

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Interrelationship Between Trade and Debt

Communication from Ecuador

The following communication, dated 1 October 1999, has been received from the Permanent Mission of Ecuador.

Proposal

1. The third Ministerial Conference of the World Trade Organization should decide upon the setting up of a Working Group to begin an exhaustive study of the relationship between trade and the external debt of developing countries. The aim of such a study would be to advance solutions to the problem in a framework that respects the formulation of coherent policies that are compatible with those countries' needs and to build a multilateral trading system that strengthens their economies.

Background

2. At present the World Trade Organization lacks the appropriate forum for Members to engage in more in-depth examination of the interrelationship of trade and external debt.

3. External debt is one of the major problems confronting developing countries and has a direct impact on various aspects of international trade. Although this interrelationship has been studied by other international organizations, the WTO needs to start analysing it from a wider perspective. It shall also be borne in mind that debt has serious implications for employment levels and social security, draining off resources needed for satisfying the most basic human needs. Debt has exacerbated the poverty suffered by huge sectors of the world's population who live in developing countries. Furthermore, it has repercussions on the trade payment system and on economic transactions between individual countries and the rest of the world.

4. After more than 20 years of adjustments to try and solve the problems caused by the heavy burden of external debt servicing, the growth and economic development of a large number of developing countries remain subject to serious constraints and their progress could be curbed even further.
