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Agenda item 10

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD  
ON ITS FORTY-FOURTH SESSION**

Rapporteur: Mr. Sek Wannamethee (Thailand)

**INTRODUCTION: GENERAL DEBATE AND ORGANIZATIONAL MATTERS**

Speakers:

President  
Secretary-General of UNCTAD  
Pakistan (for Group of 77 and China)  
Luxembourg (for European Union)  
Bulgaria (for Group D)  
Bangladesh (for LDCs)

**Note for Delegations**

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements of individual delegations - to be submitted in English or French - should be communicated by **Friday, 31 October 1997, at the latest** to:

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## INTRODUCTION

1. The forty-fourth session of the Trade and Development Board was held at the Palais des Nations, Geneva, from 13 to 23 October 1997. In the course of the session, the Commission held ... plenary meetings (886th to .... meetings).

### Opening statements

2. The **President of the Board** said that the working methods of UNCTAD decided upon at Midrand had been in operation for more than a year, and considerable progress had been made in every respect. The experience so far clearly indicated that the reforms adopted by UNCTAD IX had been well translated into a more effective way of doing business in UNCTAD.

3. The forty-fourth session of the Board was particularly significant in that it would set the tone for activities mid-way between UNCTAD IX and UNCTAD X. The policy research and analytical work made available to the Board illuminated changes in the global economy and should promote constructive policy dialogue among member States with a view to enhancing the benefits of trade and responding to different and changing developmental needs. They reaffirmed UNCTAD's position as the most appropriate focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues such as investment, technology, services and enterprise development.

4. The ultimate goal of members of the Board was to achieve steady rates of sustained growth in all countries and accelerate the development of developing countries, so that all peoples could enjoy economic and social well-being. The way to bring this about was through concerted efforts involving all countries, Governments, the private sector, NGOs, and international organizations. Since the end of the Second World War, global transformation had brought about a significant shift in international politics, and the impact on each and every country demanded immediate attention and thoughtful analysis. Today's world was still very much a world of vast differences. More than a billion of the world's people still languished in absolute poverty, and rural populations in developing countries still received less than half the income opportunities and social services available to their urban counterparts. Political and economic democracy was still a reluctant process in several countries, and it was therefore essential to cooperate to create a world economy that worked and a global environment that allowed everyone to survive and to enjoy what they produced. UNCTAD could make a unique contribution to the development efforts of all countries, and it was for the membership of UNCTAD, in cooperation with the Secretary-General, to make UNCTAD the place of excellence that it should be.

5. Every epoch bore its own contradictions and dilemmas, but everyone shared the same hopes and fears and the same underlying basic values and moral principles. The main trends marking the end of the century were globalization and interdependence on the one hand and the quest for identity and political and cultural freedom on the other. Change was the sole constant epitomizing the reality of today, and extraordinarily rapid and dramatic internationalization was bringing profound social, political and economic change. The distinctions that had previously marked domestic and international policy were becoming irrelevant.

6. In such a context, efforts must continue to enhance the competence and credibility of the multilateral system in the changing world. This international system was, no matter how imperfect and fragile, a product of the needs and the great ideas of past times, and it should be opened up to ideas and visions of future times. It must be enabled to cope with the new global processes and to grasp new emerging global issues. That was a complex task, which would take years, and the impetus must come from within and from outside the system.

7. Economic policies operated at the intersection between global trajectories, structural changes and inherent trends, and bridges were needed between the world of ideas and the world of action. It was for member States to assume their responsibility and provide policy guidance oriented toward action.

