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NOTE ON NON-ALIGNED
MEETING OF EXPERTS
ON
SMALL ISLAND DEVELOPING COUNTRIES

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ON SMALL ISLAND DEVELOPING COUNTRIES

Background

1. The problems of Island Developing Countries was first raised within the Non-Aligned Movement at its Sixth Conference of Heads of State or Government (Havana, September 1979). Then the Non-Aligned Ministerial Conference (New Delhi, February 1981) decided that a Group of Experts be created for studying special measures that could be adopted in favour of island developing countries. In May 1982 the Ministerial Meeting of the Co-ordinating Bureau of the Non-Aligned countries expressed concern about the lack of action, especially in respect of small island countries, and stipulated that the Group of Experts ... "should meet and study measures that could be adopted in favour of those countries, including the possible creation of an Emergency Relief Fund"; and the Ministerial Co-ordinating Bureau, reiterated this decision at its meeting in Managua early in 1983. That decision was reaffirmed at the Seventh Non-Aligned Summit (New Delhi, March 1983) and which welcomed Grenada's proposal to convene the meeting.

Purpose

2. The specific objectives visualised by the New Delhi Summit included (i) making a thorough study of the problems of the Small Island Developing Countries (SIDC's); (ii) drawing up of definite proposals for a group of special international measures in order to alleviate the desperate economic situation of the SIDC's; (iii) creating an Emergency Relief Fund; (iv) urging interested international organizations to give the meeting and its complementary activities their full support.

Agenda

3. The substantive themes adopted for discussion were:-
- Item 5. Issues related to the particular features of island developing countries and their importance in the process of economic development.

Documentation

5. There was one substantive paper - NAC/CONF 7/EM/DOC 1, titled "Meeting of Non-Aligned Experts on Small Island Developing countries". It contained three sections:

- Background of the theme of island developing countries in the Movement of Non-Aligned countries;
- Main features and problems of the island developing countries;
- Emergency measures to be adopted by the international community and especially by the Movement of Non-Aligned countries in favour of the island developing countries, particularly the smallest among them.

Proceedings

6. There were more governmental representations than there were "Experts" familiar with the problems of island states, especially the smaller islands. As a consequence heavy reliance was placed on various documents, prepared by the UNCTAD Secretariat and the various UN and UNCTAD resolutions appertaining to the special problems of island developing countries. The document that was prepared for the meeting as a means for orienting the discussion, was used as the basic paper and almost completely incorporated into a larger paper.

