PROVISIONAL

E/1997/SR.15
11 July 1997

Original: ENGLISH

ECONOMIC AND SOCIAL COUNCIL

Substantive session of 1997

PROVISIONAL SUMMARY RECORD OF THE 15th MEETING

Held at the Palais des Nations, Geneva,
on Friday, 4 July 1997, at 4 p.m.

President: Mr. GALUSKA (Czech Republic)

later: Mr. CHOWDHURY (Bangladesh)
(Vice-President)

later: Mr. GALUSKA (Czech Republic)
(President)

CONTENTS

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GE.97-62532 (E)

The meeting was called to order at 4.15 p.m.

FOSTERING AN ENABLING ENVIRONMENT FOR DEVELOPMENT: FINANCIAL FLOWS, INCLUDING CAPITAL FLOWS; INVESTMENT; TRADE (agenda item 2) (continued) (E/1997/26, 50, 54 and Corr.1, 67)

Mr. SHEVCHENKO (Observer for the Ukraine) said that a permanent feature of the globalization and liberalization process had been the emergence of a considerable group of countries in transition from planned to market economies, whose efforts at the national level needed more extensive support from the international community. While the increase in private investment had, generally speaking, benefited the economies of the developing and transitional countries, it had led in most of the poorest countries to an increase in the number of people living in absolute poverty.

In line with the emphasis in the Secretary-General's report (E/1997/67) on the primary responsibility of countries for their own development, Ukraine was pursuing a policy of macroeconomic stabilization, encouragement of competition in the goods and services sectors, full-scale privatization, and structural change in the agro-industrial and energy sectors, combined with a system of targeted subsidies to protect the most vulnerable social groups. One of its main foreign economic objectives had been to enter the World Trade Organization (WTO), negotiations on which had reached the final phase. Ukraine was also endeavouring to attract foreign direct investment (FDI), which had, however, so far reached a level of only about US$ 1.5 billion, as compared with the estimated national requirement of about US$ 40 billion.

It was a disturbing fact that, over the past few decades, many developing and transitional countries had participated to a limited extent only in the process of global economic integration, with a resulting significant worsening in living conditions. Ukraine was actively striving to achieve integration in that process, including through regional and interregional cooperation.

His delegation believed that the Council was capable of making a valuable contribution to the development of the international economy and becoming an effective instrument in the promotion of the integration of countries with economies in transition into the international trading system.

Mr. SOEPRATO (Observer for Indonesia) said that recent economic growth, driven primarily by globalization and the liberalization of finance and trade, had tended to favour the strong as against the weak, as was illustrated by the adverse terms of trade experienced by many developing countries. Unless they were helped to build their capacities, those countries would be marginalized.

While his delegation strongly supported some of the recommendations in the report (E/1997/67) it believed that others - such as harmonization of the environment, and labour and health policies - could be dealt with more comprehensively in the appropriate forums. On the other hand, the issue of trade should have been given more prominence. He welcomed the emphasis in the report on the need for policy coordination. Fluctuating exchange and interest rates had resulted in hardship to the developing countries, as had also occurred when concessions given in one sector were cancelled out by the policies pursued in another.

Financial flows were also of critical importance. For many developing countries, unable to take advantage of increased FDI flows, Official Development Assistance (ODA) remained their principle source of funding, and it was highly regrettable that that source had fallen to a 10-year low. He hoped that the Council would give renewed impetus to the initiative on behalf of Heavily Indebted Poor Countries (HIPC), particularly by supporting an increase in International Monetary Fund (IMF) contributions, which could be achieved by selling off a reasonable amount of the Fund's gold reserves. The Enhanced Structural Adjustment Facility (ESAF) should also become permanent.

The volatility of financial flows resulting from globalization and liberalization had resulted in financial uncertainty for many developing countries, and he fully agreed with the report that there was increased need for coordination at the global level and for strengthening the symmetric surveillance of the Fund. His delegation also supported the request to the Committee for Development Planning to examine the provision of adequate technical assistance to strengthen the regulatory and supervisory mechanisms of the developing countries' banking and financial sectors. What was of immediate importance as far as FDI was concerned, was the creation of an environment conducive to investment rather than the establishment of multilateral rule-based investment regimes.

Mr. VALDEZ (Observer for Peru) said that, useful though the report was in general, more space should have been given to such factors as the threat posed by new forms of protectionism through the imposition of labour, social and environmental standards that restricted trade, precisely in sectors crucial in the development of exporting capacity, and to the debt-servicing burden in middle-income countries.

