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

Rapporteur: Mr. Xolisa Mabhongo (South Africa)

Speakers:

Outgoing President	Poland
Newly-elected President	Ethiopia
Secretary-General of UNCTAD	India
Zambia (for G.77 and China)	Japan
Finland (for European Union)	Indonesia
Russian Federation	Switzerland
Belarus	China
United States of America	Bangladesh
Secretariat	Malaysia
Colombia (for GRULAC)	IMF
Islamic Republic of Iran (for Asian Group and China)	ICFTU
South Africa (for African Group)	Pakistan
	Thailand

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements of individual delegations should be communicated by
Friday, 5 November 1999, at the latest to:
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INTRODUCTION

Opening statements

1. The outgoing **President of the Trade and Development Board at its forty-fifth session** said that the significant events and achievements that had taken place during the past year included the High-level Segment at the Board's forty-fifth session and the intensive debate on the impact of the financial crisis on trade, investment and development, a joint session with the General Assembly using a transatlantic video link, which was a clear demonstration that UNCTAD had come of age in terms of modernizing its communication system and methods of work, and the Lyon Partnership Summit, which had been an innovative event which other agencies of the United Nations system could emulate. In the course of the year, the Board had developed an understanding and inter-group cooperation that had made it possible to address issues of importance in a constructive and non-confrontational manner. In particular, the Board had implemented the outcome of the reforms of the intergovernmental machinery of UNCTAD, reviewed the implementation of the mid-term review, negotiated and agreed on the substantive agenda of UNCTAD X and the organizational aspects of the Conference, and seen the launching of the preparatory process for UNCTAD X, including the establishment by the Group of 77 of its Preparatory Committee and the holding of G.77 Ministerial Meetings.

2. It was a cause for satisfaction that it had been possible to resolve the difficult issue of the financing of the participation of developing countries' experts in UNCTAD experts meetings. The decision taken in that respect had resulted in the wider participation of the developing countries in the work of UNCTAD, but of course there remained room for improvement in the quality and structure of the expert meetings. Other outstanding problems that remained to be tackled included the work programme of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the issue of cost recovery, and the preparatory process leading to UNCTAD X. In that connection, preparations for the Conference were well on schedule, thanks in no small measure to the early release of the report of the Secretary-General of UNCTAD (TD/380) in time for the regional Ministerial Meetings. The Secretary-General's personal reflections in the Report would inspire everyone to think seriously

about the future directions of UNCTAD and indeed the conventional wisdom about development paradigms.

3. The newly elected **President of the Trade and Development Board at its forty-sixth session** said that, with the approach of UNCTAD X, the work of the Board would take place in the context of the evolution of UNCTAD, which had followed the transformations of the world economy since its creation in 1964. It was the States members themselves that were responsible for the future orientations of the organization, and they should take a realistic and pragmatic approach, without ignoring the fact that a degree of institutional and financial competition existed even within the United Nations system. UNCTAD must position itself so as to meet the development needs of all its members. Its research and analysis were widely appreciated, and it had a useful contribution to make in terms of preparing for the multilateral trade negotiations. Concerning the preparations for UNCTAD X, the goal would be to produce a text by the twenty-third executive session of the Board on 17 December and to define at least the broad lines of the text by the time of the WTO Ministerial Conference.

4. The **Secretary-General of UNCTAD** said that a number of recent events and statements appeared to form a pattern which suggested growing sensitivity on the part of the international community to concerns long highlighted by UNCTAD and which therefore augured well for UNCTAD X. The recent fall in stock prices had shown that the greatest danger lay in complacency and the refusal to draw hard lessons from the recent financial crisis. The return to instability vindicated the warnings issued in the past by the UNCTAD secretariat. In recent statements made in Washington and Marrakech, the Managing Director of IMF had emphasized the high priority that must be attached to combating poverty, the President of the World Bank had highlighted the increase in inequalities within and among countries, and the Director-General of WTO had called for much more attention to be paid to the needs of developing countries in future trade negotiations. The pattern that thus emerged was therefore one of growing sensitivity to and a growing consensus on the complexity of development issues, in line with the UNCTAD secretariat's analysis of the last 10 years.

5. That analysis had emphasized a number of shortcomings in national and global arrangements that impeded development. Firstly, the growing instability of the international financial system meant that, unless action was taken at the national and international levels to regulate and control international capital flows, the destructive power of that instability would increase. Secondly, the built-in asymmetries of the trading system raised the cost of integration of developing countries into the global trading system, while reducing its benefits. Thirdly, financial and exchange rate instability were closely related and in fact fueled one another, with the result that an integrated treatment of trade and finance was essential for designing consistent national and global policies. Fourthly, supply-side and institutional weaknesses in developing countries reduced the effectiveness of the price mechanism and required greater emphasis on institution-building, affirmative public action and intervention, and greater flexibility for developing countries in global arrangements. Finally, shortcomings in global arrangements and structural weaknesses in developing countries interacted to lower growth in those countries, widen income gaps and aggravate poverty. UNCTAD's analysis had always focused on the interdependence of issues, and that approach was made possible by the broad coverage of UNCTAD's mandates.

