United Nations

A/C.2/54/SR.32

General Assembly

Fifty-fourth session

Official Records

Distr.: General
20 January 2000
English
Original: French

Second Committee

Summary record of the 32nd meeting

Held at Headquarters, New York, on Thursday, 4 November 1999, at 10 a.m.

Chairman: Mr. Niculescu (Vice-Chairman) . . . . (Romania)

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99-82157 (E)

The meeting was called to order at 10.15 a.m.

Agenda item 98: Sectoral policy questions (*continued*)

(a) Industrial development cooperation (*continued*) (A/54/320)

(b) Business and development (*continued*) (A/54/451)

1. **Mr. Talbot** (Guyana), speaking on behalf of the Group of 77 and China, said that Africa had been largely left out of the globalization process. The prevailing argument contended that African economies would reap the benefits of the phenomenon of globalization if only they were integrated into the process. However, Africa still lacked the basic requirements for development and effective participation in the world economy. Interdependent, globalized economies depended on knowledge- and skill-intensive industries, which were sorely lacking in Africa. African countries were urged to focus on the creation of products for export. Food, beverage and textile manufacturing could no longer suffice to shift the region towards greater industrial expansion.

2. Furthermore, adjustment policies designed to correct macroeconomic imbalances had not resulted in the promised boom. Indeed, trade liberalization had increased the flow of cheaper goods from external markets, which had led to a further weakening of the industrial base. According to the World Bank, Africa was unlikely to reap significant benefits from the trade liberalization process. Another cause for concern was the lack in Africa of small- and medium-sized enterprises, which had made an important contribution to successful economic transformation in Latin America and Asia. The development of such enterprises would fill the gap that currently existed between large, mainly foreign-owned enterprises and the informal manufacturing sector.

3. Some of the recommendations for increasing private sector competitiveness in Africa focused on the harnessing of information and communications technologies. The United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD) and the Economic Commission for Africa (ECA) continued to play a pivotal role in the implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002). The measures taken by UNIDO and ECA, which had been set out in paragraphs 25 and 26 of the report of the Secretary-General (A/54/320), should constitute the means by which equitable and sustainable development as well as private sector development could be achieved.

4. The Group of 77 and China shared the concerns expressed by the Organization of African Unity (OAU) about the risk of further marginalization of the region. Narrowing of the income and technological gap between the region and the rest of the world would require increased public and private investments in industrial infrastructure, strengthening of technological capabilities, notably through human resource development, institution-building and effective economic governance. There was need for greater donor support in furthering those aims.

5. Private capital flows currently accounted for more than 70 per cent of global resource flows. However, the bulk of those flows were concentrated on Asia and Latin America. Africa in fact received less than 1 per cent of total foreign direct investment. While private flows could not be regarded as a substitute for official development assistance, the private sector had enormous potential to contribute to development. An emphasis on promoting an enabling environment for private sector development was therefore appropriate, but not sufficient. Changes would also be required on the part of the private sector itself if it was to become a reliable development partner. The Group of 77 and China were of the view that the Secretary-General had not placed enough emphasis on that point in his report. The challenge for the international community was to promote the integration of private investment objectives with long-term development objectives.

6. The liberalization and globalization process was paralleled by the changing roles and relationships between the private and public sectors. Developing and transition economies were especially vulnerable to that process. Increased technical assistance and training were therefore needed for the implementation of post-privatization policies.

7. The Group of 77 and China acknowledged the critical and unique role played by the United Nations in facilitating the intergovernmental dialogue necessary for the formulation of policies for international cooperation in the areas of business and development.

UNCTAD, UNIDO, the United Nations Development Programme (UNDP) and the Department of Economic and Social Affairs played a valuable role in fostering a partnership between business and developing countries in support of development objectives.

8. The two reports submitted by the Secretary-General provided a comprehensive analysis of the challenges facing Africa as it sought to compete more effectively in an increasingly liberalized global economy. While the challenges were daunting, the partnership formed by UNIDO and ECA and the measures adopted by the United Nations in support of the Second Industrial Development Decade offered good prospects for stimulating industrial development in the continent. The success of those efforts depended on the support provided by the international community. The Group of 77 and China therefore urged Member States to continue to give priority attention to Africa and to contribute the necessary resources in support of African development.