8. The Secretary-General of UNCTAD said that UNCTAD's utility had been reinforced by the phenomena of globalization and liberalization. As nations struggled to come to grips with global trends and other powerful forces beyond their control, it took a multilateral body with a universal membership and a mandate like UNCTAD's to examine the interdependent nature of complex economic phenomena and propose appropriate measures to policy-makers. In that connection, it was important to demonstrate that the three-tier intergovernmental machinery set up at Midrand could do what it was supposed to do: to allow expert debates, drawing on varied national perspectives, that fed into the Commissions' policy deliberations and recommendations, and for the latter to assist the Board with its overall evaluation of UNCTAD's work and setting of future priorities. The Expert Meetings were currently proving to be the most interesting part of UNCTAD's intergovernmental work, and the results had been tangible, action-oriented recommendations to the secretariat, with a particular emphasis on policy research and the dissemination of successful experiences. Private sector participation had proved to be an important asset, but it would in future be important to ensure the greater involvement of member States in the preparatory process for meetings. The challenge that lay ahead consisted in determining how to use these positive results in order to reach out to end-users, such as policy-makers and the private sector at the country level.

9. With respect to the Commissions, the experience so far had been more mixed, with much time devoted to procedural and work programme matters and not enough feedback from countries. Perhaps the Bureaus of the Commissions could become the intermediaries between the secretariat and a network of national policy-makers, thus acting as a mechanism for the review of the implementation at the national level of the results of the Commissions and the related Expert Meetings. In facilitating policy formulation within member States and promoting constructive policy dialogue among them, member States and a proactive secretariat both had a key role to play. While the latter helped provide a vision, the former must demonstrate political commitment to reaching action-oriented outcomes with a fair degree of policy content. Otherwise the lowest common denominator syndrome would dominate intergovernmental deliberations.

10. The session of the Board provided a valuable opportunity to consider the policy implications of the phenomenon of the globalization of competition in markets for both traded and non-traded goods. From the debate in the United States on the "fast track", through the policy dialogue in some European countries about reducing historically high unemployment, to the dilemmas facing both reformers in the economies in transition and policy-makers everywhere in developing countries, the challenge of making globalization compatible with domestic social and political stability was a constant element. The session of the Board, along with other multilateral discussions scheduled for the near future, ought to allow considerable progress in consensus-building on issues relating to the implications of competition policy for economic development and their interaction with international trade. To the extent that Governments eventually considered it feasible to pursue international discussions on a multilateral framework on competition policy or some aspects thereof, these meetings could also serve as a preparatory process for the formulation of views and the identification of areas of interest by countries, and could help to prepare them to participate effectively in a future negotiating process.

11. Globalization carried the potential for raising living standards worldwide, but this could not be the spontaneous outcome of global market forces alone. Biases in the globalization process, particularly those related to trade, might exaggerate the tendency towards polarization by discriminating against the already weak and vulnerable, and a progressive redressing of these imbalances presented a central challenge for the international community. While full integration in the global economy should be the ultimate objective of every economy, liberalization and deregulation needed to be carefully managed, phased and tailored to levels of economic development and the capacity of existing institutions and industries.

12. Greater international flows of goods, finance and investment associated with globalization were not the only basis on which the development process should be judged. The ultimate objective of development policy was to raise living standards for everybody, and measuring economic performance should thus pay greater heed to growth and distribution; the quality of development efforts must always be stressed. The issue of the links between globalization, growth and distribution should remain on the agenda of the Board, and expert meetings might be needed to deepen the understanding of these links.

13. The reality of the income gap between the rich and poor countries was that much more stark when considering the prospects of Africa and especially LDCs. Three successive years of improved economic performance in Africa had given grounds for more optimism, but the question was whether this recovery was sustainable. There was a need for significant public investment in infrastructure which would help lay the basis for recovery of private investment and a process of diversification. A *sine qua non* for such a process was removing balance-of-payments constraints and providing debt relief to African countries.

14. Despite reforms undertaken by African countries, FDI in Africa could still be described as too little, too late. Africa therefore required increased levels of ODA, since more investment was required in human and physical infrastructure in order to enhance competitiveness. African countries had come a long way in liberalizing their economies, but rapid import liberalization would have difficulty in enhancing productivity and promoting liberalization when the industrial structure was weak, and in certain cases, it could lead to deindustrialization. A balance needed to be struck between food self-sufficiency, surplus extraction, price incentives and income security.