6. The preparations for UNCTAD X were proceeding well and on schedule. If it proved possible to reach agreement on a basic text by the twenty-third executive session of the Board in mid-December, then the Conference could be devoted to a major reflection on the experience of development with a view to identifying clear priorities for trade and development based on a practical approach involving such elements as human resource development and technical cooperation. Such an approach would also set the scene for the Third United Nations Conference on LDCs, which should hopefully result in practical commitments in favour of the LDCs.

7. The spokesperson for the **Group of 77 and China** (Zambia) said that the forty-sixth session of the Board was an important occasion for UNCTAD in the context of preparations for UNCTAD X. There were important issues that had to be addressed, ranging from interdependence, the follow-up to UN-NADAF, preparations for UNCTAD X and preparations for the Third United Nations Conference on Least Developed Countries in the year 2001. His

Group welcomed the excellent documentation prepared by the secretariat for the session, and it looked forward to the elaboration of the pre-Conference text in the Committee of the Whole.

8. The representative of **Finland**, speaking on behalf of the **European Union**, said that the European Union was ready to cooperate fully with its partners and contribute to the launching of the preparatory process for UNCTAD X in the Preparatory Committee. Concerning the statement made by the Secretary-General of UNCTAD, he was particularly struck by the emphasis placed on supply-side bottlenecks. With regard to the documentation for the Board, the European Union regretted that the *LDC Report* had not been published. The LDCs were a priority for UNCTAD, and the non-appearance of the report would have a negative impact.

9. The representative of the **Russian Federation** said his delegation agreed that the role of UNCTAD as the focal point within the United Nations system for the integrated treatment of development and interrelated issues in the areas of trade, finance, technology, investment and sustainable development should be strengthened. All UNCTAD activities should be based on the principle of universality, which meant that all countries or groups of countries should receive due attention.

10. UNCTAD should continue to be a forum to take up new and emerging issues, and it should strengthen its cooperation with other international organizations, avoiding duplication. The latest financial crisis had shown once again the inability of the global financial system to react adequately, and UNCTAD's analysis contributed to the international dialogue on mechanisms to manage and prevent crises. The new round of international trade negotiations would be long and complex, and UNCTAD should contribute to the preparations for the round.

11. In his country, the consequences of the financial crisis had been practically overcome, and the economy was recovering. The Government would follow a policy of reform, strengthening the country's integration into the world economic system, and pursuing negotiations on the country's accession to WTO.

12. His country supported UNCTAD's activities aimed at implementing the Programme of Action for LDCs, as well as helping developing countries and countries in transition to integrate into the world economy, accede to WTO, and participate in multilateral trade negotiations. The three flagship publications of UNCTAD should continue to be produced.

13. The representative of **Belarus** welcomed the efforts made in the past four years to implement the Midrand mandates. The efforts made to enhance UNCTAD's research and analysis, consensus-building and technical cooperation should be pursued in future work programmes. UNCTAD should be active in those areas where it had a comparative advantage, which included enterprise development, trade efficiency, electronic trade, investment and services. Other important areas of activity included technical cooperation and the provision of assistance in the implementation of the Uruguay Round agreements and in preparations for the coming millennium round.

14. In the context of UNCTAD X, his country considered that the analytical capacity of UNCTAD should be further enhanced to allow it to examine key problems of trade and development and to produce practical recommendations. UNCTAD's activities should follow the principle of universality, meaning that the interests of each country or group of countries should be taken duly into account.

15. The representative of the **United States of America** said that the timing of the Board's 1999 annual session could not be more propitious. Never before had there been such an intense focus on trade and development-related issues from across such a broad spectrum of interests. The United States was committed to ensuring that the Seattle Round lifted living standards and promoted opportunity throughout the developing world, particularly in the least developed nations. Countries that had opened their economies to the world had created opportunity, growth, and hope for their people.

16. His delegation especially valued the research and analysis UNCTAD had produced on the development implications of trade and on foreign direct investment trends. That work constituted

the organization's primary advantage. The extremely late publication of the *Least Developed Countries Report* was therefore deeply regrettable, as was the absence of the annual report.

17. The 1999 *Trade and Development Report* stressed the importance of increased market access for developing countries, and the United States would work to give the least developed countries greater access to global markets through the African Opportunity and Growth Act, the Caribbean Basin Initiative, and its duty-free GSP programme.

18. With regard to special and differential treatment for developing countries, a blanket concept for special and differential treatment would be seriously mistaken. His country was prepared to look at specific issues and problems on a case-by-case basis. It also committed itself to working with other nations to offer technical assistance to help nations implement trade reforms, as well as to develop the Internet and telecommunications tools.

19. The *Report's* analysis of the Asian financial crisis was dated and incomplete and did not adequately reflect the important role of open markets during the crisis or the factors that contributed to the subsequent recovery of many Asian economies. Most importantly, the *Report* did not do justice to the factors that contributed significantly to the initial crisis, especially the inadequacy of domestic macroeconomic policies and resource allocations. It was hoped that UNCTAD's ongoing research and analysis would provide a more complete picture of the overall benefits of trade liberalization.

