



# General Assembly

Fifty-third session

Official Records

Distr.: General  
14 December 1998  
English  
Original: French

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## Second Committee

### Summary record of the 17th meeting

Held at Headquarters, New York, on Tuesday, 20 October 1998, at 10 a.m.

*Chairman:* Mr. Asadi ..... (Islamic Republic of Iran)

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*The meeting was called to order at 10.05 a.m.*

**Agenda item 95: Operational activities for development** (*continued*) (A/C.2/53/L.8)

*Draft resolution on the triennial policy review of operational activities for development of the United Nations system (A/C.2/53/L.8)*

1. **Mr. Hidayat** (Indonesia), introducing the draft resolution on behalf of the Group of 77 and China, said that the text of the resolution might seem long; however, given the diversity of the issues it addressed, it was both concise and complete. The draft resolution was based on a number of principles to which the Group of 77 and China attached the greatest importance: (1) that it was necessary to forge a solid partnership among the developing countries, the developed countries and the United Nations system, particularly its funds and programmes; (2) that the operational activities of the United Nations system were particularly useful at a time when the world economic situation was undergoing many changes; (3) that the objectives of the United Nations funds and programmes were largely determined by new development models; (4) that the basic goal of operational activities for development, namely, to satisfy the interests of developing countries, must be strengthened; and (5) that recipient Governments had the primary responsibility for coordinating the external assistance they received, particularly that provided by multilateral organizations. He hoped that the draft resolution, which covered all the points mentioned in the report of the Secretary-General (A/53/226) — ranging from the operational activities of the United Nations system to the increasingly important upstream activities — would be favourably received by the other members of the Committee.

**Agenda item 92: Sectoral policy questions** (*continued*) (A/C.2/53/L.6 and L.7)

**(b) Industrial development cooperation** (*continued*)

*Draft resolution on industrial development cooperation (A/C.2/53/L.6)*

2. **Ms. Djatmiko-Singgih** (Indonesia) introduced the draft resolution on behalf of the Group of 77 and China, which continued to attach great importance to the question of industrial development in the developing countries and believed that, more than ever, cooperation in that field must be structured from both a theoretical and operational standpoint. According to the draft resolution, cooperation should remedy the main difficulties besetting the developing countries in their industrialization and provide those countries with the means of overcoming them. It was particularly

important to resolve the problem of industrial and technological disparities and to build the industrial capacity of developing countries and their human, technological and institutional potential. In addition, industrial plants in developing countries needed to be modernized, since industrialization was not only a powerful engine of growth but also a factor in technical progress. The Group of 77 and China hoped that the draft resolution aimed at strengthening industrial development would be supported by all Committee members.

**(a) Business and development** (*continued*)

*Draft resolution on action against corruption and bribery (A/C.2/53/L.7)*

3. **Mr. Winnick** (United States of America) introduced the draft resolution sponsored by Argentina, Bulgaria, Canada, Mexico, Nicaragua, the Russian Federation, Ukraine, Uruguay, Venezuela and the United States of America. Since the adoption, in 1996, of the United Nations Declaration against Corruption and Bribery in International Commercial Transactions — a major achievement by the United Nations — the Organization had closely monitored the question, particularly through the Commission on Crime Prevention and Criminal Justice, which had considered the matter at its preceding two sessions. Many regional initiatives had also been launched in that area in Latin America, Africa and Asia. The Organisation for Economic Cooperation and Development (OECD) had adopted a convention on the topic; many projects had been carried out within the European Union; and a significant number of countries had addressed the question at the national level.

4. The draft resolution had a number of objectives: (1) to have the General Assembly formally take note of the monitoring activities carried out; (2) to maintain the momentum of the work carried out in that field within the United Nations; (3) to give renewed impetus to activities at the national level; and (4) to attempt to synchronize the work of the United Nations in that area by ensuring that the biennial deliberations of the General Assembly and the Commission on Crime Prevention and Criminal Justice on that item coincided. Committee members would note that the draft resolution was largely based on General Assembly resolution 51/191 of 16 December 1996 and resolutions of the Commission on Crime Prevention and Criminal Justice. Lastly, he stressed that the sponsors included developed countries, developing countries and countries in transition, testifying to the fact that, rather than being of interest to one particular group or region, the issue was international in scale. He hoped that many Committee members would become sponsors of the draft resolution.

