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PROVISIONAL SUMMARY RECORD OF THE 14th MEETING

Held at the Palais des Nations, Geneva,
on Friday, 4 July 1997, at 11 a.m.

President: Mr. GALUSKA (Czech Republic)

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

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The meeting was called to order at 11.05 a.m.

HIGH-LEVEL DEBATE:

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

Mr. WOHLFHART (Luxembourg) speaking on behalf of the States members of the European Union and of Bulgaria, Cyprus, the Czech Republic, Estonia, Lithuania, Romania and Slovenia, said that the report submitted by the Secretary-General (E/1997/67) successfully highlighted the various facets of the problem of fostering an enabling environment for development, and in particular the complementarity between national measures and international support. The objective of sustainable people-centred development required the existence nationally of a democratic framework which fully respected human rights and fundamental freedoms and which enabled all members of civil society, especially women, to participate on an equal footing in politics, the economy and society.

In order fully to play its part as the driving force for growth, the private sector should be able to count on an appropriate legal and administrative framework that ensured respect for property rights and made it possible, *inter alia*, to combat corruption. The objective of sustainable development also implied the existence of environmentally friendly means of production and consumption. The development of human resources, in particular through an effective educational and health system, played an essential role in development, which should also respect the basic rights of workers as defined by the relevant instruments of the International Labour Organization.

In recent years growth in the developing countries as a whole had been stronger than in the industrialized countries. However, there were still marked disparities between regions, and the risks of marginalization were only too real for the least developed countries. Efforts were therefore required to ensure greater consistency and mutual support between national and international policies, particularly in the macroeconomic sphere.

The international community was concerned about the volatility of world capital markets resulting from the liberalization of financial transactions. In order to stabilize markets it was necessary to introduce national regulatory frameworks and to strengthen the monitoring mechanisms set up by the International Monetary Fund (IMF). It was also essential to establish common rules at the bilateral and multilateral levels, taking due account of the particular situation of the developing economies, in the sphere of foreign direct investment.

It was important to reverse the decline in official development assistance (ODA). The European Union was resolved to continue its efforts to achieve the agreed target of 0.7 per cent of GNP, and to earmark 0.15 to 0.20 per cent for the least developed countries. Emergency aid, in conjunction with other external aid, should be spent in such a way as to prevent the recurrence of emergency situations and to allow for long-term sustainable development. Strengthening the mechanisms of regional cooperation would help to achieve that objective.

The framework of international cooperation had changed considerably in recent years. A new balance had to be found among the different agents involved in cooperation. He suggested that the Economic and Social Council might devote a high-level debate to those new dimensions of development cooperation.

The external debt problem of many developing countries remained a source of major concern for the European Union, which supported the recent efforts by the creditor countries and institutions to find a solution to the problem. The World Bank/International Monetary Fund Heavily Indebted Poor Countries Debt Initiative was a step in the right direction, as were the measures adopted by the Paris Club.

Particular attention should be paid to the issue of market access for the least developed countries. Greater cooperation between the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) appeared necessary in that area. The European Union approved in principle the holding of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development that were scheduled for the autumn.

Mrs. TOIA (Observer for Italy) said that the establishment of a favourable environment for trade and investment was decisive for the success of any sustainable development policy. Clearly too, economic development and the consolidation of democracy were complementary.

The current world economic situation was characterized by the emergence of new poles of dynamism and growth, leaving regions or countries threatened by marginalization lagging behind. Market liberalization and the growth of foreign investment were not alone sufficient to ensure the integration of the poorest countries, which were still partly dependent on ODA flows. However, ODA was at a standstill. Efforts had to be made to increase ODA to the agreed target of 0.7 per cent of GNP. Italy devoted more than 50 per cent of its ODA to the least developed countries, particularly those in Africa. It was necessary also to ensure that the assistance was channelled to those sectors that were most crucial to sustainable development, including the enhancement of human resources and measures to give women greater responsibility in economic and social life, particularly by making it easier for them to obtain credit. The United Nations institutions had a key role to play, in close coordination with the other international institutions, in ensuring that all those concerns remained at the centre of development efforts.