20. With regard to debt, the strategic reform efforts of some developing countries were being seriously impeded by excessive debt burdens. In that connection, President Clinton had recently announced that the United States would seek congressional authorization to forgive up to 100 per cent of the debt of so-called HIPC countries, as deemed necessary and when the savings funded by such debt relief was to be used to finance poverty reduction programmes and address basic human needs.

21. UNCTAD could assist developing countries in devising appropriate and balanced development strategies, but its own development strategy must be firmly rooted in the framework of the other major international trade and development institutions. Member States still had much to do to ensure that UNCTAD could deliver the research and analysis and technical cooperation programmes that its partners required. His delegation would give continuing emphasis to the “Partnership for Development” concept by promoting measures to enhance the secretariat’s capacity to assist developing countries in the primary areas of UNCTAD’s competence. All nations had an important stake in a well-functioning UNCTAD.

**I. PREPARATORY PROCESS FOR THE TENTH SESSION OF THE
CONFERENCE: ESTABLISHMENT OF THE COMMITTEE OF
THE WHOLE**

(Agenda item 2)

22. The **President** said that, in keeping with past practice, the Board was expected to establish a Preparatory Committee of the Whole in order to prepare *inter alia* the pre-Conference text for UNCTAD X. The reports of the regional preparatory meetings and other documents presented by member States would be made available to the Preparatory Committee. The report of the Secretary-General of UNCTAD to the Conference, as well as background documentation from the pre-Conference events and other reports stemming from the intergovernmental machinery of UNCTAD, would also be before the Committee. The Committee of the Whole would undertake an in-depth review and exchange of views on the documentation presented to the Board, the purpose being to begin the elaboration of the pre-Conference text. The task during the second week of the Board's session and during the month of November would be to reach consensus on the pre-Conference text, which would be transmitted to the Conference at the seventeenth executive session of the Board in December.

23. The Preparatory Committee was expected to establish an Organizational Committee under the chairmanship of the host country, and the Organizational Committee's report would be made available to the Preparatory Committee in the course of its work. The Preparatory Committee might establish other working groups to deal with substantive items. It was expected that the preparatory process would be completed by mid-December.

Action by the Board

24. The Board decided to establish an open-ended Committee of the Whole, under the chairmanship of the President of the Board, to elaborate the substantive pre-Conference text for transmittal to the Conference and to consider any other relevant matters deemed necessary as part of the preparatory process for the Conference.

II. INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: TRADE, GROWTH AND EXTERNAL FINANCING IN DEVELOPING COUNTRIES

(Agenda item 3)

25. For its consideration of this item, the Trade and Development Board had before it the following documentation:

Trade and Development Report 1999 (UNCTAD/TDR/1999 and Overview);

World Investment Report (UNCTAD/WIR/1999).

26. The **Chief of the Macroeconomic and Development Policies Branch**, summarizing the main analytical findings and policy conclusions of the 1999 *Trade and Development Report*, said that the principal finding of the *Report* was that closer integration of developing countries into the global trading and financial system had not brought greater stability and faster growth. In examining the longer-term trends in capital flows to developing countries, the *Report* indicated that, with the shift from official to private financing, there had been increased concentration of capital flows in a small number of countries. A large part of these flows was highly unstable, as had already been demonstrated by the detailed analysis of the causes and effects of the East Asian crisis in the 1998 *Trade and Development Report*.

27. The *Report* argued that, for trade liberalization to succeed in bringing about faster and more stable growth to the developing world, a number of conditions had to be fulfilled. The most important domestic condition was to ensure stable and competitive exchange rates. But global conditions were equally or even more important. They included growth of export markets and improved access to these markets, especially in areas of particular export interest to the developing countries. Developing countries could gain up to \$1,000 billion of annual export

earnings from products for which they had comparative advantages but where they currently ran up against stagnant markets and protectionism in the North.

28. It was also essential that more policy flexibility be granted to developing countries to enable them to overcome weak supply capacities. Special and differential treatment, taking into account individual circumstances and differences among countries in their supply capacities, should be made part of the contractual obligations of the trading system.

29. The *Report* did not propose to reverse the process of integration of developing countries into the global trading system, but to eliminate the asymmetries and biases that nullified the benefits of such integration, in order to maintain the momentum of integration and globalization.

30. The spokesperson for the **Latin American and Caribbean Group** (Colombia) said that, subsequent to the debt crisis of the 1980s, the countries in his region had undertaken important reforms fostering stabilization and structural adjustment. There was now a need to consolidate the achievements of these reforms, especially with regard to the stabilization of employment conditions and achieving a more equitable distribution of the benefits of growth. But, as shown in this year's *Trade and Development Report*, recent trends in the world economy were threatening the macroeconomic balances in the countries of Latin America and the Caribbean.

