the case of countries in these categories whose debts to official creditors are of some relative importance, should be the provision of more extensive and fluid access to general purpose financing.

53. Ministers called on the governments of the industrial countries to adopt appropriate measures to modify tax and accounting regulations to facilitate debt and debt-service reduction operations and to provide incentives for commercial banks to make new money available to heavily indebted developing countries.

54. Ministers reiterated their deep concern about the serious problems faced by the low-income and lower middle-income IDA eligible countries, whose heavy indebtedness, mainly to official creditors, is jeopardizing their growth prospects and further depressing the living conditions of their people, particularly the poor. Ministers urged creditor governments as well as the Bank and the Fund to be more responsive to the development needs of these countries and to take initiatives for extending commensurate debt relief and adequate concessional financing to them.

Long-term Outlook for the Development of sub-Saharan Africa

55. Ministers noted the ongoing adjustment efforts by many sub-Saharan African countries, and expressed deep concern that these countries have experienced a long period of serious deterioration of their economic and social situation. Ministers noted with grave concern that, due to the unfavorable international economic environment over the past decade, many sub-Saharan African nations have experienced negative growth rates. For some of them, the decrease in per capita incomes since 1980 has been well over 25 percent. Ministers stressed that deep structural

weaknesses have reduced the ability of these countries to surmount the negative impact of external factors.

56. Ministers took note of the main points of the recent major World Bank report entitled sub-Saharan Africa: From Crisis to Sustainable Growth, as summarized in the Strategic Agenda, and welcomed its increased emphasis on human resource development and the social impact of economic reform. Ministers emphasized that in sub-Saharan Africa, stabilization and adjustment programs should be compatible with the long-term development objectives of these countries. They stressed that the implementation of such programs requires time, flexibility, and adequate external resources on concessional terms. Ministers emphasized that other issues should not be allowed to divert attention from the deep-seated problems facing sub--Saharan African countries.

57. Ministers underlined the vulnerability of the economies of sub--Saharan Africa to the deteriorating and volatile external environment, and called on the industrial countries to create a supportive international economic environment characterized by balanced and sustained growth, price stability, low interest rates, and open markets.

58. Ministers stressed that the Special Program of Assistance for low--income debt-distressed countries in Africa should be continued and expanded in the 1990s and its coverage extended to lower middle-income countries of the region. Ministers underscored that, in order to improve the effectiveness of the Special Program of Assistance, its procedures for procurement and disbursement should be simplified so that it could be used by more of the eligible countries in the region. Ministers emphasized that the main focus of this assistance program must be directed toward the long-term development framework of sub-Saharan Africa.

59. Ministers strongly emphasized the need for additional concessionality in debt relief for sub-Saharan African countries beyond the Toronto terms. Ministers stressed that in view of the debt overhang facing most of these countries with limited resources, cancellation of a large portion of their debt due mostly to official creditors remains the most practical solution for the revival of their economies.

60. Ministers welcomed the initiatives for regional economic integration of different groups of sub-Saharan African countries, which can enhance the economic efficiency of the region within the context of their long--term development objectives, and urged bilateral and multilateral donors to provide appropriate support for these efforts.

61. Ministers emphasized that the creation of a global coalition for Africa, with the participation of representatives of African governments, bilateral donors, and regional and multilateral agencies, could assist in building a consensus on a full range of long-term development issues. Ministers welcomed the Netherlands conference, to be held in Maastricht on July 2-4, 1990, which will review the idea of a continuing coalition on long-term African development, among other issues.

REPORTS

Progress Report on Environmental Issues

62. Ministers noted the importance of proper management of the environ-ment for the achievement of sustainable development, emphasized that the industrial countries are responsible for most of the environmental problems, and called on these countries to take effective steps to remedy these problems.

63. Ministers noted with concern the lack of sufficient technological, human, and financial resources in many developing countries to effectively cope with natural disasters, which frequently inflict heavy losses on their environment. Ministers urged multilateral and bilateral institutions to provide more technical and financial assistance for these countries to deal with such problems.

64. Ministers drew attention to the problem of underdevelopment and its effects on environmental degradation. In this respect, Ministers called on the Bank to enhance its programs for the alleviation of poverty and the strengthening of social infrastructure. Furthermore, Ministers emphasized that the incorporation of environmental considerations into national development programs should conform to the objectives and priorities of developing countries' national development plans and should not add new conditions to the Bank's support operations. Ministers urged industrial countries to provide the transfer of technology on concessional terms needed for the solution of environmental problems in developing countries.

65. Ministers welcomed the initial response of the Bank to the French government initiative to establish a global environmental facility, on a pilot basis, to provide additional concessional financing for environmental activities in developing countries having an impact on the global environment. Ministers called on the Bank to prepare, in close cooperation with UNEP and UNDP, a progress report on the proposed facility and to present it to the 1990 Annual Meetings. The report would include an analysis of the facility's relationship with ongoing international discussions attempting to establish appropriate multilateral frameworks for addressing global environmental issues. Ministers insisted that the legitimate concern with the global environment should not lead to an extra layer of conditionality on current World Bank lending operations in support of national environmental programs.