Defining a set of multilateral rules to foster the development of trade, while ensuring respect for the environment and the fundamental rights of workers, was the essential prerequisite for harmonious and sustainable economic growth. Given the extreme volatility of international financial flows, the international financial institutions should strengthen their monitoring and control mechanisms.

The external debt problem called for special debt-relief measures for the heavily-indebted countries. Italy was taking appropriate steps within the Paris Club and by cancelling part of that debt through bilateral assistance. Italy commended the HIPC Initiative by the International Monetary Fund and the World Bank on behalf of those countries.

If the development of foreign investment was to be encouraged and such investment was to be channelled towards the countries in greatest need, it was necessary to set up in the recipient countries macroeconomic support strategies and protection and promotion mechanisms. It was also necessary to study means of directing investment flows towards small and medium-sized enterprises, a question which UNCTAD was in the best position to consider from the angle of capacity-building. In that regard, regional economic and trade integration processes were of particular importance.

If global trade liberalization was not to entail a polarization of wealth, it was necessary on the one hand to implement the WTO plan of action for the least developed countries in order to improve market access for their products and, on the other, to allow more countries to join WTO. Globalization was on the march. If it was to become synonymous with prosperity for all, a genuine global partnership had to be established.

Mr. ORDGONIKIDZE (Russian Federation) said that for the objective of human-oriented sustainable development to become a reality within the context of globalization, it was necessary to create the conditions that would enable individual countries to overcome their social and economic backwardness. Needless to say, responsibility for that effort lay primarily with the countries themselves, while international assistance had but a complementary role to play, except perhaps in the case of the least developed countries.

Russia endorsed most of the recommendations made in the report of the Secretary-General. Its Government was pursuing a policy designed to encourage investment. It was currently finalizing a legal regime to regulate foreign investment and wished to play a more active part in drawing up a multilateral investment agreement (MIA) within the framework of OECD. The Russian domestic market offered considerable potential for foreign investors, although the Russian Government would prefer them to focus on sectors other than raw materials and non-productive activities.

Russia believed that early accession to WTO was essential for its integration into the world economy. It also considered that it was important rapidly to eliminate certain discriminatory trade practices carried over from another era that affected its exports.

The United Nations agencies responsible for social and economic issues could and should act as a catalyst in solving the complex problems posed by globalization, taking into account the specific interests of countries in transition. In particular, Russia would like UNCTAD to play a more active role in studying issues of concern to those countries. Finally, it earnestly hoped that the mutually agreed conclusions to which the high-level debate should lead would not remain mere declarations of intent but would serve as precise guidelines for directing action within and outside the United Nations system to foster an enabling environment for development.

Mrs. RASI (Finland) said that the issue of trade and investment could not be treated without regard to the political, social and ecological dimensions of globalization, all of which were interlinked. The ever-increasing globalization of the world economy, together with the other manifestations of globalization, should be seen as opportunities rather than as threats. In order fully to reap the benefits of the possibilities offered, both North and South should develop genuine and innovative partnerships. The private sector should be provided with the necessary means fully to play its role as the driving force of growth, bearing in mind that it also bore certain responsibilities.

At the global level, the basic framework for an enabling environment for the development of trade had been more or less established with the rules laid down by the World Trade Organization which, together with the other elements of the multilateral system should ensure they possessed coordination machinery to enhance policy cohesion and complementarity. Coordination was also a fundamental requirement at the governmental and intergovernmental levels.

Many developing countries required special assistance and market access arrangements in order to integrate themselves into the world economy. It was to be hoped that in that respect the High-Level Meeting on the Least Developed Countries, planned for the autumn, would lead to concrete proposals. A broad range of coordinated measures should be introduced internationally to avert the risk of marginalizing the LDCs. However, Governments should begin by adopting proper policies and persuading public opinion to accept them. The High-Level Meeting should also provide an opportunity to consider innovative solutions to channel part of ODA towards growth-generating sectors, such as small and medium-sized enterprises.