15. With respect to development in LDCs, many had recorded real increases not only in output but also in per capita income. Sustaining the recovery would require greater attention to institutional and sectoral reforms, and in most LDCs the area in which those reforms were likely to have the greatest impact was agriculture. The initiative adopted by the G-7 Summit in Denver on Africa and the recent declaration of the Security Council were welcome developments requiring speedy implementation.

16. There had been a reduction in ODA flows to LDCs in real terms during the 1990s, but these countries needed ODA for capacity-building and the establishment of basic physical and institutional infrastructure. FDI could not replace ODA. The external debt situation of LDCs continued to be a matter of great concern, and the effectiveness of the heavily indebted poor country (HIPC) initiative would depend on speed of implementation, the flexibility of the eligibility criteria, the target ranges, and the extent of debt relief provided. Timely

funding of the initiative, as well as the incorporation of human and social development factors into the concept of debt sustainability, would also be important for LDCs. An explicit link between debt relief and poverty reduction was required.

17. Economic and social regress had major consequences for LDCs, for their regional partners and for the development strategies pursued by aid donors and the international community. In some LDCs, the displacement of significant segments of the population and post-conflict problems such as the presence of land mines meant that the cost of recovery would be extremely high. Effective action to tackle that problem would require the investment of substantial resources by the international community to strengthen institutions and the state structure in LDCs, support peace-building and provide humanitarian assistance.

18. At the recent joint annual meeting of IMF and the World Bank in Hong Kong, which had taken place under the shadow of severe disorder in the currency markets of a number of Asian countries, he had pointed out that even the most spectacular growth for decades was no guarantee of immunization against the risk of a sudden and serious setback, but that was no reason for any negative diagnosis. On the contrary, it was a reason to stress even more the scope that still existed for improving growth in industrial economies in general and also in many developing countries. What was needed was faster investment, because what made for a successful open market economy was the initiative of entrepreneurs as reflected in high rates of saving and investments from profits, which would provide employment and enhance living standards for all income groups.

19. The recent performance of the United States economy demonstrated that faster growth, job creation and stable prices could be mutually consistent goals for policy-makers. To achieve that, carefully phased integration into the world economy in line with economic and institutional capabilities appeared to be the most realistic and feasible strategy for most developing countries, but such efforts should be accompanied by an accommodating global environment.

20. The recent re-emergence of major trade imbalances among the major industrial countries was a matter for concern, and the burden of adjustment had to be borne by the surplus countries through an expansion of demand in those economies, rather than monetary tightening elsewhere.

21. The events of recent months had drawn attention to the purely disruptive effects of volatile international capital movements in a global financial market. The increase in IMF resources and the highly indebted poor countries initiative were encouraging, but in the absence of a broad international consensus on how to curb volatile capital movements, a reasonable degree of flexibility regarding

measures to deal with inward and outward capital movements remained essential for the national authorities of developing and transition economies.

22. With regard to investment, the UNCTAD secretariat was devoting more and more attention to the development perspective, the possibility of a multilateral approach to facilitating FDI flows, and practical measures to provide investment guides for LDCs. With respect to trade, the secretariat was focusing on what should be done in terms of trade liberalization, in particular the issue of tariff peaks and tariff escalation, the challenges for the developing countries in the inbuilt agenda in the Uruguay Round, and the identification of a positive trade agenda for developing countries.

23. Finally, with regard to the High-Level Meeting on Integrated Initiatives for LDCs' Trade Development being organized by WTO, UNCTAD had been contributing actively to the preparation of the meeting, and it was hoped that the international community would provide the support necessary to help those countries to put in place the structures necessary to take advantage of the opportunities created by globalization. In that connection, the first integrated programme for an LDC had been launched in Bangladesh three weeks before. He hoped that the Board's session would promote an approach based on action and constructiveness which would lay the ground for the consensus that was needed in terms of development for all men and for man as a whole.