66. Ministers emphasized the need to arrest the downward trend in international raw material prices in order to strengthen developing countries' financial capacity to cope with environmental problems and alleviate poverty.

Trends in the Transfer of Resources to Developing Countries

67. Ministers expressed deep concern about the rapid acceleration of the negative net transfer of resources -- including those of multilateral organizations -- to the developing countries from $900 million in 1988 to $8.2 billion in 1989, and strongly emphasized the urgent need to reverse this trend.

68. Ministers noted with concern that the 2.7 percent ODA growth in 1989 was below the GNP growth rate of industrial countries. Ministers regretted that ODA has remained far below the internationally agreed target of 0.7 percent of GNP of industrial countries, and called on them to

take urgent measures to reach this target. Ministers emphasized that to sustain the growth-oriented adjustment efforts in low-income and lower middle-income countries, the flow of concessional resources should be substantially increased.

69. Ministers stressed that the loan requirements of developing countries cannot be met through official channels alone. Ministers expressed deep concern that net private lending, particularly to heavily indebted middle--income countries, became negative for the first time in 1989. Ministers underlined the need for substantial augmentation of private lending to developing countries to reverse the current negative trend of net private flows.

70. Ministers expressed appreciation to the donor community for their timely finalization of the Ninth Replenishment of IDA at a size equivalent to the level achieved under the earlier replenishment.

71. Ministers welcomed the reiteration of IDA's focus on poverty reduction as a central theme and called on the Association to maintain procedures that ensure the smooth and speedy transfer of these concessional resources to recipient countries.

72. Ministers re-emphasized the adverse impact of high and rising real international interest rates on the cost of borrowing for developing countries, and once again called on the industrial countries to reduce real interest rates through the adoption of appropriate economic policies.

Current International Trade Developments

73. Ministers expressed their concern about the declining share of developing countries in world trade and called on industrial countries to improve market access to exports of finished and semi-finished goods as well as primary commodities from developing countries, as this is the most efficient way to expand commercial flows, ensure sustainable growth, and enable developing countries to meet their financial obligations.

74. Ministers underscored that economic development requires financial resources and expansion of international trade, and stressed that outward- oriented adjustment efforts cannot succeed and be sustained unless they are accompanied by adequate technological and financial transfers and are supported by a favorable external environment facilitating the expansion and diversification of developing countries' exports.

75. Ministers drew attention to the continuous trade liberalization efforts in many developing countries, and expressed deep concern about the increasing protectionism in industrial countries through tariff and non-tariff barriers, as well as subsidization of agriculture and manufacturing, which directly limit export earnings of developing countries, making their growth-oriented structural adjustment more difficult and prolonging the time needed to achieve an orderly solution to the debt problem.

76. Ministers deplored the growing recourse to bilateral and unilateral solutions to trade problems. Ministers noted with deep concern that these restrictive practices penalize more efficient suppliers, thus contravening the rule of nondiscrimination and comparative advantage

and causing a misallocation of the world's resources and global imbalances which is harmful not only for developing countries but also for industrial countries.

77. Ministers stressed the relationship between protectionist measures and structural rigidities in some industrial countries, and urged these countries to undertake effective macroeconomic and structural adjustment policies to facilitate the movement of resources from sectors where comparative advantage is shifting, or has already shifted, in favor of developing countries.

78. Ministers took note of the new developments in Eastern Europe, expressed the hope that these developments will not only enhance world trade as a whole but also open new trade opportunities for developing countries. They emphasized that the new trend in Eastern Europe should not result in the development and financial needs of developing countries being neglected, overshadowed, or fulfilled at a higher cost.

79. Ministers drew attention to the growing regional economic integra-tion, trade groupings, and similar arrangements among industrial countries and their possible trade-diverting effects on developing countries. They reiterated the Development Committee's request in its September 1989 communiqué that the World Bank and the Fund, in close consultation with the GATT, study the possible implications of regional trading arrangements among industrial countries for developing countries' economic prospects for consideration at the next Spring meeting.

80. Ministers stressed that special and differential treatment of developing countries should be an integral element of the ongoing Round of Multilateral Trade Negotiations; and priority should be given to the issues of particular interest to these countries, such as integrating trade in agriculture, textiles, and clothing into GATT and phasing out restrictions under the Multifiber Arrangement. Ministers emphasized that the multilateral framework for trade in services should not impinge negatively on the service industries of developing countries, and underlined that any multilateral agreement on trade-related intellectual property rights should facilitate the access of developing countries to new technology and science.

81. Ministers strongly urged all the participants in the Uruguay Round to recognize the crucial importance of the final stage of negotiations and strive for a balanced and successful outcome that will take into account the special interests of developing countries. Ministers expressed the urgent need to complete the negotiations on the Uruguay Round by the end of 1990, as scheduled.