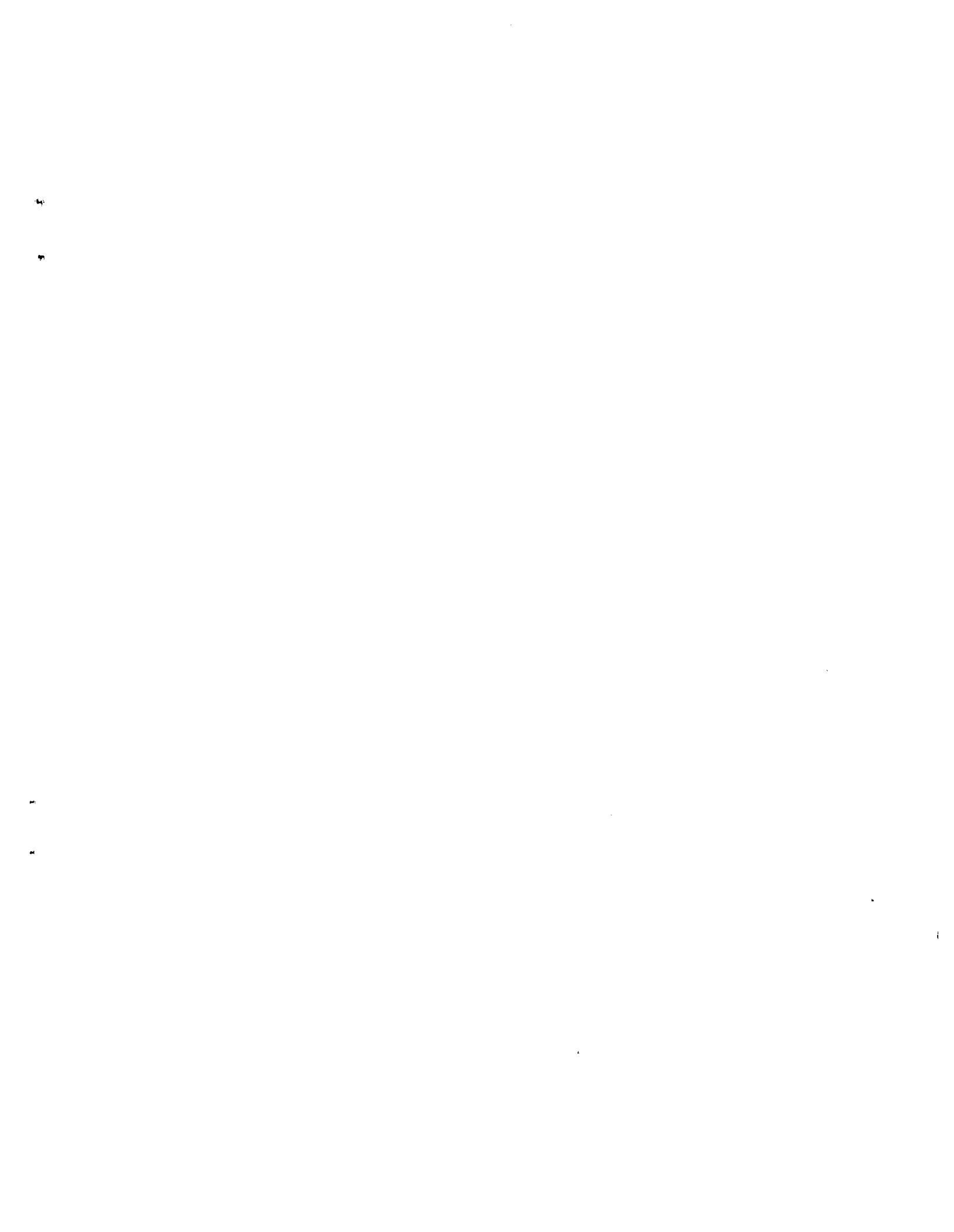
Lack of specific working papers for the individual agenda items affected the discussions in the sense that there was lack of focus and consequently poor crystallization of the issues and desirable concrete follow-up actions. To remedy this defect a further working paper was "assembled" by the Secretariat of the Meeting at the end of the first day. Unfortunately, it was treated as a draft report with the interventions being primarily of editorial nature rather than substantive debate. In part this was due to the nature of the participation.

7. The outcome was a report which brought together and stressed desirable areas of action previously identified in various fora and

11. Measures seen as necessary to assist the SIDC's, included:-

- support so SIDC's can participate adequately in international meetings and conferences;
- establishment of a pool of experts specialised in the techniques of international negotiations, to advise on matters of particular interest to SIDC's in negotiations with multilateral and other institutions;
- some re-orientation within the international financial institutions so that their formulations and prescriptions for the SIDC's will relate more to the actual circumstances and requirements, including: adequacy of representation, redefinition of compensatory financing facility, ^{1/} more concessionality in charges on loans, discontinuance of policies of maturation and gradation in respect of SIDC's;
- establishment of a Third World Watch-dog Committee at World Bank and IMF;
- re-introduction of minimum IMF quotas for small states with quotas of SDR 10 million or less;
- developed countries adjuncting the terms and conditions of their ODA to conform with the Development Strategy of the Third Development Decade, increase the flow of concessional loans, and that aid be untied;
- a higher proportion of assistance be in the form of general balance of payment support or programme aid;
- the setting up of an international debt-restructuring facility;
- particular assistance in developing viable fishing industries;
- developing practical methods for integration into development planning of mechanisms for foreseeing, mitigating and preventing natural disasters, including those resulting from pests and diseases;