31. As a result of financial crises in other parts of the world, the economies of the region had lost \$10 billion in export earnings because of lower export prices, and there had been a sharp decline in capital inflows. While there were now some signs of stabilization in the region, the situation remained highly uncertain, given that liquidity crises had come to be an inherent feature of the functioning of the international financial system. Market failures could have as negative an impact on development perspectives as badly conceived state intervention. But experience had shown that neither the state nor the market alone was capable of creating and distributing wealth efficiently and equitably.

32. The problem facing the international community today was not globalization *per se*, but the way in which the process of globalization was managed and regulated. Given the complexity of these issues, there was no unique solution. But global problems had to be addressed by global policies, and UNCTAD's role in international consensus-building and as a forum for the integrated consideration of commercial, financial and development issues was therefore more important than ever.

33. Economic growth required financial stability. It was therefore necessary to improve the functioning of the international financial system and to overcome the gap between ever more sophisticated international financial markets and the absence of an appropriate multilateral framework for regulation and supervision. Globalization also entailed new corporate strategies with regard to production and distribution, whereas Governments, and in particular those of developing countries, had not yet broadened the base for their economic decision-making.

34. The Asian crisis had demonstrated not only the instability of international capital flows, but also that even countries with sound economic fundamentals could be affected by financial crises due to factors that were beyond their control. It had also shown that the current international financial system was not well equipped to prevent such crises or to manage them adequately. Reform of the international monetary and financial architecture was therefore of fundamental importance for all countries, and the entire international community, including the developing countries, should be involved in that process. UNCTAD should assist and participate actively in the reform.

35. The success of any export-oriented development strategy was dependent on the rate of growth in the developed countries and access to their markets for products of major export interest to developing countries. It also depended on the developing countries' export capacity and on their policy flexibility in creating such capacities and enhancing international competitiveness of their industries. These aspects should be reflected in the agenda of both UNCTAD X and the eventual WTO Millennium Round.

36. The spokesperson for the **Asian Group and China** (Islamic Republic of Iran) said that Asia had gone through a particularly difficult phase of its development over the past two years. Following the financial and currency crisis, growth of output in most countries of the region had fallen dramatically or even become negative. The recession had been deeper than initially expected. Developing countries in other regions and transition economies had also been negatively affected by the crisis, whereas the impact on the industrialized countries had been favourable thanks to a drop in the prices of primary commodities and manufactures imported from developing countries. Adjustment efforts were now bearing fruit in most Asian countries, but sustained recovery depended crucially on growth in, and improved access to, the markets of industrialized countries. The increasing trade disequilibria among the major industrialized countries needed to be addressed through more expansionary macroeconomic policies in the surplus countries.

37. While the crisis had revealed weaknesses in the domestic financial systems and exchange-rate policies of individual countries, it also had to be seen in its international context. Like other recent crises, it had been preceded by excessive capital inflows that the receiving countries had been unable to absorb efficiently, and it had been triggered by changes in the pattern of international economic and financial variables beyond the control of the countries concerned. To reduce the risk of similar crises in the future, developing countries needed to strengthen their domestic financial systems and improve the management of their exchange rates. But given the systemic nature of the recent crises, the issue had to be addressed within the broader context of reform of the international financial architecture.

38. In the process of globalization, and especially as a result of trade liberalization, slower growth had been associated in many developing countries with higher external deficits and increasing external financing requirements. While for most countries official financing had stagnated or even fallen, private capital inflows to developing countries had risen dramatically over the past decade. However, they had been concentrated in a small number of emerging market economies. By contrast, the majority of developing countries had been faced with falling ODA, a deterioration in their terms of trade, and trade barriers in the industrialized countries against products for which

they had a comparative advantage. But the countries which had benefited from private capital inflows had also been exposed to the instability of these flows and the risk of their sudden reversal. Development finance clearly needed to be put on a more solid basis and could not be left entirely to the markets. Countries with no access to private capital required a higher level of official financing, and accelerated debt relief was required for the poorest among them.

39. The dependence on external financing could also be reduced by exploiting the huge trade potential that existed for developing countries. Such a potential existed in particular in agricultural products and in manufactures which could be produced with relatively modest inputs of capital and skills. Realizing this potential required the pursuit of an export-oriented development strategy by developing countries, but this strategy could only succeed if there was improved access to the markets of developed countries. The latter issue should be at the core of a forthcoming new round of international trade negotiations.

40. The spokesperson for the **African Group** (South Africa) said that the fall in the demand for and the prices of primary commodities in the wake of the Asian financial crisis had seriously affected African countries, most of which depended on the exports of a small number of such commodities. The resulting decline in export earnings aggravated an already precarious situation characterized by structural constraints, debt overhang and an inadequate level of development finance. All these factors made it impossible for many African countries to invest sufficiently in human resource development and physical infrastructure.

41. Although African countries had undertaken important reforms, they had not yet succeeded in attracting adequate foreign investments. In order to avoid further marginalization of African countries in the process of globalization, the international community needed to consider measures to encourage investment flows to Africa. Moreover, the Board ought to call on the international community to take urgent and practical measures to reverse the continued decline in the flow of official development assistance, which had fallen to less than one-third of the internationally agreed targets.