**Agenda item 93: Sustainable development and international economic cooperation** (*continued*)

(A/53/296, A/53/374, A/53/60, A/53/62, A/53/63–S/1998/100, A/53/69, A/53/72–S/1998/156, A/53/95–S/1998/311, A/53/96, A/53/124, A/53/155, A/53/168, A/53/204, A/53/371–S/1998/848, A/53/396, A/53/411, A/53/412, A/53/414, A/53/416 and A/53/453)

**(b) Integration of the economies in transition into the world economy** (A/53/336 and A/53/174)

5. **Mr. Kinniburgh** (Director of the Development Policy Analysis Division of the Department of Economic and Social Affairs) said that, from the outset, the General Assembly and the Secretariat had been monitoring the progress of the transition countries and their efforts to integrate into the world economy, particularly by endeavouring to increase the flexibility and productivity of their economies and to establish closer economic ties to other countries through an increase in trade arrangements, and through financial flows and transfers of technology. The report of the Secretary-General on the integration of the economies in transition into the world economy (A/53/336) provided an overview of recent activities within that context by the organizations of the United Nations system, whose mandate had been established in paragraph 2 of General Assembly resolution 51/175.

6. Generally speaking, each of those organizations had made its contribution to the creation of an enabling environment for the transition, which required a wide-ranging set of institutions and institutional arrangements, physical infrastructure, a skilled workforce and sound economic management. It was nonetheless difficult to summarize the activities carried out by those organizations, owing to their extreme diversity and the variety of experiences in the countries in transition. For example, in most of the Central and Eastern European countries and the Baltic States, the growth process had begun in 1994. In Belarus, the Caucasus and most of the Central Asian countries, the recovery had not begun until 1995 and the Russian Federation had not achieved any measurable progress until 1997. Moreover, while the countries in transition had registered an overall increase in their gross domestic product in 1997, there had been huge disparities between individual countries and the gross domestic product was even expected to remain stagnant in 1998.

7. In most of the transition countries, recovery had been underpinned by domestic demand, whose adverse consequence had been a general widening of current account deficits. From that perspective, foreign direct investment, with its many advantages for the economies of the countries in transition, could play a valuable role. In that connection,

table II.2 of the *World Economic and Social Survey 1998* showed that foreign direct investment in Central and Eastern Europe and the Baltic States had amounted to nearly \$10 billion in 1997, or 2.8 per cent of the region's gross domestic product, and foreign direct investment in the Commonwealth of Independent States had amounted to \$7.3 billion, whereas less than \$8 billion had been invested during the entire period 1989–1995. There, too, there were huge disparities between countries: while in 1997, foreign direct investment had represented 1.2 per cent of the total gross domestic product of the countries in transition, the ratio had ranged from 0.4 per cent of the gross domestic product of Uzbekistan to 24.4 per cent of that of Azerbaijan.

8. Despite its limited scale, foreign direct investment had been an important factor in creating market economies in those countries. That was particularly apparent in areas where foreign enterprises had introduced competition and had indirectly contributed to improvements in the quality of products, price decreases and greater respect for the needs of consumers. In more extreme cases, foreign direct investment had salvaged domestic production from the possibility from closure that might have resulted from the increased competition emanating from opening the market.

9. While the medium-term prospects for the economies in transition depended in large measure on their ability to raise domestic saving and investment, their ability to attract foreign capital for a broader range of industries was often critical to sustaining growth and deepening the reconstruction of those economies. Another difficulty stemmed from the fact that, to date, foreign direct investment had depended heavily on privatization programmes. Most of the more advanced economies in transition, with the exception of Poland, had largely concluded their privatization processes and no more such drives were expected in the immediate future except perhaps in the Russian Federation, where any inflows of foreign direct investment could have extremely favourable consequences for the economic prospects of the region as a whole.

10. It was in that context that organizations of the United Nations system would continue to assist the efforts of countries with economies in transition to attract and facilitate all forms of foreign direct investment.

11. **Ms. Linde** (United States of America) said that she would focus in her statement on the Russian Federation, as that country's transition to a market economy was one of the defining economic challenges of the end of the twentieth century. Indeed, the outcome would help define the shape of the global economy in the twenty-first century and the progress of democratization around the world. The United

States had played a leading role since 1991 in providing multilateral and bilateral support for Russian market reforms. Her Government was convinced that, when policy makers themselves were committed to reform, the programmes of the International Monetary Fund (IMF) and the World Bank could materially increase the prospect of such a transformation being achieved. Since 1992, the Russian Federation's cooperation with the international financial institutions had produced an important economic transformation and a fragile stability. The fact that the country was once again facing a crisis should not obscure the achievements of the preceding six years, during which the Russian economy had been completely transformed.

