

General Council

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PREPARATIONS FOR THE FOURTH SESSION OF THE MINISTERIAL CONFERENCE

Proposal for the Establishment of a Working Group for the Study of the
Inter-Relationship between Trade and Finance

*Communication from Cuba, Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia,
Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe*

The following communication, dated 31 July 2001, has been received from the Permanent Mission of Pakistan.

Rationale

1. It is well recognized that international trade and finance both play a central role in development. But due to the influence of the currently dominant neo-liberal economic thinking, the policy objectives seem to have been turned on their head. There have been strong pressures to adopt policies which focus on promoting international trade and finance for their own sake, without reference to their implications for development, rather than formulate international trade and finance policies which are designed to promote development. Viable mechanisms should be devised to ensure the promotion of development, taking into account the discussions on the link between trade and finance that have taken place so far. The current thinking presumes that liberalization of trade and market oriented finance policies provide development by themselves.

2. There are few who would deny that improved and diversified access to markets in the North for the products of developing countries, and remunerative and stable prices for their commodities, would generate more income and thus more financing for development in the South. Further, it is clear that less exchange rate volatility and speculation in the financial markets, and hence fewer or less serious financial crises, would assist trade and development. The creation of mechanisms for balance of payments support and for assistance to countries undergoing unexpected export shortfalls

10. From a developing country's perspective, certainty and predictability in relation to continued

- There is a need to develop a new more coherent framework in the fields of both trade and finance with the recognition of diversity of appropriate policies based on diversity of levels of development and national situation.
 - To ensure preservation of national policy autonomy.
 - Consider mechanisms under the umbrella of coherence to alleviate the situation of countries damaged by financial instability particularly exchange rate instability.
 - To develop a multilateral surveillance system both to coordinate macroeconomic policy and to ensure that these policies were compatible with the requirements of development policy.
 - To examine the trade implications of exchange rate instability and impact on BOP on a country by country basis.
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