1/ For example, should include tourism earnings and other invisible exports



NON ALIGNED MEETING OF EXPERTS ON SMALL
ISLAND DEVELOPING COUNTRIES

September 14-16, 1983

GRENADA

N&C/CONF.7/EM/DOC.5/REV.2

FINAL DOCUMENT

1. The first Non-Aligned Meeting of Experts on Small Island Developing Countries met in St. George's, Grenada, September 14-16, 1983.
2. The Meeting opened on September 14, 1983, with a plenary session. H.E. Unison Whiteman, Minister of Foreign Affairs of Grenada, addressed the Non-Aligned Meeting of Experts on Small Island Developing Countries and, noting the common heritage, common struggle and common destiny of small island developing countries, called for the intensification of the efforts for shaping and building a brighter and better world.
3. The Meeting unanimously agreed that the statement made by H.E. Mr. Unison Whiteman, Minister of Foreign Affairs of Grenada, be considered as an official document of the Non-Aligned Meeting of Experts on Small Island Developing Countries.
4. The Meeting recalled the view expressed by the Heads of State or Government during the 7th Summit Conference of the Non-Aligned countries, that the island developing countries, especially the smaller ones, required the urgent attention of the international community, due to their particular problems and special needs.
5. The Meeting also recalled the support given by the G77 to the special measures in favour of island developing countries as contained in the Buenos Aires Platform of April 1983.
6. The Meeting further recalled the various resolutions adopted unanimously by the international community in favour of island developing countries, and in particular the most recent resolutions of the G.A. (Resolution 37/206, 20 DEC. 82) and the UNCTAD (Resolution 138 (vi) of 2nd July, 1983).

7. The Meeting noted with deep regret that so far very few significant initiatives have been undertaken for the implementation of the specific actions envisaged in the relevant resolutions of the G.A., the Non-Aligned Movement, the G 77 and UNCTAD.
8. The Meeting identified the following factors as those particularly affecting these countries:
 - (i) They have small populations, typically less than 400,000 and rarely exceeding 1,000,000, and limited land masses of less than 700 square kilometers and rarely exceeding 4000 sq. kilometers;
 - (ii) They are islands, and may sometimes include a cluster of even smaller, highly populated islets with extremely high per capita cost incumbent in the provision of social amenities and economic infrastructure;
 - (iii) Their basic infrastructures are grossly inadequate;
 - (iv) Their road systems, ports and small air strips (incapable of accommodating jet airplanes) are in a state of accelerated disrepair. Electricity and telephone, water and sewerage services are rudimentary, inadequate and prone to breakdowns because of obsolescence;
 - (v) They are remote from continental land masses and economic growth poles by the fact of being outside of the main sea and air routes of the areas in which they are located;
 - (vi) They have extremely open economies and exhibit virtually absolute external dependence. Economic conditions in developed countries impinge directly and immediately on domestic incomes and on standards of living.
 - (vii) They are monocultures, with subsidiary sources of income in international tourism;
 - (viii) Industrialisation is in its infancy and importantly constrained by an extremely limited internal market and pro-

- tectionism in third countries;
- (ix) Sea and air transportation is rudimentary, unreliable and inadequate;
 - (x) In most cases there are no central banks, no national currencies and no freely usable international reserves to cushion international shocks;
 - (xi) Commercial banks comprise mostly branches of multinational corporations with no commitment to local development;
 - (xii) Private sector activity relates mostly to intermediation in import and export trade. There is a dearth of local entrepreneurship. Because of the structure and size of markets small businesses are inherently unstable. The margin of profit in production activities in the industrial sector is low;
 - (xiii) Because of the emigration of professional and skilled workers largely caused by the reverse transfer of technology in developed countries, there is an acute lack of technical expertise in both the public and private sectors;
 - (xiv) They are particularly prone to natural disasters, particularly hurricanes and earthquakes. Because of their miniscule size any natural disaster is very likely to affect the entire country.
9. Turning from the nature of the economy to (1) stabilisation and development constraints arising from prevalence of that particular nature and (2) the role of the international community in process of stabilisation and development the following picture emerges:
- (a) In order to help them cope with the international recession that has violently hurt these economies in terms of export and domestic income, a flow of material, financial and other resources is necessary, on highly concessionary terms and no strings attached;
 - (b) They need to adopt special emergency international policies to guarantee adequate levels of assistance because of the

oil crisis, continuing depression in the world economy and a series of natural disasters in the 1979-80 period (floods and hurricanes) that destroyed most of their agricultural products and export crops and wrought havoc in their already deficient physical infrastructures;