42. The external debt burden continued to be a major constraint on growth of many African economies. So far, the Heavily Indebted Poor Countries (HIPC) Initiative had not led to any substantial reduction of Africa's debt. Debt relief under the Initiative remained dependent on meeting performance indicators under the Enhanced Structural Adjustment Facility, but structural adjustment programmes were often subject to slippages in implementation due to poor design and lack of ownership. It was therefore imperative to find new ways to improve the HIPC Initiative, accelerating the process and allowing more countries to qualify for debt relief. The sustainability of Africa's debt should be assessed by an independent body of eminent persons conversant with financial, social and development issues, with the aim of identifying the part of the debt that was unpayable and that should be cancelled by creditors.

43. Given the importance of exports to the developed countries in promoting output growth, it was regrettable that developing countries had to contend with high levels of tariffs and protectionism in the industrialized countries: Market access was especially difficult in areas of particular export interest to the developing countries and in which they had a competitive advantage. It was imperative that the developed countries undertake structural adjustments, eliminating protection and support measures in sectors in which they no longer had a comparative advantage. Moreover, developing countries should be given more policy space in their efforts to industrialize.

44. With respect to the Seattle Ministerial meeting of the WTO, a key challenge was to ensure that development issues be taken duly into account in the further design of the multilateral trading system. UNCTAD's support for developing countries in the formulation of a positive agenda and other preparations for the forthcoming trade negotiations was of great importance.

45. The representative of **Finland**, speaking on behalf of the **European Union**, said that the *Trade and Development Report* painted a gloomy picture of the world economic situation and played down the benefits of liberalization. This was regrettable. The European Union did not share the view that the developing countries had benefited very little from the results of the Uruguay Round. It was too early and too difficult to judge the full impact of the agreements

reached in that Round. In order to gain from participation in the multilateral trading system, import liberalization was at least as important as the liberalization of export markets. Only those countries that had opened their own markets could expect to gain from the results of the Uruguay Round. Such liberalization had to be accompanied by a wide range of domestic measures if it was to contribute successfully to sustainable economic development.

46. Developing countries should not reject liberalization, but should engage more fully in that process in the next round of international trade negotiations. The European Union attached great importance to the promotion of the development dimension in a comprehensive new round.

47. The representative of **Thailand** said that the analysis in the *Trade and Development Report 1999* was timely in raising questions pertaining to imbalances in the global economy in terms of the multilateral trading system and the international financial architecture. While prospects for global economic recovery had improved, the potential for future crises remained and capital inflows to developing countries were still far below pre-crisis levels. Greater market access for developing countries' exports to industrialized countries was required to ensure sustainable recovery in the South.

48. The international community needed to address issues relating to the downside risks of globalization, the pace of liberalization and the volatility of financial flows. In the process of integration into the international trading and financial systems, the pace of liberalization and integration of each economy had to be commensurate with its level of development. There was also a need for a better balance between the rights and obligations of developing countries under multilateral trading rules. In order to combine liberalization with growth, countries needed greater policy flexibility and improved market access for their exports, while it was important to prevent new sanitary, labour and environmental standards being translated into new trade barriers in the industrialized countries. A global approach was required to manage globalization in such a way that developing countries could maximize the benefits arising from the process and minimize the potential for marginalization. Finally, there was a need to strengthen policy coherence among international organizations in order to ensure that their actions complemented

countries' development efforts, as well as for greater macroeconomic policy coordination among developed countries in the interest of avoiding global economic imbalances.

49. The representative of **Pakistan** said that, even though the multilateral trading system had led to improvements in trade conduct, it was not living up to its promises. It was rather contributing to inequalities among countries. A number of shortcomings in the system had impacted negatively on developing countries: the disappointing rate of the phasing-out of restrictions in trade with textiles; inherent inequities in the Agreement on Agriculture; abuse of anti-dumping provisions by advanced countries; limited progress in liberalizing trade in services of interest to developing countries; tariff peaks and tariff escalation on most products of export interest to developing countries; and high costs associated with TRIPs and TRIMs. These, and other, concerns required serious attention. However, some major trading countries glossed over these asymmetries and imbalances in the system, offering technical assistance instead. Rectifying existing imbalances was now an urgent priority.

50. UNCTAD should continue its analytical work on the multilateral trading system, particularly with respect to the problems of unequal competition, the policy flexibility needed to pursue development goals, and the optimal pace of liberalization. It also needed to clarify the links between interdependence and globalization, with more precision brought to the analysis of both phenomena. In this respect, joint studies with other international bodies should be pursued cautiously and without compromising UNCTAD's distinct development perspective.

51. The representative of **Poland** said that the economic transformations and reforms which his country had undertaken following the radical changes in 1989 were now paying off. However, new problems had appeared, such as youth unemployment, trade deficits and other undesirable side-effects of reform. Lessons from both sides of the Polish experience could inform the reform process in developing countries, and the Polish Government was about to institutionalize a development assistance programme aimed at fostering reforms in developing countries and economies in transition.