Firmly believing that each country bore the primary responsibility for its own development, his Government was carrying out structural reform and deregulating investment and finance, while encouraging market competition, including labour market flexibility, and implementing a privatization plan linked to a stable and attractive investment regime. In order to reduce the short-term social costs of those measures, 40 per cent of the available State resources were being devoted to social expenditure, mainly for poverty reduction and productive job creation. Peru had succeeded in controlling inflation, had achieved sustained growth, and a balanced budget.

International responsibility was, however, a two-way street and concrete measures must be adopted to coordinate economic, trading and financial policies, especially in the major world economies, to ensure the stability and predictability required for sustainable development. The Council might take up the coordination of macroeconomic policies as one of the themes for discussion at its next high-level segment. It was essential to ensure that harmonization measures did not result in the creation of new technical obstacles to trade in the form of new disguised forms of protectionism.

Mr. Chowdhury (Bangladesh)(Vice-President), took the Chair.

Mr. JALLOW (Gambia) said that he wished to stress the complementarity between the theme of the high-level segment and that of the recent South-South Conference on Trade, Finance and Investment, which had emphasized the growing importance of according priority to cross-sectoral issues and ensuring a coordinated approach to sustainable development.

While some specific conditions for fostering an enabling environment for development had been enumerated in the Secretary-General's report (E/1997/67), globalization and liberalization continued to have a negative impact on the development of a significant number of countries, including Gambia.

His Government had initiated a private-sector-driven economy coupled with direct involvement of the people in national development. Structural reforms had been carried out of the directly productive sectors of the economy and fiscal and trade policies, including export diversification, were continuing to receive urgent attention. The negative influence of globalization had, however, so far further retarded economic growth rates in contrast with the rapid economic growth achieved by some countries.

The gap between rich and poor nations was, in fact, continuing to widen. Africa, including its least developed countries (LDCs), continued to show strong signs of economic recovery but it still occupied a marginal position in international trade and output. Poverty too was increasing, exacerbated by high population growth and expanding numbers of refugees and displaced persons as a result of conflicts and natural disasters.

In spite of the optimistic prospects held out to the developing countries by the heads of agencies during the recent dialogue, Africa's persisting difficulties over the years in exploiting its considerable mineral wealth had militated against such accelerated development. The key to solving its problems was assured ODA, free market access, and the transfer of appropriate skills and technology. It was, therefore, regrettable to note that developed countries had so far failed to provide that necessary assistance: the majority of them had not met the agreed assistance target of 0.7 per cent of GNP, and the HIPC debt initiative by the Fund and the World Bank was also falling short of its target. Unless those inadequacies found a timely remedy, the much talked of marginalization of poor developing countries, especially in Africa, would persist.

Mr. de ICAZA (Mexico) said that the leading characteristics of an enabling environment in development were stability, predictability and adaptability. Although each country bore the primary responsibility for its own development, the promotion of an enabling environment could not be carried out in isolation. While all countries were subject to sudden changes in the international economic environment, the developing countries, with their limited adjustment and absorption capacity were most vulnerable to them. It was, therefore, essential to revitalize international cooperation and pay greater attention to the coordination of macroeconomic policies, particularly those of the industrialized countries, to ensure that their monetary, financial and trading policies did not have a negative impact upon global economic growth. In that task, the role of the United Nations as a forum for the coherent and comprehensive discussion of all those aspects was of unique importance.

With regard to the proposal in the Secretary-General's report (E/1997/67) that harmonization of macroeconomic, environmental, labour and health policies should be strengthened, he believed that the Council should abide by the agreements reached at the Singapore Ministerial Conference, and that labour and environment matters should not be used as pretexts for the creation of non-tariff barriers to international trade, reducing the development possibilities of the LDCs.

There was also a risk that too generalized an approach might be made to the question of subsidies without appropriate differentiation between industrialized and developing countries, the latter being faced with the imperative need to protect the poorest sections of their societies. The current international economic environment was certainly more dynamic and globalized, but was also to some extent less secure. Globalization and liberalization should not be allowed to result in a greater concentration of wealth and an increase in poverty and marginalization both within countries and between them. Measures were required to reduce the effect of sudden fluctuations in prices, interest rates, exchange rates and the volatility of capital flows.

Mexico had been carrying out major structural reforms, including trade liberalization, deregulation and privatization. The financial crisis of 1994 had, with the support of the international financial community, been overcome, and, together with economic growth and job creation, had gone a recovery of national self-confidence. Growth of more than 5 per cent had been achieved, and its trading deficit converted into a surplus. Mexico had welcomed the initiatives of the international financial institutions while recognizing that help from the international community would be only a complement to its own national development efforts.