Sustainable development remained the ultimate goal, and the United Nations system had a crucial role to play in achieving that goal. The first track of reforms announced by the Secretary-General should help to enhance the effectiveness of operational activities by making them essential agents for development, and it was to be hoped that the trend would be continued by the second track proposals.

Mr. Chowdhury (Bangladesh) took the Chair.

Mrs. PRIMATAROVA (Observer for Bulgaria) said that her delegation fully subscribed to the idea that fostering an enabling environment for development required a concerted effort by Governments and the other agents involved. The Council's current session, which benefited from the participation of the heads of the Bretton Woods institutions, of WTO and of numerous United Nations funds, programmes and agencies, was an opportunity to act in that direction. Her delegation favoured closer cooperation between the various international organizations responsible for trade and finance and supported regional and global policy harmonization.

In view of the growing role played by capital flows and foreign investment in economic growth, Bulgaria attached priority to attracting foreign investment, and in particular foreign direct investment (FDI). It was currently reviewing its legal framework and preparing a new, more liberal, law on foreign investment. With the same aim in mind, the Government was also endeavouring to restructure and modernize the economy, to encourage dynamic growth of the private sector, especially of small and medium-sized enterprises, and to combat corruption and organized crime. It had recently set up a currency board which would help to achieve greater economic stability and predictability, and would continue to request the international financial institutions to assist it in efficiently restructuring its economy at the lowest possible social cost.

In conformity with its commitments as a member of the World Trade Organization and an associate member of the European Union, Bulgaria had begun to liberalize its trade. It was determined successfully to take its place in the world economy and emphasized the need for the international financial institutions and the major donor countries to increase their support for economic reforms in the countries in transition in central and eastern Europe, and for the relevant United Nations agencies to receive additional resources.

Mr. RIKALOVSKI (Observer for The former Yugoslav Republic of Macedonia) said that his country's priority, like that of all other countries, was to establish the most favourable conditions for its development. To do so, it was endeavouring, despite the difficult circumstances in the region, to strengthen democracy and the rule of law, to promote the market economy, to improve the living conditions of the population and to enhance the role of civil society, with the aim of bringing its economy closer to European standards. It had already succeeded in stabilizing the currency, controlling inflation and increasing GDP.

Although his country's reform efforts had received financial support from, inter alia, the International Monetary Fund (IMF), the World Bank and the European Bank for Reconstruction and Development (EBRD), they had unfortunately not received an appropriate response from the private sector, especially for the establishment of a banking structure. His delegation pointed out that the country's economic transition and integration into the global economy would have been greatly facilitated if the main international banks had opened branches there. It hoped that that aspect of international cooperation, which was of the utmost importance for the countries in transition, would be taken into consideration in the Council's conclusions and recommendations. His delegation also believed that increased capital and investment flows towards the developing countries, and above all the adoption of measures to prevent their marginalization, were just as important, if not more important, than trade liberalization.

The United Nations system could make a valuable contribution towards fostering an enabling international environment for development by establishing stable and predictable conditions for development, allowing economies to adjust to market conditions and challenges, fostering increased production and ensuring legislative transparency and the establishment of sound social and health policies. The competent United Nations institutions and agencies should continue to direct their attention to all those issues and put forward more concrete projects concerning them, particularly for the weaker economies.

Mgr. MARTIN (Observer for the Holy See) said that the basic criterion for evaluating the process of economic globalization was how far it helped strengthen the human family, all of whose members were equally entitled to enjoy the goods of creation, and towards whom all bore responsibilities of solidarity. All the analyses concurred that there would be short-term losers from globalization, although no one proposed any innovative ways of rapidly remedying the situation. However, the process was proceeding so rapidly that the short-term losers ran every risk of becoming the long-term excluded.