9. **Mr. Kääriäinen** (Finland), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia, regretted the late issuance of the reports of the Secretary-General currently before the Committee.

10. The economies of African countries faced only modest growth prospects in the years ahead. The success of Africa's struggle to achieve rapid economic transformation would depend on how effectively industrial development could be linked with agricultural development. That was all the more true when the great potential of Africa's fertile land and rich natural and human resources was considered. Harnessing that potential in a participatory and holistic manner would give a strong boost to the socio-economic development of Africa and help to reduce poverty.

11. The programme for the Second Industrial Development Decade for Africa had been revised in 1998 to improve country-level programming. The European Union welcomed that refocusing, which called for programmes to be sustainable, demand-driven and locally controlled. The industrialization of Africa was being balked by low productivity, poor competitiveness in price and quality and lack of financial resources. African countries should continue to improve infrastructure, create an enabling environment for the private sector and encourage direct foreign investment. They should also ensure that industrialization was environmentally sustainable. The European Union stressed that science and technology could greatly enhance productivity. To that end, it would also be useful to establish or strengthen national, regional and subregional centres for training, research and services or to strengthen existing ones. Also, the establishment of small enterprises, which generated employment and helped empower poor people, particularly women, should be promoted through the provision of microfinance.

12. The European Union was supporting the development of Africa through bilateral programmes established by its member States, and also through programmes, projects and operations in areas such as manufacturing, mining, energy, infrastructure, services and agriculture funded by the European Development Fund and the European Investment Bank. One important aim of those activities was to create favourable conditions for industrial development and domestic and foreign investment. The favourable trade regime granted by the European Community to African industrial exports was also intended to promote African industrial development.

13. The European Union fully supported the reforms made by the United Nations Industrial Development Organization (UNIDO). The new UNIDO plan of action adopted in 1997 focused on areas in which UNIDO had comparative advantages and supported the development of agro-industries and small and medium-sized enterprises in the least developed countries. The European Union acknowledged the importance of the Conference on Industrial Partnerships and Investment in Africa held in Dakar, Senegal, on 20 and 21 October 1999. The European Union subscribed to the Conference's keynote idea that industrial development was crucial to poverty eradication and to social well-being in general.

14. Concerning the item on business and development, the European Union saw the private sector as the main engine of economic growth and the principal source of job creation. In 1998, it had introduced a new strategy for private-sector development in the African, Caribbean and Pacific (ACP) countries. The aim of the strategy was to improve the business and investment environment, strengthen the financial and non-financial activities of enterprises and improve their competitiveness. To do

so, the European Union was helping countries and regions develop strategies and establish a cost-sharing facility to improve the competitiveness of enterprises in the ACP countries.

15. The European Union supported the notion of a global compact launched at the World Economic Forum in Davos in January 1999 by the Secretary-General. That initiative would further cooperation between business and the United Nations.

16. **Mr. Gallagher** (United States of America) said that the United Nations system played a crucial role in facilitating active and constructive involvement by the private sector in development, especially for countries whose private sectors were in the early stages. Private business, whether domestic or international, was the primary generator of employment and contributed not only to economic development but also to social and educational progress. The report of the Secretary-General (A/54/451) highlighted the key role played by the private sector in building infrastructure. It stressed also the link between good governance and the establishment and growth of the private sector. He welcomed the contributions being made by many United Nations agencies to sustainable development by their activities in areas such as accountancy, law and finance. Nevertheless, the private sector should live up to its responsibilities: business should respect labour rights, establish workplace codes of conduct and apply core standards, including environmental standards. In that context, the global compact proposed by the Secretary-General at the Davos Forum was a step in the right direction. Small and medium-sized enterprises, with their capacity to create jobs, played a pivotal economic role. In that regard, he commended the technical assistance programmes of the United Nations Conference on Trade and Development (UNCTAD) and the work of the United Nations Development Programme (UNDP) Special Unit for Microfinance.

17. **Mr. Chulkov** (Russian Federation) said that his delegation supported the efforts to improve the efficiency and effectiveness of the United Nations specialized institutions, particularly the United Nations Industrial Development Organization (UNIDO). The Russian Federation would cooperate even more with UNIDO, whose work it valued. The Russian Federation believed that activities to promote industrial development in Africa should continue to be a priority for UNIDO, with emphasis on the creation of industrial capacity, investment promotion, development of small and medium-sized enterprises and implementation of environmental programmes.