Mr. AKRAM (Observer for Pakistan) said that globalization had produced vertical and horizontal inequalities both between and within nations. Those well equipped to compete in the production and trading of goods, services, information and technology had benefited, while those unprepared or unable to compete had suffered.

If the weaker nations were to develop in the current conditions of economic liberalization and interdependence, there must be a revival of growth-oriented policies in the major industrialized countries, which must liberalize trade in traditional sectors such as textiles, agriculture and tropical products, and must accelerate implementation of the Uruguay Round Agreement on Textiles and Clothing. High tariff barriers against the exports of the developing countries must be removed, and tariff escalation and the persistence of tariff peaks on products of particular importance of developing countries must be remedied.

Liberalization had had a negative impact on the balance of payments of the weaker economies and compensatory mechanisms must be created or strengthened to allow developing countries to continue their implementation of the Uruguay Round Agreements and, in particular, the decisions taken at Marrakesh concerning net food-importing countries. Remedial measures were needed to alleviate the increased cost of pharmaceutical products and high technology due to the Agreement on Trade-Related Aspects of Intellectual Property Rights.

In a liberalized global economy, the principle of special treatment for developing countries, especially those which faced impediments in their ability to compete, had taken on new importance. In the context of implementing the WTO Agreements, consideration should be given to an extension of phase-in periods, qualitative differentials in levels of commitments and enhanced technical and financial assistance.

Developing countries should put forward a “positive agenda” aimed at promoting their interests during the liberalization process. Efforts must be made to promote investment and financial flows to developing countries by helping them build the infrastructure necessary to attract foreign investment, a process which would require increased levels of Official Development Assistance (ODA) and mechanisms to ensure the compatibility of development concerns and the interests of investors.

While the Council should welcome the HIPC debt initiative, it should recommend a broadening of its scope to cover more countries and express concern at the shift in the debt profile of many low-income countries from multilateral to high-cost commercial debt. Remedial measures such as rapid-dispersal loans for countries with balance-of-payment problems should be recommended, so that such countries need not resort to commercial borrowing or descend into a spiral of deflation and economic stagnation.

As recognized in the Secretary-General's report (E/1997/67), which contained a thought-provoking section on policy coherence, measures adopted in the areas of trade, finance and debt must be implemented in an integrated way. The fact that the major international finance and trade institutions were consulting more often and taking steps to remove policy inconsistencies was welcome, but intergovernmental oversight of their policy coordination efforts was needed and could best be carried out by the Council, in accordance with its mandate.

Ms. TOLLE (Observer for Kenya), having endorsed the statement by the spokesman for the Group of 77 and welcomed the Secretary-General's report (E/1997/67), said that international bodies were playing an increasingly important role in the promotion of an open, equitable and non-discriminatory multilateral trading system and providing a framework for investment, technology transfer and finance. She thus welcomed the cooperation agreements between the World Bank and WTO and between WTO and IMF.

Fostering an enabling environment for development implied a concerted effort by Governments at the international and national levels to promote not only economic growth but sustainable, broad-based development whose benefits were shared equally by all members of society. Her Government had cooperated with the Bretton Woods institutions in the development of policies designed to provide incentives to foreign investors with a view to creating employment opportunities and improved living standards, policies which included the removal of most import restrictions, repeal of the foreign exchange act, liberalization of the telecommunications sector, an end to State involvement in economic activities better handled by the private sector and establishment of export processing zones and incentives to attract FDI. The result had been an increased GDP and a lowered inflation rate. Her Government's proposed budget for the coming financial year was aimed at reversing the decline in growth, easing the taxpayer's burden and improving the national infrastructure.

She shared the disappointment expressed at the decline in ODA, particularly in view of the increased funding of emergency relief and peacekeeping activities. It would be more productive for donor countries to direct their efforts towards the mobilization of additional resources for the developing countries. She thus welcomed the pledge by the representatives of the United Kingdom and Japan that their Governments would fulfil their ODA commitment of 0.7 per cent of GNP and called on others to do likewise. The failure of so many donor countries to honour their ODA commitment cast a disturbing light on their adherence to international agreements.

Trade liberalization was central to economic development. Unilateral protectionist actions inconsistent with multilateral trade agreements should be avoided, and the Uruguay Round Agreements should be implemented in both the letter and the spirit. The multilateral institutions and donor countries should provide the developing countries with technical assistance as a means to human and institutional capacity-building.

A major cause of the marginalization of African and other LDCs was the external debt which had prevented them from investing in human-resource development, infrastructure and diversification. There was an urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of the developing countries.

Lastly, she noted that negative publicity concerning human rights violations in developing countries, and particularly those of Africa, was an impediment to development and contributed to their marginalization.