52. The overarching theme of UNCTAD X met the most urgent challenges of the current situation of the world economy, and Poland was eager to contribute to the elaboration of mechanisms aimed at diminishing the risks of globalization. Increased involvement of the Bretton Woods institutions and the private sector, in particular TNCs, would be welcome in trying to solve concrete problems associated with globalization. Trying to marry the interest of corporations, which sought competitiveness and financial profit, with the development perspective of Governments was a challenge that needed to be addressed in the broader context of globalization.

53. The representative of **Ethiopia** said that UNDP's *Human Development Report* confirmed the findings of the *Trade and Development Report* regarding the relative merits of market-based development policies, in particular their effect on income distribution within and among nations. It was regrettable that UNCTAD's *Least Developed Countries Report*, which was of particular importance to Ethiopia, had not yet been made available.

54. The effect of the Asian crisis on commodity prices had had a particularly negative impact on African export revenues, as a number of African countries relied heavily on exports of a few commodities. UNCTAD should undertake further research into the factors affecting the decline of the share of developing countries in world markets for primary commodities. One cause for major concern was the fact that, in conjunction with falling commodity prices, the debt burden continued to depress the development prospects of African countries.

55. The challenge for the next century was to integrate developing countries, in particular the least developed countries, into the global economy, while narrowing the ever-growing income inequality between countries and regions.

56. The representative of **India** said it was now recognized that, for development policies to succeed, markets and government had to complement each other. India's trade liberalization had been based on gradual reforms rather than a "big bang" approach. While the share of both imports and exports in GDP had risen, the current account deficit had fallen, and even though the

economy had been affected by the downward trends following the Asian crisis, output growth had continued to rise. At the same time, inflation had been brought down to below 2 per cent.

57. Capital account liberalization was a long-term goal, but it should also be approached in a prudent and cautious manner in order to nurture the evolution of a stable environment for sustained capital flows. It was now widely acknowledged that emerging markets should not liberalize their capital accounts without prior action to strengthen their financial systems. Thanks to this approach, India had not faced financial turmoil in the aftermath of the Asian crisis. It was also essential for host countries to maintain the right to regulate FDI inflows in accordance with their individual priorities and concerns.

58. There was an urgent need to address the imbalances in the international trading system and the shortcomings of the Uruguay Round agreements. The special and differential treatment provisions had to be strengthened, and some agreements had to be reviewed in light of the widely recognized need to promote competitive industries in the developing countries. In several industrial sectors and in agriculture, market access for products of export interest to developing countries was seriously jeopardized by protectionist measures or subsidization in the North.

59. The issue of declining aid and other official financial flows had to be brought to the forefront of the global agenda, and it was to be hoped that debt relief under the HIPC Initiative would be provided on the basis of the principles of additionality and equitable burden-sharing among developed countries. The financing of physical infrastructure should not be left to private sources; rather, multilateral resources should play a central role in that financing.

60. The representative of **Japan** said that increased cross-border activities of people and businesses, in combination with new information technology, were providing enormous opportunities to raise economic efficiency, but not all nations were sharing equally in the benefits of globalization. Some had started to lose industries and human resources and to face delays in industrialization. Massive capital transfers had created instability, not only in the industrial

countries but in the whole world. These trends coincided with a relative decrease in the role of the state in economic affairs.

61. Widening income gaps between rich and poor nations as a result of globalization were a source of grave concern. Acknowledging this concern was particularly important in light of the start of a new trade round. The world was in desperate need of institutions, both national and international, which could promote the advantages and reduce the costs of globalization.

62. The Asian economies were now on the path to recovery. However, four areas still needed attention: improvements in the investment climate; reforms of the financial system, particularly to deal with non-performing loans; exchange-rate stability; and better social safety nets. The Japanese Government, acting *inter alia* through regional organizations such as APEC, was providing assistance to the economies which were hit the hardest. However, it was now clear that monetary and trade issues could not be separated in any future discussions on international economic cooperation.

63. The representative of **Indonesia** said that the international trading system was a powerful engine for economic growth and development, but so far the potential benefits of the Uruguay Round had not been realized. Developing countries were unable to exploit their comparative advantages fully, as they met with different kinds of protectionist barriers in the industrialized countries. The marginalized countries could not build up their capacities in a way that would allow them to integrate successfully into world markets.

64. The international community had to seek ways to strengthen the rules of the multilateral trading system and to make it more equitable and transparent. It was important to recognize the need for differential and more favourable treatment of developing countries. Governance in the international system had to become more effective if globalization was to help improve the quality of life and if the economic security of citizens was to be protected. This would require stronger international institutions and greater global policy coherence, including enhanced cooperation between developing and developed countries.

65. The representative of the **United States of America** said that private entrepreneurship had proven to be the engine of economic growth. Countries with sound policies had been faster at integrating into the global financial system, and countries that had integrated faster had had higher growth rates. Governments had the task of laying the foundations for healthy, open capital markets, including the legal provisions for capital mobility and investor protection, so that their economies could reap the benefits of integration.