The situation required a new culture of cooperation. Official development assistance, whose decline was disturbing, should help the poorest countries overcome those specific disadvantages which prevented them from entering the world economic community. The private sector had a particular responsibility for seeking more equitable solutions. It had demonstrated that it was capable of taking useful initiatives in spheres such as environmental protection. In the area of social development, foreign private investors could be encouraged to extend the practice of making socially productive investment in the countries in which they operated and efforts could be made to ensure, within a process of “globalization with equity”, respect for at least certain core norms of worker protection, because in the last analysis the market was only an instrument in the service of human beings.

Progress in settling the problem of the poorest countries' debt was too slow: it should not be forgotten that the cost of reimbursing their debt prevented those countries from investing sufficiently in those areas which were, in the long term, the key to their development, i.e. in social and human capital. Another problem which could not be disregarded was corruption and organized crime, which were becoming increasingly internationalized and were aggravated by the lack of machinery for regulation of the international financial markets.

Lastly, the issue of military expenditure, whose reduction would make it possible to release resources for social and economic development, should be addressed. While each State had a sovereign right to assess its own security requirements, care should be taken to ensure that expenditure on modernizing military equipment did not give rise, under pressure from certain arms merchants seeking new outlets, to an escalation in expenditure.

The elimination of absolute poverty in a reasonably short time was possible: the resources were available and the policies required were known. The rapid rate of globalization required an even more rapid response to the needs of those described as “short-term losers”. Very often the losers of today were the losers of yesterday. As members of the same family, everyone was responsible for preventing them from also becoming tomorrow's losers.

Mrs. VILLANUEVA (Cuba) said that Cuba, whose economic and social structure had undergone a rapid transformation between 1959 and 1989, had been facing difficult circumstances since 1990 because of the sharp diminution of its economic links with the former socialist countries of Europe. To deal with a steady decline in GDP - approximately 35 per cent between 1989 and 1993 - measures had been urgently required. In 1992 amendments had been made to the Constitution to legalize certain types of private property and to permit the sale of State property, as well as to modify the foreign trade regime. In 1995 a foreign investment act had introduced favourable terms for inward capital flows. Activities that earned foreign exchange had been encouraged: agricultural production and livestock-raising, traditional exports, tourism and the development of new domestic energy sources. Cuba was also beginning to invest in joint ventures in other countries, as another means of taking its place in the global economy.

Cuba's development efforts were encountering exceptional difficulties: the country was short of capital and lacked access to the development finance institutions. Because it was classified as a “high-risk country” it could obtain only short-term trade credit and bank loans, at rates of interest above those on the world market. Having been subjected to a senseless trade blockade for more than 37 years, it was excluded from markets controlled by the United States. Nevertheless, in spite of all those obstacles, economic recovery was under way; despite the legal absurdity of the Helms-Burton Act capital investment in Cuba was increasing steadily. That was the best proof of the soundness of Cuba's economic strategies and policies.

As the Secretary-General emphasized in his report, there could not be a national enabling environment for development without a favourable international environment. Democratization of international relations was essential to enable the developing countries to participate more fully in decision-making that affected development everywhere. Such was the thesis which the Government of Cuba had long argued, in the belief, moreover, that such democratization also required a thorough reform of the political decision-making mechanisms, such as the Security Council.

Ms. RODRIGUES (Mozambique) said that since the return of peace to the country, the Government of Mozambique had been endeavouring to establish a more stable environment as a prerequisite for economic recovery and growth. The challenges it faced were formidable: it had to strengthen the institutions responsible for promoting and strengthening democracy, to provide a basic infrastructure, to build institutional capacity and to reintegrate into society those affected by the war. The provision of basic social services remained the core of Government activities within the framework of the five-year plan adopted in 1994. At the same time, the Government was preparing a population census and local elections, due to take place before the end of the year. The countless landmines laid throughout Mozambique were a serious obstacle to the relaunching of economic activities in rural areas; the Government of Mozambique called for a total ban on production, stockpiling and trading of landmines, and urgently called on all countries to take concrete steps in that direction.