12. The United States had a strong stake in seeing all the economies in transition overcome the current crisis by carrying out macroeconomic and structural reforms, building strong legal systems and democratic Governments, pursuing social development and overcoming the environmental hazards associated with rigid central planning. It was not about imposing economic models, because each of the countries in question had its own unique history and traditions and would plot its own path in the economic arena as it would in every other respect. The United States had also done much to support the other economies in transition. Thus, via the support for the East European Democracy Act, her Government had provided \$2.2 billion to Central Europe between 1990 and 1995, and it had provided \$5.1 billion to the newly independent States since 1991. The United States had also worked closely with other nations and international organizations, such as the Organisation for Economic Cooperation and Development and the Organization for Security and Cooperation in Europe, to assist those countries to establish political democracy and market economies. The United Nations was also playing an important role in that process. Apart from examples of the activities of funds, programmes and specialized agencies of the United Nations system, the technical assistance that the Economic Commission for Europe was providing to the Southeast Europe Cooperation Initiative should be applauded. Under that initiative, 10 countries were trying to resolve problems of mutual concern, such as facilitating the movement of people and goods across borders, combating transnational crime and developing regional infrastructure. Also worthy of note was the new Special Programme for the Economies of Central Asia, which was a similar initiative for five Central Asian nations that received support from the Economic Commission for Europe and the Economic and Social Commission for Asia and the Pacific.

13. The United States was committed to playing a supportive role in the integration of both the least developed

countries and the economies in transition into the world economy, because in a world characterized by increasing interdependence, it was vital to the welfare of all that no country should be left behind in that process.

14. **Mr. Isakov** (Russian Federation) made a critical analysis of the activities carried out by the United Nations system to facilitate the integration of the economies in transition into the world economy. In so doing, he tried to draw the lessons to be learned from the Asian financial crisis, a task which had been made easier by the fact that United Nations agencies, the World Bank and the International Monetary Fund paid great attention to those problems.

15. While most of the economies in transition had made considerable progress with respect to macroeconomic stabilization and economic growth, they also had serious social problems, as the UNDP *Human Development Report* showed. It was therefore more urgent than ever to integrate those economies into the world economy, to resolve their serious difficulties in securing market access and to create a favourable external environment for their trade, economic and financial activities. In that connection, his country's entry into the World Trade Organization was fraught with difficulties and it was imperative, more than ever, to coordinate the activities of the Bretton Woods institutions and those of the United Nations system with respect to integrating the economies in transition into the world economy. The World Bank would have a particularly important role to play in helping to identify emerging crises.

16. In the face of a crisis which was sharply curtailing their growth prospects for 1998 and which had provoked rampant inflation in some of the countries, the main concern of the countries with economies in transition was to restore their predictability and attractiveness for foreign investors. There was capital flight not only from the countries stricken by the crisis but also from other economies in transition.

17. Under those conditions, the international community and the United Nations system must provide efficient and innovative assistance to the economies in transition. They should, in particular, determine priorities by taking into account the specific social and economic conditions of the countries assisted, coordinating their activities at all levels and taking sufficient account of social matters such as the eradication of poverty, employment, social stability and support for national efforts in the field of population.

18. The United Nations system had the proper mandate and necessary capabilities to carry out such activities. He expressed his delegation's gratitude to all the United Nations agencies that were working to bring about the integration of the economies in transition into the world economy. However,

in future, it would like the report on that issue not only to enumerate various measures, but also to indicate their impact. Given the magnitude and multifaceted nature of the activities of the United Nations and other international institutions and donors in that field, such activities should be appropriately focused and coordinated.

19. **Mr. Kolby** (Norway) said that, overall, there had been a resumption of economic growth in the Central and Eastern European countries and the newly independent States, which should be maintained by the economic reforms undertaken, combined with a highly skilled workforce. The reality was, however, not uniform. There were substantial disparities between one country and another, with some countries facing serious environmental problems, and the prospects for integration into the world economy were far from the same for all. The current world financial crisis had a detrimental effect on exports and created an unfavourable climate for investment. His delegation was convinced that it was primarily for Governments to establish conditions which would accelerate the transition: sound macroeconomic policies, transparency and stability. The intervention of the international community was also necessary and, in that connection, the contribution of the European Union to the development of the Central and Eastern European countries and the newly independent countries, and that of the Organization for Security and Cooperation in Europe (OSCE) to peace and stability were essential.