66. It was essential for developing countries to select policies that mobilized and appropriately prioritized domestic resources, attracted foreign investment, and utilized official development assistance wisely. Foreign direct investment was an effective and stable source of external financing for developing countries; it had remained resilient even during the 1998 financial crisis. The rule of law, transparency of the financial system and the enforceability of contracts were central to a country's ability to attract external funding and use it productively.

67. International guidelines for sound debt management could discourage countries from taking too many financial risks, avoid excessive reliance on short-term debt and encourage the development of domestic debt markets that would allow Governments and corporations to borrow at longer maturities in their national currency. Governments should avoid tax regimes, restraints on long-term investment, and special facilities that distorted private flows in favour of short-term borrowing.

68. Debt relief could enable developing countries to devote additional resources to poverty alleviation. When accompanied by structural adjustment programmes, it was an appropriate approach to external debt management and macroeconomic reform. On the other hand, growth that depended on constant infusions of grants or subsidized financing from abroad was inherently unsustainable.

69. The representative of **Switzerland** said that full and active participation of developing countries in the upcoming new round of trade negotiations was essential, as suggested in the *Trade and Development Report*. However, the analysis in the *Report* of the link between trade

liberalization and development should have been more nuanced, also taking into account the beneficial effects of liberalization for developing countries.

70. Even if structural reforms were often difficult, developing countries had much to gain from further liberalization. It offered the best chances for sustainable improvements in their standard of living. Regrettably, this year's *Trade and Development Report* appeared to suggest the contrary when stating that the countries that had resisted premature liberalization and rapid integration into the international financial system had performed better than others.

71. Moreover, infant-industry protection, import restrictions, and control and regulation of destabilizing capital flows were also controversial measures. The strong recovery in most of the Asian countries that had been directly affected by the financial crisis showed that these countries had been able to draw the right lessons from their experience without resorting to such measures. The challenge for developing countries today was to adapt their internal structures to the requirements of international trade and development, and it was UNCTAD's role to support them in this difficult task.

72. The representative of **China** said that the negative impact of the Asian financial crisis was still lingering. Though a silver lining had appeared in 1999, the factors that had caused the crisis still largely remained. Developing countries had paid a high price for their accelerated efforts to integrate into the world economy, since the benefits received had not been commensurate with those efforts and the gap between the rich and poor countries had widened further.

73. There was now an urgent need for adjustments in international economic relations so that all countries could derive fair benefits from globalization. Developed countries should energetically pursue economic policies conducive to the healthy long-term development of all countries and cooperate actively with developing countries in formulating effective policy measures at both the national and the international level. Developing countries were entitled to full participation in the process of reforming the international financial system. It was imperative to reverse the decline

of ODA, encourage stable resource flows to developing countries and reduce the debt overhang, in particular that of LDCs.

74. The forthcoming round of trade negotiations should truly be a “development round”. The abusive application of anti-dumping clauses and other protectionist measures was not in line with global trade liberalization. Moreover, developing countries should be granted preferential treatment and improved market access for their exports. While the international community had to create an enabling external environment, developing countries should count on themselves to promote a well-coordinated, orderly, stable and healthy development.

75. China’s economy had also been hit by the financial crisis, but because of its sense of responsibility toward the international community, the Government had not devalued the currency.

76. The representative of **Bangladesh** said it was universally agreed that globalization and the multilateral trading system had not been fair to all countries, particularly the LDCs, and these countries had been further marginalized and impoverished by the ongoing liberalization process. Poverty and hunger were rising in the 48 LDCs, which needed special fast-track assistance from the international community if they were to re-enter the global trading system. It was now incumbent upon the international community to make fresh efforts to break the cycle of poverty in LDCs, and immediate and meaningful programmes could be initiated in the areas of technical assistance, debt and ODA, and market access. Technical assistance had to be restructured and enhanced to be able to address the core problems of the beneficiary countries in a sustainable and meaningful way. Proposals had been made to revamp the technical assistance strategies in WTO and other relevant organizations.

77. Expanded trade and FDI had not obviated the acute need for ODA, and the HIPC Initiative should be expanded to include all LDCs. A bold debt forgiveness initiative would improve the situation in LDCs almost overnight, but debtors would have to initiate structural reforms and the funds released should be made available to support programmes in health, literacy programmes,

gender development and democratization initiatives. Market access had been identified as another useful policy measure in support of the LDCs; it should be free of duties, quotas and all non-tariff barriers. Finally, it was hoped that UNCTAD X and the third United Nations Conference on LDCs would draw renewed attention to the LDCs' current predicament.

78. The representative of **Malaysia** said that there were now many analyses of the relatively fast recovery in Asian economies that had been subject to financial crisis in 1997 and 1998. Some analyses had attributed this rapid recovery to, *inter alia*, the overall improvement in economic conditions worldwide, the opening of markets by developed countries to these countries' exports throughout the crisis period, and the return of investor confidence that had led to new FDI flows to these countries. These elements were undoubtedly important in generating this recovery. However, equally important for the recovery had been domestic policy measures. UNCTAD should study these measures in order to obtain a clearer understanding and awareness of their role in addressing the crisis and their potential usefulness as policy options.