18. The Russian Federation welcomed the action taken by the United Nations bodies, in particular UNCTAD, UNIDO and UNDP, to promote the development of business in the developing countries and in countries in transition. Experience had shown that strengthening the industrial sector — in particular small and medium-sized enterprises — and adapting businesses to market conditions were essential for achieving sustainable economic growth and creating favourable conditions for solving the most urgent social problems, such as poverty. The United Nations bodies were responding rapidly to the new needs of business in the developing countries and countries in transition, and knew how to react flexibly to developments in the global economy, including the negative effects of globalization such as the financial crisis that had had such an adverse impact on businesses in many countries in Latin America and Asia as well as in Russia.

19. The main problem which businesses faced, particularly small and medium-sized enterprises, was the difficulty of gaining access to financial resources. It was no accident that that problem was one of the priorities of the programme of work of UNCTAD. Efforts must be intensified within UNCTAD and the international financial institutions to identify new funding mechanisms that met the needs of small and medium-sized enterprises, particularly in countries with limited financial capacities and under-developed banking systems.

20. Assistance for international cooperation between enterprises, another priority area in the activities of UNCTAD, should yield a positive outcome. It would enable businesses to set up fruitful partnerships, promote investment and carry out technology exchanges and transfers of know-how while avoiding red tape. That being the case, it was important to help interested enterprises to find the foreign partners they needed. National business associations could help the international organizations considerably in that regard.

21. Enterprise development also involved managerial training. Programmes to achieve that goal were being carried out by the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO) and the United Nations Development Programme (UNDP) and

in the context of bilateral agreements. However, his Government considered that the measures taken in the past had not fully met the expectations of the developing countries or those in transition, which needed highly qualified staff. He took the opportunity to thank those, who had helped his Government to implement its programme in that area, especially the United States of America and the European Union.

22. The financial crisis had had serious consequences for small and medium-sized enterprises, which had been beginning to succeed in the Russian Federation; over 30 per cent of them had gone out of business. The situation was beginning to improve as a result of, *inter alia*, tax relief for businesses, economic decentralization and the establishment of a more realistic exchange rate. The Russian Federation had about 860,000 small enterprises, which produced nearly 12 per cent of its gross domestic product (GDP) and employed nearly 6.5 million people (compared to 12 million before the crisis). Much remained to be done in order to develop a macroeconomic and legal climate that would promote the development of small and medium-sized enterprises. He thanked the United Nations bodies and other organizations, particularly the European Bank for Reconstruction and Development (EBRD) and the World Bank, for the assistance that they had provided to those enterprises and said he hoped that that cooperation would continue.

23. **Mr. Kolby** (Norway) said that a competitive private sector was a prerequisite for economic and social development. Indeed, poverty reduction could not be achieved without the active participation of that sector. Private investment was essential for growth and gave Governments a solid financial basis for fulfilment of their obligations. It was important for the developing countries to develop their private sectors and to be supported in that endeavour by the donor countries. His Government was continuing to help a number of developing countries to improve their productive sector capacity through bilateral assistance and through the United Nations system, the Bretton Woods institutions and the World Trade Organization (WTO).

24. Economic reforms and liberalization of the world economy had radically altered the general conditions for business in most countries. His Government had recognized the need for a more coherent private sector development strategy with an emphasis on the needs and priorities of developing countries. It had therefore presented a strategy document that outlined its overall policy of support for private sector development in developing countries. Improvement of the legal, institutional and political conditions for private sector development played a central role in that strategy; neither national initiatives nor foreign assistance could achieve genuine results without predictable and transparent national policies, a properly functioning system for the administration of justice and a well-functioning financial sector. The strategy also focused on foreign and domestic investment; investment was at a very low level in many developing countries, and the poorest countries rarely benefited from foreign direct investment.