24. The spokesman for the Group of 77 and China (Pakistan) said that profound changes were taking place in the manner in which goods and services were produced, distributed and exchanged. Technological breakthroughs were altering the contours of the global economic landscape, and political and legal frameworks were being rapidly transformed. Choices were being made which would shape the nature of the world well into the next century, and those choices depended on an understanding of the nature of current transformations. Unqualified optimism about globalization and liberalization could not be a substitute for sober economic analysis.

25. There were several reasons for optimism. Firstly, there had been remarkable growth in trade and investment flows in recent years. Secondly, there had been a degree of convergence between the developed countries and a number of developing countries. Thirdly, technological developments had created exciting possibilities for developing countries to leapfrog entire stages of development. Finally, liberalization had by and large promoted growth and prosperity.

26. However, a more complete analysis of the global economy indicated that the increased trade and investment flows had bypassed the majority of developing

countries and that the gains from liberalization of trade had been disappointingly asymmetrical, with only slow progress in areas of particular interest to developing countries. Economic convergence was fragile, and the few rapidly growing developing economies remained vulnerable to external factors. The embrace of free markets had been accompanied by a slow-down in global economic growth, income disparities amongst and within countries were increasing, and in many countries there had been an erosion of the middle classes, with inevitable negative implications for the stability of democratic systems. In addition, the fascination with new trends might have reduced the compulsion to resolve long-standing structural impediments to development, as a result of which most developing countries could not participate effectively in global economic relations. Finally, most developing nations remained mired in poverty, particularly the least developed countries, whose share in world exports was less than 0.04 per cent and whose external debt continued to grow.

27. In the circumstances, assertions that new advanced technologies, especially in information and communications, offered the path to a developmental nirvana for third-world countries appeared overly optimistic. For example, 99.6 per cent of Internet host computers were located in the developing countries, and the magic of Cyberspace alone would not enable developing countries to join the ranks of the developed countries rapidly.

28. The economic forces unleashed in recent years constituted a veritable revolution, but those forces by themselves would not lead to unprecedented and universal development. The industrial revolution had unlocked tremendous productive capacities but had also resulted in grave inequities and suffering for many years, and it had only been as a result of the sustained struggles of the dispossessed and marginalized that the benefits of the new modes of production had been spread in a more equitable manner. In the new economic era, it was essential not to repeat the experience of uneven growth, widening disparities and violent divisions and conflicts. The first victim of the emerging global asymmetries would be open, rule-based international trade, and a reversion to protectionism and economic frictions, with the accompanying slump in global economic growth, could signal a meltdown of the multilateral economic system.

29. A number of important measures needed to be taken. Firstly, the developed countries should adopt more vigorous growth policies in order to overcome their own structural problems and contribute to a global economic revival by providing larger opportunities for trade and growth to developing countries. Secondly, there should be a concerted effort to address the long-standing issues of debt burden, access to technology and availability of development finance. Thirdly, the inequities in the international trade regime should be corrected, with more



rapid liberalization in such areas as textiles and the movement of natural persons; all new liberalization initiatives must be evaluated within a developmental perspective. Fourthly, the principle of preferential treatment for developing countries must be reinforced and operationalized. A level playing field would not ensure fair competition if the participants had vastly unequal endowments. Non-reciprocal market access, adequate transitional periods and financial and technical assistance for developing countries were essential. Fifthly, the "big bang" approach to economic liberalization entailed considerable costs for the weaker economies, and these countries should have the right to decide on the pace and sequence of liberalization measures. Finally, the forces of protectionism in the affluent economies must be boldly confronted, and concerns regarding labour and environmental standards should be addressed, since to allow their linkage with trade would result in a new protectionism, trade retaliation and the ultimate breakdown of the multilateral trading system.