Mr. MIKHNEVICH (Belarus) said that, although many countries were benefiting from globalization, those with economies in transition were experiencing serious difficulties in adjusting to the world's new economic order. The transition to a market economy involved complex structural reforms which could not be realized overnight. In his own country, the economic crisis was complicated by a lack of natural resources, increased protectionism by its trading partners and insufficient capital for modernizing industry. The country was also having to deal with the legacy of the old "militarized" economic system and the aftermath of the Chernobyl nuclear disaster. The extent to which the State should be involved in the economy was still under discussion.

His Government was currently prioritizing export capacity, housing, agriculture and industry. The private sector was being promoted, a third of the country's industries having been privatized in 1996. Signs of economic recovery were already apparent, but domestic financial resources alone were insufficient to ensure the success of the reforms. FDI was thus crucial for macroeconomic stabilization, and the right to own land was consequently being extended to foreigners willing to make significant investments in Belarus. Modernization of the economy was, however, being hampered by excessively strict controls on certain types of exports by a number of the country's trading partners.

With a view to ensuring that all countries benefited from globalization and to creating conditions favourable to development, the United Nations must promote country-specific technical assistance; membership of the WTO regulatory mechanisms should be accelerated and access to the world market facilitated.

Mr. BAMBA (Côte d'Ivoire) said that the private sector was the key to economic growth. He welcomed the adoption of an Agenda for Development and the recent special session of the General Assembly on Agenda 21. Together, those two Agendas provided a framework for international cooperation for development and, in particular, private investment. He welcomed the decision by the United States Government to establish a new partnership for economic growth and investment opportunities in Africa and was inspired by the example of several countries of South-East Asia which had experienced considerable increase in economic growth as a result of private investment.

Since each country was primarily responsible for its own development, the African countries, too, must create favourable conditions for economic development, among which were a climate of peace and political stability and efforts to promote democracy, the rule of law, good governance and the emergence of a responsible civil society. Activities should be undertake to achieve macroeconomic stability, a healthy financial sector and the pursuit of structural reform as a means of achieving greater efficiency and performance in the production sector. It was important to accelerate privatization and reform, especially in the agricultural sector, which played a major role in the economies of developing countries, particularly those of Africa. At the subregional and regional levels, it was important to harmonize trading structures and regulations in order to create genuine integrated economic spaces leading to significant and viable markets.

His country had begun to implement such measures by devaluing the CFA franc in 1994. Efforts to restore macroeconomic stability had included elimination of the deficit in the State balance sheet, improvement in fiscal returns, achievement of a surplus in the trade balance, establishment of a single window for the creation of new enterprises and the promotion of private investment and the rapid development of an integrated economic space within the framework of the West African Economic and Monetary Union and the Economic Community of West African States (ECOWAS).

The country had also launched a programme to industrialize its petroleum, gas and mining resources and to transform its cocoa and coffee industries. Those efforts had resulted in a growth rate of 7 per cent in 1996, while inflation had been limited to 3 per cent. The industrialization and infrastructural reforms were expected to result in major private investment.

Other economic development factors lay outside the control of the developing countries. Encouraging progress had been made in the areas of external debt, access to foreign markets and ODA, and he welcomed the commitment of several developed countries to meet the ODA target of 0.7 per cent of GNP. In March 1994, Côte d'Ivoire had benefited from the Paris Club's Enhanced Toronto Terms and, in 1997 had concluded an agreement with the London Club for reduction of its external commercial debt by nearly 8 per cent.

With regard to access to external markets, his delegation recognized the current trend towards liberalization but considered it important to take into account the varying levels of development and to find new ways of reducing the existing structural gap so as to allow developing countries to adapt to liberalization. The decision by the United States Government to allow African exports increased access to the United States market was thus very welcome. The forthcoming second Tokyo International Conference on African Development (TICAD II) was another source of hope.

Mr. DEMBRI (Observer for Algeria) said that human development must be the international community’s prime concern. The greater part of the world's population was subject to economic and social marginalization, while the developed countries, better equipped for multilateral negotiations, had imposed unfair trade restrictions and their own vision of development on the world, hindering the developing countries' endeavours to restructure their economies. The primary responsibility of developing countries for promoting their own development must be balanced by efforts on the part of their partners in the North to eliminate unfair trade restrictions.

Much remained to be done before a socially just world without poverty could be built. There must be coordinated action at all levels to cushion the negative effects of structural adjustment and find a viable solution to the external debt burden. Transfers of financial resources and technology must be made and market access for exports from developing countries stimulated. It was also important to increase ODA and encourage FDI without undue indebtedness.