- (c) During the 1979-82 period, their real export earnings were drastically reduced, their Gross National Products dropped and a situation of chronic lack of fiscal liquidity was created;
- (d) The flow of real resources from bilateral sources, leaving aside disaster relief, declined dramatically. The former colonial powers reduced their development programmes drastically and the multilateral institutions followed suit.
- (e) The size of the present Fund quota for island developing countries, which fluctuates between US\$3.5 and US\$4 million, is grossly inadequate to meet their needs. This quota would have had to be utilised six times over during the last three years on a net basis just to compensate for adverse terms of trade, with no account being taken of the impact of natural disaster, or the traumatic decline in invisible exports (tourism earnings) resulting from international recession;
- (f) Small island developing countries have not been able to make full use of the resources of IMF under present quota policies;
- (g) The World Bank/IDA has made insufficient loans/credits. This comes at a time when the developing island countries are making strenuous efforts to develop themselves and are actively seeking greater collaboration with and involvement of the international community.

10. The Meeting considered that small island developing countries are facing particular political, economic, social and cultural

18. The Meeting agreed that in the future small island developing countries should play a decisive role in formulating and implementing more consistent international policies on their behalf. Several ways were identified through which island developing countries can improve their role in international decision making including:

- better high level organisation and co-ordination among island states themselves, and the adoption of common positions hammered out through early and adequate consultation. In cases where island states are grouped together under treaties of economic cooperation, as in the Caribbean under the Organisation of East Caribbean States (OECS) and the Caribbean Common Market (CARICOM) and in the Pacific under the South Pacific Bureau for Economic Cooperation (SPEC), the process can obviously be expedited. The Meeting expressed its solidarity and support to the recently created Indian Ocean Commission and urged the international community to assist in its development. Such organization, co-ordination and participation from the part of island developing countries is of particular importance in such fora as:
 - specialized meetings of the Non-Aligned Movement and the G.77, relevant to the problems faced by small island developing countries;
 - the G.A. of the U.N. whose 39th session will undertake a comprehensive review of the problems and needs of the island developing countries.

In this context, the Meeting noted the serious constraints that small island developing countries face in participating adequately in international meetings and conferences, including consultations among themselves. *what to do?*

The Meeting consequently urged the international community to provide support to these countries for the above purposes, as requested in UNCTAD resolution 138 (VI), paragraph 2.

19. The Meeting considered the establishment and implementation of a program geared towards strengthening the capability of small island developing countries to negotiate with multilateral and other institutions. The meeting welcomed the proposal that the competent international agencies establish a pool of experts highly specialised in the techniques of international negotiations to advise small island developing countries in matters of particular interest.
20. In respect to the functioning of multilateral financial institutions the Meeting reaffirmed the position expressed at the 7th Non-Aligned Summit that present control over the international monetary and financial system continued to be the preserve of a few dominant developed countries. The Meeting pointed to the inadequate representation of developing countries in the decision-making processes of international financial institutions which has the effect of making the response of the international financial system inadequate to the needs of the developing countries.
21. The Meeting reiterated the need for a general reform of the present international monetary and financial system. The Meeting recalled and supported the decision of the 7th Non-Aligned Meeting of Heads of State or Government concerning the convening of an international conference with universal participation, geared towards dealing effectively with the development and other financing requirements of the international economy, particularly those of the developing countries, and the need for growth - oriented structural adjustment.
22. The Meeting was particularly concerned not only with the need to increase substantially the flow of real resources, but with the formulations and prescriptions of multilateral policy, with the fact that the smaller developing countries have little or no representation at multilateral institutions such as the World Bank and IMF.