The Government of Mozambique was convinced of the need to harmonize national efforts with regional initiatives. The process of regional integration, which had begun within the framework of the Southern African Development Community (SADC), was gaining greater impetus and was making possible the establishment of a new type of relationship between governments, the private sector and civil society that would transform southern Africa into a region of high growth.

Her delegation welcomed the adoption of the Agenda for Development and the conclusions of the nineteenth special session of the General Assembly. It was firmly convinced that development was not possible without adequate provision of financial resources in the form of official development assistance (ODA) and foreign direct investment (FDI). It noted with concern that despite having implemented painful structural adjustment programmes, many African countries had not benefited from private capital flows and were suffering from the decline in ODA. Unless the decisions taken to establish a powerful global partnership, which would make it possible, by defining precise objectives, to improve the living conditions of their populations, were implemented, those countries would become increasingly marginalized.

Her delegation called for full and rapid implementation of the Heavily Indebted Poor Countries' Debt Initiative, which was a major step towards a coherent and durable solution to the external debt problem. It was convinced that the United Nations remained the most appropriate forum for international cooperation to respond positively to the enormous challenges of the twenty-first century.

Mr. BIMANBETOV (Observer for Kazakhstan) said that the Kazakh Government appreciated the need to establish a new macroeconomic equilibrium and was carrying out the necessary structural reforms on the basis of the priorities which had been identified. Foreign investment had been primarily directed towards the petroleum sector, metallurgy (ferrous and non-ferrous metals) and transport and communications. Domestic investment had been used to develop motorways, to produce food and other consumer goods, and to carry out various programmes, particularly housing programmes. According to the data available, inflows of foreign capital into the economy of Kazakhstan were due to increase by approximately 10 per cent in 1997 in comparison with 1996.

A meeting had been organized at the beginning of June in Almaty in order to establish a direct dialogue with business circles. The meeting had been attended by the major companies of the industrialized countries to discuss means of improving the investment climate and to define mutually beneficial forms of cooperation. Previously, in February 1997, a law to encourage direct investment had been adopted. The act provided a State guarantee for investment activities, instituted a system of privileges and preferences and set up a single agency responsible for representing the Republic of Kazakhstan to investors.

The agency, the State Committee on Investment, would be responsible for coordinating all activities, formalities and information connected with foreign investment. The Republic of Kazakhstan hoped thus to attract the considerable volume of foreign capital it required to ensure its transition to a market economy and the development of those sectors of its economy to which priority had been assigned.

Mr. ANTEZANA (World Health Organization) said that the predominance in recent years of a growth-driven development model had perhaps concealed the fact that access to health care was a right for all. However, the reality of poverty - one fifth of the world's population lived in absolute poverty - and its consequences, both in rich and poor countries, had served as a reminder that social equity was a fundamental principle of development. That did not mean that the social sector, and health in particular, merely absorbed investment. The health sector could make a valuable contribution to creating an enabling environment for development and to helping the developing countries to take advantage of the opportunities offered by trade liberalization and globalization. There were a growing number of areas in which the existence of health norms could make a highly valuable contribution: exports of food products, or in the pharmaceutical industries, for example. Health authorities responsible for the application of WHO's quality standards enabled manufacturers to produce high-quality goods acceptable for export.

For that reason WHO had built up its collaboration with the World Trade Organization (WTO), where it had officially been granted observer status on its Committees on Sanitary and Phytosanitary Measures and on Technical Barriers to Trade.

In the services sector, which had become an important element of world trade, health services proper - or allied services such as health and fitness tourism - could also constitute a major source of foreign exchange for developing countries. In that sphere, cooperation between WHO and UNCTAD was particularly fruitful. The health sector's contribution to fostering an enabling environment for development should therefore be recognized so that it too benefited from the gains to be derived from trade.