There must be system-wide reform of international financial institutions to focus attention on the social dimension of development and to ensure a coordinated response to global challenges which would take into account the outcomes of the major world conferences. There must be true international solidarity to foster an authentic contract for “co-development” between the industrialized countries and those of the South, as well as fuller participation of developing countries in international policy-making.

The impact of liberalization on the South had not brought the benefits expected. Although adoption of an Agenda for Development after three years of laborious negotiations was to be welcomed, its piecemeal approach to development would not be conducive to the ordered restructuring of the mechanisms regulating world economic relations, which was so necessary for development. In the interests of world peace, social security and collective progress, the concerns of the South must be taken into account and international commitment to development translated into action for true solidarity.

Mr. BADRAN (Deputy Director-General, United Nations Educational, Scientific and Cultural Organization (UNESCO)) said that, although the primary responsibility for development rested with each individual country, efforts at the national level were increasingly dependent on the international economic environment. ODA had declined to its lowest level in ten years and was increasingly directed towards relief and peacekeeping operations rather than development efforts. That trend, combined with a significant increase in private capital flows to some developing countries, could result in a widening chasm between the haves and the have-nots. Private capital investment was currently concentrated in only 20 developing countries; the LDCs were consequently being marginalized, particularly in Africa. Growing inequalities could also be observed at the national level, even in those countries benefiting from an influx of private investment. Left to their own devices, private capital flows were unlikely to result in greater equity and participation. Consequently, a radical reversal of the decline in ODA was needed.

The international community was becoming increasingly aware that global and sustainable development called for an integrated approach by all the partners in the development process and that economic progress must also be people-centered, environmentally friendly and conducive to peace. Peace could not be based exclusively on political or economic arrangements, but must be founded upon the intellectual and moral solidarity of mankind, as stated in the UNESCO Constitution.

In an increasingly interdependent world, development failures were likely to affect all parties, including the richer ones. Successful development thus required an equitable sharing of opportunities and resources. Strategic alliances must be created among Governments, funding agencies, specialized agencies, bilateral donors and civil society to refocus the development agenda and ensure a clearer distinction between “loans” and “assistance”.

UNESCO interpreted “development” as improvement in the quality of life, which included better education, food security, health, shelter for all, respect for human rights, democracy, sustainable use of resources and a culture of peace. A renewed partnership between the Bretton Woods institutions and the other organizations of the United Nations system and bilateral donors would facilitate the achievement of those interdependent goals.

Investment in skilled citizens was the only way to guarantee sustainable development and to ensure that populations could exploit their natural resources themselves and closer international and inter-ministerial coordination alone had the potential to address the growing dichotomy between economic growth based on freedom of enterprise and human sustainable development founded on solidarity. The specialized agencies, for their part, were better placed than investment bodies to assist Member States with policy analysis, capacity-building and the implementation of new programmes.

On the eve of a new century, the peoples of the planet must commit themselves to bequeathing a world of peace, justice and sharing to future generation, a world founded on development, democracy and peace

Mr. LEMA PATINO (Observer for Bolivia) said that, in 1985, his Government had introduced new macroeconomic and anti-inflationary policies which had led to economic stability. The country's 1996 inflation rate had been the lowest in 20 years and one of the lowest in Latin America, while its growth rate had been above average for the region. As a result of improved administrative efficiency, revenue had increased from 14.4 per cent of GDP in 1989 to 19.5 per cent in 1996 and monetary policies had resulted in increased activity in the private sector, a decrease in domestic borrowing and a reduction in the standard interest rate. In the last financial year, Bolivia had had the highest level of FDI of any Latin American country.

The newly-created institutional and legal framework would give a direct impetus to development, encourage private savings and guarantee more efficient use of resources. Popular participation, administrative decentralization and educational reform would make it possible to increase the percentage of the population with access to education and to improve its quality, thereby contributing to increased productivity and opportunities for employment and income generation.

Low levels of savings and investment had prevented the country from overcoming poverty-related problems and achieving sustained economic growth. Structural reforms had thus been based on an attempt to increase foreign and domestic investment and to channel the resulting profits productively into increased social investment. The country's efforts to reduce its external debt to sustainable levels through negotiations in the Paris and London clubs and participation in the programmes sponsored by the Bretton Woods institutions, should release further resources for investment in the social sector.

At the regional level, Bolivia was an active member of the Andean Community and an agreement had been reached for the establishment of a free trade zone between Bolivia and the Southern Common Market (MERCOSUR).

Mr. GALUSKA (Czech Republic) resumed the chair.