20. Norway's contribution took two forms. In 1997, it had allocated approximately 400 million kroner to cooperation projects, mainly in the northern part of the Russian Federation and the Baltic States, its assistance to the Central Asian republics being rather in the humanitarian sector. Moreover, it had concluded agreements with the Central and Eastern European countries through the European Free Trade Area (EFTA) in order to open up their access to the member countries of EFTA.

21. **Mr. Gerus** (Belarus) thanked the organizations of the United Nations system for the excellent work they had done during the past two years with a view to integrating the economies in transition into the world economy.

22. Despite the macroeconomic results they had obtained following almost five years of reform, the countries with economies in transition had been badly hit by the Asian financial crisis, which had revealed their vulnerability to fluctuations in the international financial markets. They had proved to be incapable of dealing with the crisis because of their lack of experience of market mechanisms in a time of crisis and the still embryonic state of their economic institutions.

23. Those problems called for a strengthening of cooperation between the international organizations and the economies in transition. His delegation felt that it was essential that the organizations in the United Nations system expand the advisory services and technical assistance which they provided in the legal field, in the creation of a climate favourable to investment and in the establishment of institutions to regulate and control the market economy. It was also important that the countries with economies in transition should belong to the World Trade Organization and that they should be given assistance in the field of the detection of the early-warning signs of crisis and crisis prevention. His delegation hoped that the organizations in the United Nations system would provide it with assistance in those areas, taking into account the new needs which would inevitably arise.

24. His delegation shared the view expressed the previous day by Austria on behalf of the European Union concerning the importance of regional cooperation. It believed that the transport sector, which was of vital importance for landlocked countries, was particularly suited to that type of cooperation. In that connection, the Government of Belarus had taken the initiative of convening an international conference of landlocked countries of Central and Eastern Europe and the Commonwealth of Independent States. That conference, which would be held at Minsk in 1999, would be devoted to the economy and the transport sector and to the related environmental problems. His delegation appealed to the organizations in the United Nations system and various donors for assistance in organizing the conference.

25. **Mr. Oussouпов** (Kyrgyzstan) said that, for his country, the question of the integration of countries with economies in transition into the world economy was one of the most important items on the agenda of the General Assembly. He welcomed the fact that the international organizations and financial institutions supported the efforts being made by those countries to adapt to the market economy and, in particular, thanked ESCAP and ECE for their Special Programme for the Economies of Central Asia, UNCTAD for its programme for improving transit transport operations in the region, UNIDO for its assistance in the strengthening of the information media and the promotion of small enterprises, investments and technology, the International Monetary Fund for its assistance in the organization of a conference held on the occasion of the fifth anniversary of the entry into circulation of the Kyrgyz currency, and the financial institutions for their assistance in the adaptation of the rules of the market.

26. Kyrgyzstan had just joined the World Trade Organization, a move which would considerably expand its

markets and allow it to liberalize its external trade and, in the future, attract foreign investment.

27. As a landlocked country, it faced great obstacles in the circulation of goods, services, capital and people, which slowed down its entry into the global economy. The idea of the Silk Road, which had been taken up again by President Azaev, consisted in making that route, which had formerly linked Asia to Europe and the North to the South, a route for development and regional integration. The Silk Road had for centuries played a key role in very varied fields, from trade through science and diplomacy to philosophy. Inasmuch as it served the whole Eurasian continent, it could be assumed that its renaissance would help to develop and deepen regional cooperation and ensure the sustainable development of the countries of the region and their integration into the world economy.