The current expansion in world trade produced both winners and losers, and the latter were frequently the social sectors in the developing countries. It was vital for interaction between health and trade to be reciprocal and mutually beneficial. WHO insisted that part of the profits made from trade should be used to improve the health and living conditions of populations and especially of those left out of the development process. The international community should set its sights on a more equitable situation and on overall human development.

Mr. ABBOT (Observer for the European Commission) said that the European Community welcomed the comprehensive approach being taken to the question of promoting an enabling environment for development, which entailed, in particular, recognition that economic forces, national policies and international rules and assistance could work together to establish such an environment. The Community favoured the widest possible application of the principles of good government and human rights in that context, while supporting the role of the private sector, and in particular of small and medium-sized enterprises, which were the engines for growth, prosperity, wealth creation and the wider development process.

The least developed countries' small share of international trade and investment was disturbing. The weakness and instability of commodity prices, on which the least developed countries continued to depend for their exports, largely accounted for their poor export and growth performance as well as their economic vulnerability. The main beneficiaries of foreign direct investment (FDI) had been some 20 countries in East and South-East Asia and

Latin America, while the least developed countries had received relatively little. The least developed countries accounted for a very low percentage of world trade - less than half of 1 per cent in 1993 - although it accounted for a sizeable share of their foreign exchange needs. Clearly, improved access to export markets would help them considerably to reduce their deficit. The European Community considered the issue to be a serious one which went to the heart of the credibility and effectiveness of the multilateral trading system. Political commitments, including a plan of action and specific measures, had been made to the least developed countries at Marrakech in 1993 and Singapore in 1996. It had also been agreed to hold a meeting with UNCTAD and the International Trade Centre (ITC) to foster an integrated approach to assisting the least developed countries to enhance their trade potential. In the view of the European Community, the plan of action was a useful instrument for initiating further efforts to improve market access for the products of the least developed countries. For its part, the Community was prepared to make commitments under the plan of action. If the international community wished to provide the least developed countries with a coherent and credible international framework in which to exercise their national responsibilities, market access was essential, as it provided a stable and predictable framework in which private-sector economic actors, and in particular small and medium-sized firms, could plan their investment, production and trading strategies. At the political level, a positive approach to market access would make it possible genuinely to associate the least developed countries with the wider trading system - a factor of fundamental importance. It would be inappropriate to insist on the expectations placed in those countries in terms of democratic government and human rights, while denying them their rightful place in the international economic system.

It would of course be wrong to overestimate the economic significance to the least developed countries of possible improvements in access to the developed countries' markets. Market access should take its place within a wider framework of coherent policy measures by Governments. Trade and development should not be viewed in isolation. The European Community was working hard to ensure the success of the high-level meeting due to take place at Geneva later in the year, which was to focus on a coordinated approach to international technical assistance, notably between the activities of the trade policy and aid communities. It was important for WTO, ITC and UNCTAD's secretariat, with the support of the World Bank, of IMF and of UNDP, to work closely together on preparations for the high-level meeting and for the implementation of the integrated framework on trade-related technical assistance which the European Community hoped would be adopted at the meeting.

Mr. SHAH (India) said that the Council was examining ways of promoting an enabling environment for development at a time when not all international economic indicators were pointing in the same direction. For that reason, during the dialogue with the heads of the secretariats of UNCTAD and of the Bretton Woods institutions, views on the conclusions to be drawn had differed, depending on each organization's constituency, and the debate would ultimately be of value only if the participants managed to harmonize the different approaches and arrive at a consensus of benefit to all.

For 10 years, numerous developing countries had resolutely embraced the philosophy of liberalization and the market economy; they had done so on the basis of the commitments made by the developed countries at international summits and United Nations conferences, and at the national level, promising to provide the developing countries with the resources, assistance, technology and market access they needed. Reluctantly, it had to be recognized that the international community had failed to create such a favourable external environment. That was why so many developing countries had currently been marginalized by globalization.