Mr. RODRIGUEZ CEDEÑO (Observer for Venezuela) said that while his delegation generally agreed with the Secretary-General's analysis of the prerequisites for integration of developing countries into the world economy (E/1997/67), that could not be done without peaceful conditions, a stable political framework, full respect for all human rights and fundamental freedoms and the participation of civil society.

Increasing globalization and interdependence in the field of international relations affected the developing countries' ability to achieve sustained economic growth. His Government attached great importance to establishing greater cooperation between States, the industrial and developing world and the international organizations involved in that process.

Developing countries must continue the economic and social reforms they had begun in recent years, including changes in the role of the State and establishment of an appropriate legal system. Industrialized countries, for their part, should coordinate their macroeconomic policies so as to contribute to the stability and growth of the world economy and increase the flows of productive investment and ODA. The international organizations should broaden their programmes of financial and technical cooperation for the developing and least developed countries.

Venezuela's economic policy exemplified the Secretary-General's recommendations. It had introduced a strict but successful programme of macroeconomic stabilization and was preparing to extend the process of structural reform, emphasizing the importance of the needs of the individual and changes in the country's legal system. There had been increased FDI in the petroleum and financial sectors, privatization of the mining and aluminium sectors was nearing completion, and flexible labour policies had been introduced and would be followed by reform of the social security system and the creation of a pension fund. Those policies had resulted in reduced inflation, increased economic growth, a stable exchange rate, a rise in non-petroleum exports, with resulting economic diversity, and an increase in the real income of the workers.

His delegation therefore supported the Secretary-General's recommendations for greater harmonization of macroeconomic policies and increased cooperation and dialogue between the Bretton Woods institutions, WTO and the United Nations and welcomed his proposals for dealing with the problems of marginalization, external debt and decreased ODA. His delegation attached great importance to the work of the United Nations Conference on Trade and Development (UNCTAD) and welcomed its cooperation with WTO in the relevant areas.

Mr. ZAHRAN (Observer for Egypt) said that globalization and liberalization had resulted in increased marginalization and ethnic conflict in an overpopulated and underdeveloped world weighed down by foreign debt, and that many peoples' enjoyment of economic and social rights had been adversely affected. Africa in particular was being bypassed by the economic revolution. A lack of liquidity and uncontrolled capital flows posed grave risks to fragile economies.

The talk of "partnerships for development" must be translated into action, with due account taken of potential risks. The United Nations and other international organizations must be reformed to meet the challenges of a rapidly changing world, and international relations must be based on dialogue, not coercion. The strong must not be allowed to impose their vision on the United Nations, neglecting the interests of their weaker partners. Sustainable development must be made a genuine priority to ensure that the Organizations's reforms benefited all mankind, in a spirit of goodwill and cooperation. There was also a need for political will in the developed countries to meet their commitments, since the developing countries were not receiving adequate international support for infrastructure and capacity-building. They were having to compete to attract investment, and the developed countries were imposing excessively strict and unfair conditions upon them.

The developing countries had made numerous concessions to the developed ones in the Uruguay Round of multilateral trade negotiations. Despite the commitments made at Marrakesh, however, they had found themselves hampered by highly protectionist policies, both the old traditional ones and some unacceptable new ones. Environmental considerations and labour standards should not be misused for protectionist purposes. The developed world was becoming increasingly lax about meeting its commitments in such matters as ODA, technology transfer, and market access, despite all the talk of fostering an enabling environment for development.

Mr. BARTOLO (Observer for Malta) said that the high degree of openness of his country's economy made it imperative for his Government to support an international environment that fostered development. In fact, such an environment was necessary not only for the developing but also for the developed countries. The Secretary-General's report (E/1997/67) put the subject in perspective by analysing all the factors involved and stressing, among other things, the importance of giving the developing countries a fair chance to compete. Unfortunately, in a free trade and investment environment, relations between countries usually benefited the stronger partner because, to use the report's terminology, the “playing field” was not usually level.

It was doubtful whether the Council, as it currently functioned, could realistically help to level that playing field. Its failure to do so hitherto had been so obvious that there had even been calls for its abolition. His delegation believed, however, that the Council should continue to exist and that it should be strengthened. The Charter had given it awesome responsibilities to create conditions of stability and well-being but had not given it the authority to do so. Some felt that that basic role had been pre-empted by the establishment of other institutions, including the Bretton Woods ones.

The least that the Council could do was to cooperate closely with those institutions so as to contribute the input of the United Nations as reflected by its membership as a whole. The Secretary-General had stated that the Council should go as far as it could in that regard. As yet, however, that cooperation had not been satisfactory, although it had long been the subject of debate. The difference in governance between the Council and the Bretton Woods institutions was perhaps the most difficult obstacle to overcome but it was not the only one. The disparity between the authority and influence of the Council and those of the Bretton Woods institutions must also be addressed.