28. **Ms. Arystanbekova** (Kazakhstan) said that the creation of a market economy, which was the declared objective of the countries in transition, should help to improve the quality of life of the population. Within the framework of the efforts undertaken by the United Nations system to accelerate the integration of those economies into the world economy, UNCTAD was working on a programme aimed at opening up the landlocked countries of Central Asia and neighbouring countries; the Economic Commission for Europe and the Economic and Social Commission for Asia and the Pacific (ESCAP) were developing a programme entitled "Special Programme for the Economies of Central Asia" (SPECA), which encouraged cooperation between the countries of the region. The Tashkent Declaration, which had been signed by six countries, including Kazakhstan, and by the Economic Commission for Europe and ESCAP, defined the scope of such cooperation, namely the development of transport, the rationalization of the exploitation of water and energy, and the improvement of the transport of hydrocarbons to world markets. The Economic Cooperation Organization, UNCTAD and ESCAP were working to facilitate transit transport operations in the region and to develop economic cooperation between the countries in the south-western part of the ESCAP region. During the current session of the General Assembly, her delegation would submit a draft resolution relating to cooperation between the United Nations system and the Economic Cooperation Organization.

29. With regard to financial and technical assistance, UNDP and UNFPA were contributing to projects relating to socio-economic questions and the environment. One of the most important components of that assistance concerned the region of Semipalatinsk, where UNDP was coordinating international measures to promote the health of the population, environmental restoration and economic

development. Other programmes had been launched relating to the environment, the promotion of the private sector and the provision of assistance for the population census which Kazakhstan would carry out in 1999. A regional conference organized by the Kazakh Government and UNDP at Almaty in July 1998 had helped to review the reforms and the main difficulties and tasks of the countries in transition.

30. **Mr. Hovhannisyan** (Armenia) said that countries with economies in transition were vulnerable to the current financial crisis. Although most had a well-developed industrial base and a well-educated and competitive labour force, in order to integrate into the world economy they must reduce production costs by modernizing and rationalizing production, improving their communications and attracting the foreign investment that was essential to economic growth. Armenia was counting on the privatization of some 3,800 businesses under its 1996–1998 programme to attract foreign investment. Its top priority was to increase exports, and to that end it was attempting to complete the creation of its legal framework and financial infrastructure and to develop its human resources. However, its efforts were impeded by the blockade imposed by its neighbours, which had also disrupted the delivery of humanitarian assistance to the areas affected by the earthquake and to the refugees from Azerbaijan, along with the execution of regional programmes. Armenia had been receiving technical assistance from a number of countries and international organizations, including the United Nations system, and would welcome greater attention to its private sector.

31. Since independence, Armenia had expressed a firm commitment to the development of regional cooperation. It was a founding member of Black Sea Economic Cooperation, and during its six-month presidency it had tried to contribute in particular to the strengthening of cooperation in the energy sector and to the creation of a regional free trade area. It was actively participating in other programmes, in particular the initiative on transport corridors between Europe, the Caucasus and Asia. Armenia's greatest priority was to integrate into the world economy and to form good relations with all its neighbours.

32. **Ms. Duda** (Poland) said that Poland was currently registering an annual economic growth rate of close to 6 per cent as a result of the restructuring of its economy begun in 1989, combined with democratization and political stability. There was still a need for further restructuring, in the heavy industry and mining sectors, and the country was facing a number of social and economic problems. Through cooperation with international organizations, and because of the priority which the United Nations system had placed on the integration of countries in transition into the world

economy, Poland had been able to receive assistance in undertaking the necessary reforms. Those reforms had been carried out at an enormous social cost, however, resulting in an unprecedented rise in organized crime. Therefore, in the context of its cooperation with the United Nations system, Poland had accepted in principle an international convention against organized crime. Poland had recently joined the Organisation for Economic Cooperation and Development (OECD) and negotiations were under way for its admission as a full member of the European Union.

33. Poland was convinced of the need for international cooperation based on true partnership at the regional and subregional level. It wished to share its experience through technical cooperation among developing countries (TCDC) and was in the process of establishing a fund for the development of technical expertise. It participated actively in the preparation of meetings and in the meetings themselves, and would attend the session of the ECE Committee for Trade, Industry and Enterprise Development in June 1999. Globalization provided a unique opportunity for economies in transition to enter international markets, and the role of the Economic Commission for Europe in economic reforms could not be overestimated. Finally, better early warning systems should be available to decision makers so that their decisions could be based on more accurate information.

34. **Mr. Pashayev** (Azerbaijan) said that the integration of the countries in transition into the world economy would bring about the establishment of a major Eurasian market, thus helping to close the gap between the developed and developing countries. To date, however, countries with transition economies had encountered major obstacles on the road to reform: their macroeconomic indicators were dismal, their production infrastructure was defective, they lacked financial resources to pursue reforms, they were encountering serious social problems and they had become vulnerable to the fluctuations in the international financial market.