30. UNCTAD was uniquely placed to assist member States, especially the developing countries, in making the transition to a new economic area through its analysis and identification of policy options. That capacity needed to be strengthened by ensuring greater participation of developing countries in expert meetings and adopting meaningful conclusions in the organization's policy bodies. Greater efficiency could not be achieved by an unhealthy obsession with procedural deficiencies in the intergovernmental machinery and by an avoidance of serious discussion on substantive issues.

31. The representative of Luxembourg, speaking on behalf of the European Union, said that the European Union was profoundly attached to the principles embodied in the final outcome of UNCTAD IX. The past year had served as a trial period for the reformed intergovernmental machinery established at UNCTAD IX, to which the European Union attached great importance in terms of the respective roles of Expert Meetings, the Commissions and the Board itself. It was therefore expected that the Board would take into account the concerns expressed in the course of the year and make suggestions with regard to both the calendar and the methods of work for the year ahead in the run-up to the mid-term review. The European Union looked to the President of the Board to undertake informal consultations to identify ways of improving the functioning of the intergovernmental machinery and to report to the sixteenth executive session of the Board.

32. The European Union also wished to emphasize the importance it attached to UNCTAD's work on the least developed countries. It was concerned at the precariousness of those countries' situation in international trade and the difficulty they experienced in attracting foreign investment. A great deal remained to be done to facilitate the integration of these countries into the

global economic system. In that connection, the European Union welcomed the convening of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development immediately after the Board and would provide its full support for the active participation of the UNCTAD secretariat at that meeting and in the subsequent follow-up.

33. The European Union also supported the efforts of the Secretary-General of UNCTAD to enhance the participation of civil society in UNCTAD activities and to build a lasting partnership for development between non-government actors and UNCTAD. That initiative was fully in line with the European Union's approach to development whereby men, women and children were considered the actors and not the objects of the development process. The European Union favoured the participation of civil society in development and development policy-making, the aim being to promote broad-based participation and social dialogue.

34. The spokesman for Group D (Bulgaria) said that the Board's forty-fourth session was its first substantive session since Midrand, and he was sure that concrete and valuable results would be achieved at the session, which could be of crucial importance for the future activity of UNCTAD in terms of giving the organization a new modern look and embodying the Midrand philosophy in its work.

35. The spokesman for the least developed countries (Bangladesh) said that flows of trade, technology, information and capital had caused the world to become more integrated, but for a large portion of the globe that was no reason for rejoicing. In the least developed countries, which represented nearly 10 per cent of the world's population, ODA flows had declined and the LDCs' share of world exports had fallen to 0.4 per cent. They therefore perceived themselves as being increasingly marginalized. In addition, the income disparities between LDCs and both the industrialized countries and other developing countries had increased. Living standards in the LDCs had been affected dramatically, and some LDCs were even threatened by the phenomenon of regress, which could set in unless corrective measures were taken immediately.

36. The reasons for the marginalization of the LDCs lay in a number of factors: the structural characteristics of the world economy, whereby capital tended to gravitate towards countries with more highly skilled work forces and a good infrastructure, rather than towards countries with low wages; declining commodity prices for the main exports of LDCs and an external debt burden which had risen to unsustainable levels; the economic policies of the LDCs themselves, which at times failed to give sufficient incentives to exporters, farmers and the private sector in general; and the more fundamental institutional and social problems afflicting many of the LDCs, particularly the erosion of the state structures necessary to support a modern economy, and in some countries their complete

collapse amid civil strife and its aftermath, including problems such as the presence of land mines. No single solution could suffice in tackling such problems, but what was clear was that a comprehensive approach was needed involving a commitment to policy reform within the LDCs themselves, a substantial increase in the technical and financial assistance provided by their development partners, and meaningful debt relief.

37. The LDCs were not without potential and could be a source of innovative ideas and concepts, one example being the micro-credit mechanism. LDCs could begin to break out of the trap of marginalization, and there were several instances in Africa and Asia where a combination of domestically initiated economic reform, peace and stability, had brought about sustained economic improvement. However, the LDCs would require time, support and understanding.