A reformed Council must cooperate more closely with those institutions having the major influence: IMF and the World Bank in the area of financial flows and investment and WTO in the area of trade. Only then would it be in a position to foster an enabling environment for development. Until that happened, its role would not and could not be any different. Nevertheless, the Charter's noble intentions for the Council in respect of the betterment of mankind should still be used. Within the current constraints and with due regard for the Secretary-General's call for relevance, it should be strengthened and given the authority and the means to play a role, albeit a limited one, in creating conditions of stability and well-being.

It could create such conditions in a number of ways. The annual overview report of the Administrative Committee on Coordination for 1996 (E/1997/54) referred to some of the areas in which it could make an impact and the Secretary-General had mentioned others. One area where it could play a role immediately was that of monitoring the effects of sanctions on innocent people. It could delegate the task to one of its commissions, to an agency such as UNICEF, or else it could consider asking a reformed Trusteeship Council to take the matter up.

Although his delegation believed that the Council should have a major role in fostering an enabling environment for development, it felt that the climate for frank international negotiations on matters of such global importance was not yet ripe. In the meantime, however, there were still improvements which could be made and it looked forward to the Secretary-General's forthcoming statement on reform which would, it hoped, propose ways of bringing the Council closer to the financial and trade institutions.

Mr. ABUAH (Observer for Nigeria), having endorsed the statement by the spokesman for the Group of 77, said that the current agenda item was of crucial importance, particularly to the African countries. The Council was required to address the conditions needed at the international level to complement domestic efforts to achieve policy reform and adjustment. In his country's experience, the problems and challenges of development existed at both the domestic and international levels, and both had a vital part to play in fostering an enabling environment for attracting financial and capital flows and investment.

The achievement of macroeconomic stability and the priority-based allocation of limited national resources were the most vital aspects of his Government's domestic reform programme. The relationship between stable macroeconomic policies and sustainable economic performance was clear. To that end, his Government had made significant gains in reducing the fiscal deficit. Through fiscal discipline and the reduction of inflation, it had been able to deregulate interest rates completely.

Trade was the fastest means of promoting economic development. World trade in goods and services accounted for 21 per cent of global GDP. Unfortunately, in the case of the African countries, the gains from international trade had yet to be realized. Sub-Saharan Africa's share of trade had declined from 3 per cent to a little over 1 per cent in 1995. Nevertheless, in accordance with its commitments under the Uruguay Round, his country had embarked on important reforms aimed at liberalizing trade and thus expanding its trading relations and opportunities. It was also systematically liberalizing the domestic investment regime and had made a number of arrangements to protect and encourage FDI. It had taken steps to enhance the stability of the financial sector and the security of foreign and domestic investors' deposits and was committed to further measures to sanitize the banking system. It was also making a determined effort to improve the infrastructure, with particular reference to basic telecommunications, drinking water and energy. It needed, however, adequate support from private financial resources and international financial institutions.

If the external environment were to be made conducive to development and complementary to the domestic efforts of the developing countries, international cooperation was required. Several factors in that environment presented formidable challenges, to which urgent and adequate solutions must be found to enable those countries to reap the fruits of economic reform. The external debt of African developing countries and the negative flow of resources resulting from debt servicing merited special attention. Nigeria, for example, utilized approximately 25 per cent of its export earnings for debt servicing, a major outflow of national resources that should be dedicated to development.

Globalization was a feature of the current international economic environment that all countries must cope with. Its challenges included the marginalization of countries and the erosion of national authority for economic decision-making. The opportunities lay in an open and predictable global market for trade in goods and services and in the cross-border flow of modern technology and ideas. What was needed was political will on the part of the rich countries to improve market access for the exports of developing countries through tariff reductions and the elimination of technical barriers to trade. The developing countries, which had already committed themselves to far-reaching domestic economic reform and the disciplines of the world trading system, appealed to the international community to support their efforts in order to achieve the common goals of poverty eradication and sustainable development, with the resultant prosperity for all.

Mr. MARUME (Observer for the Democratic Republic of the Congo) said that the discussion was taking place at a time of great political, economic and cultural change in his country. The members of the Council would recall the dramatic events that had occurred since the massive and unprecedented influx of Rwandan refugees into the east of the country in July 1994 and the subsequent conflict. The international community had kept the situation under review and was currently awaiting the outcome of the changes being made under the new regime.