23. The Meeting considered World Bank and IDA lending policies and operational norms toward island developing countries and identified the following major deficiencies:

deficiencies in administrative policies in actual lending criteria and operational norms that critically serve to constrain lending and render ineffective attempts at structural adjustment;

- the argument that GDP per capita is an adequate overall indicator of the volume of lending that the Bank should undertake in small island states;
- the argument that the high cost to the Bank of administering small loans deters the establishment of a continuing loan relationship with small island states;
- the argument that Bank loans to regional development banks for relending in part to small island countries is an adequate substitute for a regular and predictable loan relationship;
- the argument that a project in a small island country must be capable of generating an internationally competitive rate of return as a pre-condition for financing by the Bank or IDA.
- the inappropriate nature of the criteria for allocating IDA resources to small island developing countries (per capita GDP and creditworthiness).

24. On the various facilities provided by the International Monetary Fund, the following critical needs in relation to island developing countries were identified:

- the need to improve and extend the coverage of the compensatory financing facility and make its operations much more flexible particularly in relation to the treatment of tourism earnings and other invisible exports;
- the need to provide far more concessionality in charges on loans, particularly those covered by the compensatory financing facility and the extended Fund Facility;
- the need to discontinue all policies of maturation and gradation in relation to small island developing countries.

25. The Meeting noted the growth in the phenomena of economic aggression against developing states. It noted with concern the contradictory operational standards of major multilateral financial institutions which have tended towards discrimination on political grounds. It recognized the growth in conflict of a technical nature between the World Bank and IMF on the one hand and individual member countries on the other. It further deplored the fact that checks and balances built into the Bretton Woods Articles of Agreement to improve the position of developing countries in decision-making and provide appropriate mechanisms for conflict resolution between the institutions and developing member countries had never been activated. It reaffirmed the call both by the Non-Aligned Heads of Government and by the G77 for immediate activation of such articles.
26. The Meeting recommended the establishment, by developing countries, of a Third World Watch-dog Committee to protect the interests of developing countries in particular, at the World Bank and the International Monetary Fund.
27. The Meeting supported the developing countries' prospects in relation to the conditionality requested by the World Bank and IMF as the quid pro quo in granting them credit. In the case of island developing countries, such conditionality can be even more divorced from indigenous economic and social objectives and counter-productive to the developmental process because of the existence of special features and characteristics not sufficiently considered by the institutions.
28. The Meeting noted that, over the last two years, developing countries have articulated the inadequacy of IMF and World Bank policies towards the smallest countries of this group. These initiatives have had positive results, since both the Group of 24 and the Development Committee have enjoined the institutions concerned to participate in a process that will initiate "immediate action to review the mechanisms and format of conditionality and the nature and content of adjustment prescriptions requested in small island and landlocked economies." More recently the IMF has responded by commissioning a study on small island states.
- The Meeting urged that institution to make available the results of that study to all member countries and to initiate appropriate action after adequate consultation with island developing states. The Meeting urged that institution to initiate, once the results of that study become available, appropriate action after adequate consultation with island developing states.
29. The Meeting noted that an area where some work has already been done by small island states themselves to influence multilateral policies relates to the proposed re-introduction of minimum IMF quotas for miniscule states with quotas of SDR 10 million or less. Unfortunately, the IMF Executive Board under the Eighth Review, did not agree to the recommendation of the G 24. The Development Committee and the Interim Committee for special treatment of very small countries in quota allocation. As called for by the Heads of State or Government of the Non-Aligned Movement and the G77, the Meeting urged the IMF to take immediate action on minimum quotas.