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38. At its 886th (opening) plenary meeting, on 13 October 1997, the Trade and Development Board paid tribute to the memory of Mr. Clodomiro Almeyda of Chile, President of the third session of the United Nations Conference on Trade and Development, held in Santiago in 1972, and Ambassador Hortencio Brillantes of the Philippines, President of the Trade and Development Board at its eleventh session.

**PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE  
AND RELATED MATTERS**

**A. Opening of the session**

39. The forty-fourth session of the Trade and Development Board was opened on 13 October 1997 by Mr. Patrick Sinyinza (Zambia), the outgoing President of the Board.

**B. Election of officers**<sup>1/</sup>

(Agenda item 1 (a))

40. At its 886th (opening) plenary meeting, on 13 October 1997, the Board elected by acclamation Mr. Goce Petreski (former Yugoslav Republic of Macedonia) as President of the Board for the duration of its forty-fourth session.

41. Also at its opening plenary meeting, the Board completed the election of officers to serve on the Bureau of the Board throughout its forty-fourth session by electing 10 Vice-Presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

|                         |                             |   |
|-------------------------|-----------------------------|---|
| <u>President:</u>       | Mr. Goce Petreski           | (former Yugoslav Republic of Macedonia) |
| <u>Vice-Presidents:</u> | Mrs. Anne Anderson          | (Ireland)                               |
|                         | Mr. Michael Ray Arietti     | (United States of America)              |
|                         | Mr. Dhumahdass Baichoo      | (Mauritius)                             |
|                         | Mr. Nacer Benjelloun-Touimi | (Morocco)                               |
|                         | Mrs. Eveline Herfkens       | (Netherlands)                           |
|                         | Mr. Anthony Hill            | (Jamaica)                               |
|                         | Mr. Gilberto Saboia         | (Brazil)                                |
|                         | Mr. Vasili Sidorov          | (Russian Federation)                    |
|                         | Mr. Bjorn Skogmo            | (Norway)                                |
|                         | Mr. Bozorgmehr Ziaran       | (Islamic Republic of Iran)              |
| <u>Rapporteur:</u>      | Mr. Sek Wannamethee         | (Thailand)                              |

42. In accordance with past practice, the Board agreed that the regional coordinators and China, as well as the Chairmen of the Sessional Committees, would be fully associated with the work of the Bureau.

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<sup>1/</sup> The officers of the Bureau are elected to serve for a year-long period beginning with the forty-fourth session of the Board.

C. Adoption of the agenda and organization of  
the work of the session

(Agenda item 1 (b))

43. At its opening meeting, the Board adopted the annotated provisional agenda for the session contained in TD/B/44/1, as amended by the President. (For the agenda as adopted, see annex I below).

44. At the same meeting, and in accordance with the organization of work for the session in TD/B/44/1, the Board established two sessional committees to consider and report on items on its agenda, as follows:

Sessional Committee I:

Item 4: Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s:

- (a) Policy reforms in agriculture and their implications for LDCs' development;
- (b) Contribution by the Board to the consideration of the General Assembly at its fifty-second session of holding a third United Nations Conference on the Least Developed Countries

Sessional Committee II:

Item 5: UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: Performance, prospects and policy issues

45. The following officers were elected to serve on the Bureau of Sessional Committee I:

Chairman: Mr. Daniel Bernard (France)

Vice-Chairman-cum-

Rapporteur: Mr. Shambhu Ram Simkhada (Nepal)

45. The following officers were elected to serve on the Bureau of Sessional Committee II:

|  |                                 |         |
|--|---------------------------------|---------|
| Chairperson:                               | Mrs. Agnes Yahan Aggrey-Orleans | (Ghana) |
| Vice-Chairman- <u>cum</u> -<br>Rapporteur: | Mr. Rénaud Clérismé             | (Haiti) |

[To be completed]