Those changes and reforms, however, could not have positive and lasting effects for the people of the Congo without the support and assistance of the international community. He reiterated his Government's urgent appeal for assistance in its reconstruction efforts, in implementation of the relevant United Nations resolutions on repairing the environmental and infrastructural damage that had resulted from the prolonged presence of the refugees.

His delegation shared the concerns expressed in the documentation before the Countil at its current session. Certain factors were of primary importance in fostering an enabling environment for development, including political stability, national reconciliation and internal security, together with respect for the sovereignty and integrity of each country. A further requirement was the strengthening of subregional, regional and international cooperation in a spirit of mutual respect and solidarity.

Enterprises and investors should abide by national and international law; machinery should be put in place for evaluation and follow-up at the international level; and the undertakings and resolutions adopted by international bodies should be put into effect. Any machinery for sanctions should not penalize the weakest sectors of those populations on whose behalf the sanctions were imposed. There should also be legal assistance and exchange of information with a view to discouraging fraud and corruption. Banking secrecy did not favour an enabling environment.

Reform by the developing countries of their economies and political institutions would require time, enormous financial and human resources and, above all, courage and determination on the part of their leaders. The establishment of a rule of law guaranteeing fundamental rights and freedoms to all and reaffirming the duties and contributions of all was a key element in promoting an enabling environment.

Each State must take up its own responsibilities in the light of its own social and cultural situation and in accordance with the Universal Declaration of Human Rights. The deplorable situation of poverty and conflict that existed in many developing countries, particularly the LDCs, required the international community to provide support by refraining from supplying armed groups and other destabilizing forces in those countries, strictly regulating arms sales and supporting all political initiatives and mechanisms for the peaceful settlement of disputes. As the twenty-first century dawned, the international community must take up the major challenge of ensuring sustainable development for all, in conditions of peace, freedom, responsibility and solidarity.

Mr. SINYINZA (Zambia), having endorsed the statement by the spokesman for the Group of 77 and expressed his appreciation of the Secretary-General's report (E/1997/67) and of the participation by the heads of the international, financial and trade institutions in the high-level segment of the session, said that, as a number of speakers had noted, Africa received a negligible share of global FDI flows and faced the highest risk of future marginalization, despite the efforts its countries had made to create an appropriate enabling environment. Nevertheless, the absolute level of FDI in Africa had increased considerably in the last decade, which suggested that, with an appropriate external environment, African countries could do much better. That environment should include: improved access to the markets of the industrialized countries, the transfer of technology including information technology, and a durable solution to the region's unsustainable external debt burden.

Another obstacle to investment and trade in African countries was a negative image in some industrialized countries. Africa as a whole was often portrayed by the media as being in perpetual crisis and unworthy of any serious investment. There was a need to examine each individual country on its own merits to see whether investment opportunities and a welcoming business climate existed. He was not attempting to deny the regional identity, an important attribute that the Council would have an opportunity to discuss at a later stage, but to underscore what was a key factor in the investment equation.

As the African countries strove to attract FDI and increase their share of world trade, assistance would be needed from the international community to support the good policies and programmes they had adopted. The Secretary-General's report (E/1997/67) identified the necessary features of an enabling environment, and his delegation stressed the need to respect all the the commitments that had been made and to implement them in full. If that were done, if ODA to African countries were increased and if a durable solution to the external debt burden were found, that should be sufficient to launch the region on a sustained and sustainable path to economic recovery and growth and diminish the possibility of its further marginalization.

The PRESIDENT, summarizing the debate, said that the theme of the high-level segment had aroused great interest. Over 70 delegations had spoken on the topic, in addition to the stimulating one-day policy dialogue with the heads of the multilateral financial and trade institutions and the panel discussions with members of the academic and business communities.

The debate had been both stimulating and wide-ranging. Many delegations had expressed appreciation of the Secretary-General's report (E/1997/67) which they considered to be a valuable working document for the high-level segment and for the preparation of agreed conclusions that would contain practical recommendations for fostering an enabling environment for development.

Views had been expressed and recommendations made on global economic trends and prospects, strengthened international cooperation, national policies, and the need for coherence in international trade and financial policies. Special attention had been paid to the problems of marginalization, the current low level of ODA, the volatility of financial flows and the vulnerability of developing countries to speculative movements of capital. Commitments to a free, open and rule-based international trading system had been reaffirmed.

Lastly, the importance of comprehensive United Nations reform had been emphasized. A stronger, consolidated Organization had been called for that would function as one system in pursuit of such goals as the eradication of poverty and social and economic development. In that regard, the Council had a key role under the Charter in promoting international cooperation for development and in ensuring the continued momentum of the recent major United Nations conferences.

The meeting rose at 7.30 p.m.