35. It had therefore become very important for those countries to be able to attract foreign investment, which was a factor in integration, transfer of experience and know-how. Long-term investment had a key role to play in that regard. In order to create a favourable environment, Azerbaijan had changed its legislation and concluded bilateral agreements for the promotion and protection of investments. It was also conducting a programme of privatization and structural reform and a reform of the banking and financial sector. It had made considerable progress and in 1997 had managed to attract over a billion dollars in investments from widely varying sources. A swift settlement to the conflict in Nagorny Karabakh would also add to the flow of investments. He thanked the United Nations bodies, in particular ECE and

UNDP, which had helped his country to implement its reforms.

36. Cooperation in the transportation sector was clearly important for countries with economies in transition. Of particular note was the national and regional transport infrastructure development programme being implemented by the Commission of the European Union. The results of the past five years of work in that area had been presented at a conference held in Baku in September to promote the renaissance of the "Silk Road", which had resulted in the signing of a multilateral agreement on the development of the Europe-Caucasus-Asia transportation axis. Azerbaijan also thanked the IMF and the World Bank for their assistance, which took into account the needs of each individual country.

37. **Mr. Ierulescu** (Romania) said that his delegation endorsed the statement made by Austria on behalf of the European Union. His delegation wished to emphasize some problems his country had experienced during its transition. Globalization and liberalization of the economy were transforming international economic relations and creating new opportunities for cooperation to achieve economic growth and adapt national institutions and legislation to facilitate successful integration into the world economy. Cooperation should be focused on creating the conditions for a better integration of the economies in transition into the multilateral economic system so as to benefit from the process of liberalization taking place throughout the world. Their integration was a complex process based on broad reforms in all fields of activity. Romania was participating actively in that process and assuming its responsibilities at the national, regional and international levels. Radical changes since 1990 had imposed the transition from a centralized to a market economy. Economic and structural reforms had combined a stabilization strategy with measures to accelerate the establishment of a market economy through the strengthening of financial discipline, reform of the agricultural sector, promotion of foreign investments and speeding up of privatization. In his country's experience, speedy reform based on internal political consensus was preferable to a gradual approach. The positive effects of the so-called "shock therapy" approach appeared sooner, at both the national level and in relation to integration in the world economy.

38. Romania's main goal was the fullest possible integration into the European Union as soon as possible, and it had signed several agreements to that effect. It supported projects concerning transport routes from the Caspian Sea to Western Europe and from the Baltic Sea to the Black Sea, as well as tripartite cooperation with neighbouring countries. Those actions emphasized the importance to Romania of

complementarity between regional integration and multilateralism.

39. At the international level, Romania was committed to working closely with all partners for the establishment of an open and rules-based multilateral trading system. Romania fully supported the activities of the Bretton Woods institutions, the World Trade Organization and UNCTAD in the field of financial flows, trade and investment. It had an acute need for foreign investment to support its internal economic reform process and was interested in finding ways for the developing countries and countries with economies in transition to receive long-term investment and capital flows. It recognized the importance of international investment and of a transparent and predictable multilateral framework.

40. **Mr. Reva** (Ukraine) said that his delegation wished to know — as did the Committee whenever it took up the agenda item under consideration — what progress had been achieved so far in the countries with economies in transition, how long the transition period would last, to what extent the process of transition depended on outside factors and how the United Nations system could help those countries. The Secretary-General's report on the subject (A/53/336), was essentially descriptive and did not provide answers to those questions. It could not be denied, however, that progress had been made by the countries with economies in transition in establishing a market infrastructure, carrying out privatization and creating a visible private sector in the economy. Those promising signs gave every reason to believe that the transition process would not be endless and that the countries in transition would in the long run achieve a level of economic development that would enable them to provide assistance to other countries.

41. Ukraine was building a qualitatively new economic system. Its economy was now fundamentally different owing to the Government's implementation of sweeping reforms. Forms of ownership had radically changed. More than 50,000 enterprises had been privatized. The non-public sector now accounted for more than half of the total volume of industrial output. The first steps had been taken to create a land market. Progress had been made in liberalizing the economy: a new price-formation mechanism, including measures for the transition to world prices, had been established, and a liberal foreign-trade regime had been introduced and developed.