30. The Meeting noted the conclusion of the Seventh Summit which stated that, at a time when developing countries urgently require large flows of concessional assistance, there is a decline in these flows and that, after two decades, the achievement is hardly half the United Nations target of 0.7 per cent of the G.N.P. of the developed countries. The Meeting also recalled that the Heads of State or Government called upon all developed countries to adjust the terms and conditions of their ODA in a significantly improved fashion in conformity with the International Development Strategy for the Third Development Decade. The Meeting also noted that, ODA to the least developed countries in the special categories, i.e. the island, land-locked least developed and the most seriously affected countries, depend primarily on concessional flows, official development assistance should be untied.
31. The Meeting expressed concern that increases in gross flows of ODA resources are tied to IMF conditionality. The Meeting agreed that developed countries which have not yet reached their target of 0.7 per cent should exert their best efforts to do so by the end of 1983 and that the new target of 1 percent be reached by 1985.
32. Turning to the terms and conditions of aid, the Meeting reiterated the position taken by the Seventh Summit and the Group of 77 that a higher proportion of ODA assistance should be in the form of general balance of payments support or program aid and/or disbursements to meet more local cost of investment projects. Aid should become more and more untied in relation to source of material and equipment and project being financed, and should relate generally to the achievement of macro-economic targets within discrete time frames as well as to project preparation and implementation targets.
33. The Meeting noted that island developing countries share with developing countries in general a severe debt crisis. The Meeting considered specific measures that island developing countries more dependent and vulnerable than most can take to mitigate the worst consequences of the debt syndrome.

34. The Meeting welcomed the declaration of the Heads of State or Government during the Seventh Summit Conference which considered that, in the present international situation, it is essential to secure a massive increase in the flow of financial and material resources to the developing countries as well as the cancellation of the external debt.

35. The Meeting further recalled the recommendations of the Seventh Summit which called for:

- (i) the development of a comprehensive, equitable, multilateral framework for the restructuring of the debt burden of developing countries in order to provide an orderly international response to a possible emergence of a serious debt services crisis and
- (ii) the setting-up of an international debt-restructuring facility to help refinance the existing debts of the developing countries for a long-term period on appropriate terms.

36. The Meeting stressed the enormous importance that the United Nations Convention on the Law of the Sea has for the international community and especially for the island developing countries. The Meeting reiterated the appeal made by the Seventh Summit Conference to all states which have signed the Convention to expedite the ratification process to enable the Convention to enter into force as soon as possible, and appealed to all those states that had not yet signed the Convention to do so. Also, the Meeting stated that the application of the United Nations Convention on the Law of the Sea opens new and considerable perspectives for the economic advancement of island developing countries. The Meeting urged the support of the international community, particularly the Non-Aligned Countries, for all the measures which guarantee that island developing countries derive the benefits from their marine space to which they are entitled.

37. The Meeting acknowledged the problems that island developing countries face, in particular the smallest among them, in the fishing sphere, especially the difficulties derived from the shortage of material and human resources to carry out this activity, the low volume of production, the small size of some of the fishing areas and the high cost of the commercialization of these sea products due mainly to the distance from main markets, among other causes. The Meeting also stressed the need that the international community and in particular the Movement of the Non-Aligned Countries dedicate special attention to the solution of these difficulties, specifically in the case of the smallest island developing countries, bearing in mind the impact that the development of these fishing activities can have on the economic development of these countries.
38. The Meeting considered the impact of natural disasters on islands, especially the smallest among them, and noted that, because of small size, natural disaster will invariably affect most or all of their territory. The Meeting concluded that emergency relief through international solidarity to meet immediate health hazard, food, water and housing problems and for other humanitarian purposes in cases where an entire country is devastated is not enough.
39. The Meeting expressed the importance of foreseeing natural disasters for island developing countries and especially the smallest ones among them. In order to foresee natural disasters and/or attenuate their ominous effects, the Meeting stressed the need for:
- developing practical methods for their adaptation and integration into development planning;
 - constructing public infrastructure so as to be less vulnerable to disasters and at the same time with improvements designed to better meet development needs;
 - carrying out reconstruction with disaster mitigation and prevention in mind;
 - taking rigorous measures to control or limit the introduction of pest and diseases, taking into account the catastrophic consequences they can have for humanous, plant and animal life;
 - finding external assistance of a specialized nature to cope with disasters resulting from pest and diseases.