79. The representative of the **International Monetary Fund (IMF)** said that the recent meeting of the IMF's Interim Committee had emphasized the importance of open and competitive markets as a key component of efforts to sustain growth and stability in the global economy. The proposed launch of new trade negotiations later in the year would provide an important opportunity to make further progress in this direction.

80. On the reform of the architecture of the international monetary and financial system, the Interim Committee had pointed to major progress in key areas such as transparency, global standards to underpin stable markets, and financial sector stability. The emphasis was shifting from defining standards to their dissemination, implementation, and monitoring. A full consensus had yet to emerge on determining the involvement of the private sector in crisis prevention and resolution. While there was agreement that, over the long term, open capital flows accompanied by prudential measures would benefit the world economy, there were still divergent views on how to take country-specific circumstances into account in determining the optimal pace of capital account liberalization and appropriate exchange-rate policies. The debate on the choice of the

exchange-rate regime was still very wide-ranging, and the diversity of exchange-rate regimes would continue. It was increasingly accepted that in today's world of greater mobility, it was more difficult to maintain fixed rates, and that sound economic fundamentals were essential under any arrangement.

81. Important action had been taken on debt relief. The enhanced HIPC Initiative provided more debt relief to more countries and on a quicker path than the original initiative, and debt relief was now linked specifically to poverty reduction. Agreement had also been reached on the financing of the IMF's participation in the HIPC Initiative.

82. The representative of the **International Confederation of Free Trade Unions** (ICFTU) said that the acceleration of the globalization process, the increasing integration of international capital markets and the growing role of transnational corporations had contributed to a general feeling of insecurity. A consensus appeared to be emerging in the international community on the need to tackle this problem. The United Nations, and UNCTAD and ILO in particular, should play a key role in the struggle to promote the fundamental rights of workers, to encourage job security and to foster policies for sustainable development.

83. UNCTAD and the WTO should work towards the strengthening of preferential treatment for developing countries, the universal recognition of basic work norms and environmental clauses. There was a need for a critical evaluation of the impact of liberalization on growth, income distribution, human rights and the right for each country to pursue its own social and economic goals independently.

84. Developing countries, and especially the least developed countries, needed financial, technical and legal support from WTO, UNCTAD and others that would help them to maximize the benefits of their participation in the world trading system. The trade liberalization principles embodied in IMF and World Bank Structural Adjustment Programmes should be revised with a view to reducing the social costs of these programmes. It was also necessary to increase official

development aid, to cancel the debt of the least developed countries, and to implement a common strategy for demand and job creation on a global scale.

III. PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

85. The forty-sixth session of the Trade and Development Board was opened on 18 October 1999 by Mr. Chak Mun See (Singapore), the outgoing President of the Board.

B. Election of officers ¹

(Agenda item 1 (a))

86. At its 905th (opening) plenary meeting, on 18 October 1999, the Board elected by acclamation Mr. Philippe Petit (France) as President of the Board for the duration of its forty-sixth session.

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

President:	Mr. Philippe Petit	(France)
Vice-Presidents:	Mrs. Fayza Aboulnaga	(Egypt)
	Mr. Munir Akram	(Pakistan)
	Mr. Krit Garnjana-Goonchorn	(Thailand)
	Mr. Koichi Haraguchi	(Japan)
	Mr. Walter Lewalter	(Germany)
	Mr. George Moose	(United States of America)
	Mr. Goce Petreski	(The Former Yugoslav Republic of Macedonia)
	Mr. Camilo Reyes-Rodriguez	(Colombia)
	Mr. Ronald Saborío Soto	(Costa Rica)
	Mr. Vasily Sidorov	(Russian Federation)
Rapporteur:	Mr. Xolisa Mabhongo	(South Africa)

¹ The officers of the Bureau are elected to serve for a year-long period beginning with the forty-sixth session of the Board.

88. 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.

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

(Agenda item 1 (b))

89. At its opening meeting, the Board adopted the annotated provisional agenda for the session contained in TD/B/46/1 and Corr.1. (For the agenda as adopted, see annex I below).

90. At the same meeting, and in accordance with the organization of work for the session in TD/B/46/1, 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 and review of the status of the preparatory process for the Third United Nations Conference on 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.

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

Chairperson: Mr. Walter Lewalter (Germany)

Vice-Chairperson-*cum*-Rapporteur: Mr. Mussie Delelegn (Ethiopia)

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

Chairperson: Mr. Adolphe Nahayo (Burundi)

Vice-Chairperson-*cum*-Rapporteur: Mrs. Ingrid Mollestad (Norway)

D. Adoption of the report on credentials

(Agenda item 1 (c))

[To be completed]

E. Provisional agenda for the forty-fifth session of the Board

(Agenda item 1 (d))

[To be completed]

F. Institutional, organizational, administrative and related matters

(Agenda item 8)

[To be completed]

G. Adoption of the report on its forty-sixth session

(Agenda item 10)

[To be completed]