42. However, the current global financial crisis had created new difficulties for the new emerging market economies. No country was immune to that crisis. In the circumstances, the Ukrainian Government considered that the only solution was to accelerate structural reforms, adjust national expenditures to resources available from non-inflationary funding and work

closely with private creditors. The package of anti-crisis measures adopted by the Government had minimized the impact of the crisis on Ukraine's economy and had enabled it to overcome the first wave of difficulties. Inflation was under control, investments were on the rise and production had been revitalized in some important sectors. Ukraine was grateful for the timely assistance that had been provided by international financial institutions.

43. It was evident that the integration of the economies in transition into the world economy would not be possible without broadening the access of their products to world markets and without regional economic integration. Further reduction of tariff and other barriers and the elimination of discriminatory and protectionist policies were therefore of vital importance. The creation of a transparent and predictable system of multilateral trade relations and access to world markets were essential. Ukraine wished to become a full member of the World Trade Organization (WTO), which, together with UNCTAD, had a real role to play in the development and integration of the economies in transition. In that connection, he drew attention to the Strategy for Ukraine's Integration into the European Union, an officially endorsed text that provided for the harmonization of national legislation and the intensive development of trade and economic relations with members of the European Union on the basis of a cooperation agreement that had entered into force in March 1998. Ukraine attached great importance to the regional component of international economic cooperation and had been one of the initiators of a regional economic process within the framework of the Black Sea Economic Cooperation.

44. It was in the interests of the international community to ensure the prompt integration of the countries with economies in transition into the world economy. A number of United Nations instruments and resolutions had laid the legal basis for strengthening international economic cooperation. In particular, Ukraine wished to commend the Economic Commission for Europe and UNDP for their efforts in that area.

45. **Mr. Nimac** (Croatia) said that the transition process was complex, since it affected not only the economy but also the legal system, forms of ownership, the role of government and, in particular, the role of civil society. Transition also involved many choices, from the method and sequencing of privatization to decisions about monetary and fiscal policies. It also presupposed certain prerequisites: stability, transparency and political responsibility. The liberalization of trade and financial flows had brought the economies in transition closer to the markets they required. However, it also posed dangers associated with short-term speculative



capital flows. That increased the importance of the role that the United Nations played in providing expertise in the economic and social fields. In particular, his delegation commended the role played by UNDP.

46. In the area of social development, transition had led to a rise in unemployment and had caused diverse social problems. In many instances, transition had resulted in marked changes in the distribution of wealth and had increased poverty, particularly among the most vulnerable segments of society. The relatively modest resources that the international community could allocate to technical assistance and aid to countries with economies in transition should be maintained; otherwise, those social problems were likely to become even more serious.

47. Shortly after achieving its independence, Croatia had been faced with a war and occupation of part of its territory. Direct war damage had amounted to \$27 billion, or 1.3 times Croatia's gross domestic product (GDP). Estimates of indirect damage were twice as high. In 1993, an economic stabilization programme had been put in place with a view to reforming the system of economic ownership, establishing a competitive environment and creating conditions conducive to economic development and sustained growth. There had been a period of steady economic recovery marked by low inflation and a growth rate averaging 5 per cent. That had placed Croatia among the best performing economies in transition. However, reduced industrial capacity owing to war and the closure of unprofitable enterprises had led to high unemployment, and Croatia's GDP continued to lag behind 1990 levels. While structural reform had proceeded well in some areas, further efforts were needed, particularly in the restructuring and privatization of large public enterprises and the banking sector.

48. Small economies in transition faced particular difficulties in gaining access to foreign markets. However, they had no choice, since that was the prerequisite for their future development. Until the current crisis, the high level of global financial integration had allowed economies in transition to obtain the foreign direct investment they required owing to their insufficient domestic savings. However, the current decrease in capital flows was a cause for concern.

49. Transition had also made it necessary to give some thought to the environmentally sound management of national resources. In the case of Croatia, many ecologically unsound and inefficient enterprises had been closed down. Tourism, an important component of Croatia's GDP, was dependent on the preservation of the quality of the natural environment along the Adriatic coast. Similarly, the question of human rights was also important in a society just emerging from a

serious conflict. In that regard, the Government's national reconciliation programme had been in place for 12 months.

50. The role of the United Nations in providing advice and assistance in the process of transition would continue to be vital.

*The meeting rose at 11.50 a.m.*