It was not sufficient merely to create an “enabling” environment, because that presumed the ability of all countries to compete equally in the globalized international arena and enjoyment by them of equal access to the resources available and to markets. While some developing countries in Asia and Latin America had succeeded in doing so because their dynamism and prudent economic management had enabled them to achieve a high rate of growth and to attract a considerable volume of FDI, all the other developing countries still required not only a favourable environment but also active support. His delegation had therefore been pleased to hear the delegation of the United Kingdom assert that its Government was firmly committed to multilateralism and to the United Nations system and still subscribed to the principle that ODA should amount to 0.7 per cent of the GNP of the developed countries. Together with the United Kingdom delegation and the Nordic countries, his delegation cautioned against romanticizing globalization. It was on the basis of that cautious assessment that greater partnership and understanding could be built between North and South.

It was in particular necessary to realize that, so far at least, globalization had shifted the centres of power and decision-making, not only in the economic, but also the political spheres, to the benefit of the richest industrialized countries. The economies of the developing countries were increasingly exposed to the consequences of decisions taken by the Group of 7 or 8 to ensure their own economic well-being or to resolve political problems of concern to them alone. It was to be hoped that the democratization of international relations, which the Secretary-General had described as vital to the management of risks of globalization, would be achieved.

Mr. SANCHEZ-ARNAU (Argentina) said that his delegation endorsed, on the whole, the recommendations made by the Secretary-General in his report. Nonetheless, although it had successfully found its place within globalization and had achieved annual growth rates in excess of 6 per cent since 1990, Argentina was concerned about certain side-effects of the process, which were destabilizing, particularly because they worsened unemployment. He suggested that labour policy should be linked to trade or financial policy in order to seek globally to improve labour standards. He also suggested that trade in the developed countries should be further liberalized, particularly in those sectors in which the developing countries could rapidly increase the volume of their exports.

The harmful social consequences of globalization tended to outweigh its benefits. It was probably essential to seek further to liberalize certain major sectors, such as textiles and agriculture, which were not yet affected by globalization in the industrialized countries. However, the developing countries too should further liberalize their own economies. There was therefore a need for a dialogue at the international level in order to develop coherent policies, consistent with the agreements reached in the Uruguay Round.

For that reason, his delegation would have liked the Secretary-General to place greater emphasis in his report on the responsibility borne by the major industrialized countries as a whole. The subsidies they provided distorted the world prices of certain products sufficiently to bankrupt producers in the developing countries that were already integrated into the world economy and to discourage the least developed countries from producing the same products. For three years, the debate within WTO and OECD on the effects of subsidies in the energy, fisheries and agricultural sectors had revealed the scale of the problem, and Argentina endorsed the Secretary-General's recommendation that a dialogue should be initiated on the issue of subsidies and that it should be placed on the agenda of one of the Council's high-level debates.

His delegation also subscribed to the recommendations made by the Secretary-General concerning ODA. For its part, Argentina had contributed to the eleventh replenishment of the International Development Association (IDA) and firmly supported the IMF and World Bank Heavily Indebted Poor Countries' Debt Initiative. At the bilateral level, Argentina had set up in 1992 the Argentine Horizonal Cooperation Fund to finance technical cooperation projects under which Argentine experts were sent abroad or experts from other countries visited Argentina. The Fund had made possible the execution of numerous cooperation projects in Central America, the Caribbean and South America. Several other projects involved North Africa, Western Europe, Sub-Saharan Africa and Asia. He also referred to the “white helmet” operations, currently under way in many places as a result of an Argentine initiative which had been supported by the Council and the General Assembly.