40. Within the possibilities offered by economic and technical cooperation among non-aligned and other developing countries interested in areas of critical importance for the island developing countries, the Meeting invited the members and observers of the Movement of Non-Aligned Countries and other interested developing countries, especially island countries and the smallest ones among them, to study the possibilities offered by the sphere of insurance of the Action Program of Economic Cooperation of the Non-Aligned Countries, regarding solutions to natural disaster problems.
41. The Meeting noted with interest the observations from a study on the incidence of natural disaster in island developing countries prepared by the UNCTAD Secretariat with the collaboration of UNDRO.
42. The Meeting considered the need to have a more active participation of island developing countries, and particularly the smallest ones among them, in the different spheres of the Action Program for Economic Cooperation among Non-Aligned Countries, especially those spheres which are of special importance to these countries' economies, such as: Trade, Transportation, Industry, Fisheries, Insurance, Tourism, Employment and Human Resources Development, Telecommunications, Technical Cooperation and Consultancy Services, Food and Agriculture, Raw Materials, Research and Information Systems, and Cooperation in the Financial and Monetary Fields. #
43. The Meeting noted that tourism is a vital economic activity for many small island developing countries, but that major and unpredictable declines in visitors often lead to severe disruptions in revenue earnings and overall economic activities. When developing countries suffer a loss of revenue as a result of a decline in agricultural exports, certain compensatory measures are implemented to forestall further economic collapse. In this regard, the meeting recommended that similar compensatory measures such as the STABEX arrangement be made available to countries affected by declining tourism.

44. International trade

(1) The Meeting observed that most of the small island countries are dependent for their foreign exchange income on a very small number of commodities; that, in most of these cases, this income has been unstable or has tended to decline; and that practically none of them can influence the prices on international markets.

(2) The Meeting urged the international community to give its support to the small island countries so as to help them to increase their production and diversify it.

(3) The Meeting recognized the usefulness of the United Nations Common Fund for Commodities, particularly its second window for the developing countries in general and especially for the small island countries. And, in this regard, it recommended that all countries sign and ratify it as soon as possible.

(4) The Meeting pointed out that the contribution requested of each country in order to participate in that Fund exceeds the means of most of the small island countries and welcomed the offer of the OPEC countries, Norway and the countries of the European Economic Community to pay the contribution of some of the developing countries, including some small island countries.

(5) The Meeting also noted that the second window, as stipulated now, is very restrictive, as shown by the study made for UNCTAD by Mr. F. V. Sevele (see document TD/B/891), and requested that it be more flexible so as to permit the small island countries to enjoy its benefits more fully.

45. The Meeting stressed the critical importance of transport and communications to the economic development of small island states. It highlighted the dominance of foreign conference lines in the shipping sector of the economies, which often unilaterally imposed high freight rates, without in some cases guaranteeing a stable or minimum frequency of calls because of inadequate traffic generation. The Meeting adopted as a concrete suggestion for future action,
- (1) The adoption and ratification by all Member States of the UNCTAD Liner Code of Conduct which acted as a means of achieving greater control over their maritime sectors;
 - (2) Greater sharing of information on transport, including improvements in technology, as well as the experiences, negotiations and consultations with liner Conferences and Freight Rate increases.
 - (3) Greater financial flows at concessional rates from the international financial institutions to island states, specifically for the development of adequate transport and communications infrastructure and facilities.
46. The Meeting recalled the decision adopted by the New Delhi Ministerial Conference, in February 1981, to create a Group of Experts for studying special measures that could be adopted in favour of island developing countries. In this connection, the Meeting recommended that this proposed Group be established to start its work as soon as possible and that the conclusions of the Non-Aligned Meeting of Experts on Small Island Developing Countries be used as basic guidelines and terms of reference for this Group. [After taking note of Grenada's and Cuba's interest in forming part of the Group of Experts, the Meeting entrusted Grenada with the task of consulting with other countries that wish to join the Group.] The Meeting urged the Group of Experts to present a progress report to the Bureau of the Movement as soon as possible. The final report would be submitted to the next Ministerial Meeting for its consideration.
47. The Meeting decided that this report should be presented to the Coordinating Bureau of the Movement as soon as possible.