Mr. JÓNSSON (Iceland) said that the establishment of an enabling environment for development necessarily entailed interaction between economic performance and social progress. It was essential to promote free trade and the abolition of trade barriers in order to establish fair and more equitable economic and social conditions. Iceland, which was currently chairing the group of Nordic and Baltic countries in the World Bank's Development Committee, wished to re-emphasize the importance those countries attached to development cooperation. The introduction of a sound policy framework which encouraged steady growth and a vigorous private sector was one of the keys to sustainable economic development.

At the same time, however, it was necessary to draw up sound human development strategies to strengthen education and school systems and health and social services and to ensure equal rights for women.

The most serious contemporary threat was the marginalization of the majority of the developing countries, which lacked access to private financial markets and were forced to rely on declining official development assistance (ODA). Moreover, the increased integration of the world's financial markets also carried risks for the developing countries, which made it crucial to create an enabling environment for the private sector. To do so, the efficiency of the public sector should be enhanced, and the financial, institutional and legal framework and human capital base strengthened.

Over the past decades Iceland had acquired valuable experience of managing marine resources, and wished to draw attention to the fact that the seas and the ocean floors were the depositaries of enormous resources and a major source of nutrition. Coastal States, many of which were developing countries, could develop a fishing industry that did not depend on State subsidies, and thus had every interest in collectively organizing the management of their fisheries. Iceland's bilateral development cooperation focused primarily on that sector.

Following the recent special session of the General Assembly to review and appraise the implementation of Agenda 21, his delegation cautioned against attempts, where the environment was concerned, to shift the emphasis away from the principle of sustainability to that of conservation for the sake of conservation alone, at the risk of denying States the right to utilize their resources in a sustainable and responsible way.

Mrs. BELLAMY (Executive Director of the United Nations Children Fund) said that she would focus her remarks on the eradication of poverty.

The Convention on the Rights of the Child was the most universally ratified human rights instrument in history; only the United States and Somalia had not yet ratified it. The Convention required States to respect and ensure the rights of children “without discrimination of any kind”, which meant that once the goals of the World Summit for Children had been achieved, the international community would still have an urgent responsibility to take measures on behalf of the remaining 7 per cent of the world's children under the age of five years who would otherwise die of preventable causes, of the 10 per cent who would not have been immunized and of the remaining 20 per cent who would otherwise not complete primary school.

In 1995, at the World Summit for Social Development, 185 Governments had committed themselves not simply to alleviating poverty, but to eradicating it. However, the latest data showed that where the worst aspects of poverty were concerned the results were far from encouraging. The Human Development Report, 1997 clearly showed that the benefits of globalization had not been felt everywhere, and that for a number of years the poorest had quite simply become even poorer. The least developed countries had seen their share of world trade drop by half in 20 years and, as a rule, they received neither the loans from international banks nor the foreign direct investment (FDI) which had enabled the developing countries of Asia to make their spectacular economic take-off. Moreover, even if the least developed countries had received that financial assistance they would have been unable to manage it, for lack of the necessary infrastructure.

It had therefore been heartening to hear the delegation of the United Kingdom affirm that the target of 0.7 per cent of GNP for official development assistance set by the developed countries still stood. Speaking before the special session of the General Assembly on the implementation of Agenda 21, the Prime Minister of the United Kingdom had made a formal commitment vigorously to renew efforts to combat poverty, particularly on behalf of children in the very poorest countries, and especially in Africa. That commitment, which had been reaffirmed by OECD's Development Assistance Committee, aimed to reduce extreme poverty by 50 per cent in the first 15 years of the twenty-first century. According to the Human Development Report, extreme poverty could even be eradicated over the next 10 years at a cost of $80 billion, half of which would cover universal access to basic social services, the other half transfers to raise people's incomes to a level high enough to bring them out of extreme poverty. Needless to say, a considerable proportion of the amount would come from the developing countries themselves.

There might however, be an even more direct solution: if countries immediately carried out their commitment to devote 0.7 per cent of their GNP to ODA, the total amount of assistance would be well in excess of the $80 billion required. The eradication of poverty was therefore simply a matter of political will.

The meeting rose at 1.45 p.m.