25. The trade and development assistance provided by the United Nations and multilateral institutions in order to facilitate private sector development in developing countries was essential. His Government was prepared to increase its support so that the developing countries could take advantage of the opportunities provided by liberalization of the global economy. It attached great importance to dialogue with the recipient countries on how its support could be integrated into existing planning instruments. There was also a need for increased cooperation between donors and among the various agencies involved in promoting trade and development. Donors could assist in that process by supporting the capacity-building efforts and institutions of recipient countries. In so doing, they should focus more on the needs of the developing countries than on those of their own industries.

26. His Government welcomed the Secretary-General’s “global compact” initiative, launched at the World Economic Forum in Davos, which would strengthen the relationship between the United Nations and the private sector.

27. **Mr. Huang Xueqi** (China) said that enterprise constituted a “cell” of the economy and was a major participant in development. The development of enterprises was dependent not only on their own behaviour, but also on that of the State, which had an irreplaceable role in the formulation of overall enterprise development strategies and in the creation of a favourable environment through the provision of the necessary regulatory and institutional support.

28. At the international level, Governments, the relevant international organizations and organizations of civil society should make concerted efforts to

facilitate the exchange of national experiences on the development of enterprises; establish information networks; and promote trade and investment among enterprises, as UNCTAD, the International Trade Centre (ITC) and UNIDO had done. In the face of globalization, the developed countries should not limit cooperation between enterprises to merger and stock participation among transnational corporations. They should make a greater contribution to enterprise development in the developing countries through joint ventures, subcontracting, transfers of technology and licensing, all of which would be of mutual benefit.

29. The economic system of China, which was at the initial stage of socialism, was characterized by the simultaneous development of multiple economic elements, with public sector enterprises playing the leading role. The Chinese Communist Party had recently established a series of objectives and guidelines for the reform and development of State-owned enterprises by 2010: (1) enhancement of the role of State-owned enterprises in key sectors of the national economy while promoting the simultaneous development of the public and private sectors; (2) reform of State-owned enterprises by, *inter alia*, redeploying or reorganizing State-owned assets (converting some State-owned enterprises into stock corporations, forming Chinese-foreign joint ventures and stock corporations, and fostering giant enterprises while revitalizing small and medium-sized ones); (3) transformation of enterprise management in accordance with the requirements of a market economy while endeavouring to disengage the Government progressively, to explore more effective ways of managing State-owned assets and to turn enterprises into autonomous legal persons responsible for their profits and losses; (4) promotion of technical progress and modernization of enterprises through investment in new technologies and cooperation between manufacturers, universities and research institutes; and (5) establishment of a spirit of competition by encouraging State-owned enterprises to engage in mergers and acquisitions and to reduce or redeploy their staff while mobilizing all sectors of society to create jobs and guarantee a minimum standard of living for workers laid off from State-owned enterprises.

30. In addition to that reform of the public sector, his Government had implemented strategies with regard to the private sector, including, first, strengthened legislation to protect the legal rights and interests of private enterprises and self-employed workers; second, implementation of policies to encourage the development of the private sector by, *inter alia*, giving certain private enterprises the right to import and export as from 1 January 1999, granting enterprise development assistance and tax exemptions to laid-off workers who wished to start their own businesses, and providing loans to small and medium-sized enterprises (loan guarantees and venture capital were being considered); and, third, the creation of conditions for fair competition among enterprises with all types of ownership by gradually providing national treatment to all types of enterprises, including those owned by foreign investors, and by authorizing the development of private enterprises in all areas other than those explicitly prohibited by the State.

31. Industrial development was an important contributing factor to economic growth in the developing countries. It was also a major tool for poverty alleviation and employment generation. That was why the widening gap between the North and South in industrialization and industrial technology should be a source of concern. Therefore, while emphasizing the need for sustainable industrial development, industrial development cooperation in its traditional sense should not be overlooked. Thus, it was imperative for developed countries to fulfil their commitments to the developing countries by providing financial resources, transferring technology and providing the advisory services and training necessary for industrial development. Needs were even more acute in Africa, which was a poor and underindustrialized continent where the international community should make greater efforts to implement the programme of the Second Industrial Development Decade for Africa (1993-2002).

32. As the United Nations system’s central coordinating agency in the field of industrial development, UNIDO had made important contributions to the industrial development and economic revitalization of developing countries. While China would continue to support the organization, it hoped that by focusing its work on the promotion of industrial investment and sustainable industrial development, a streamlined UNIDO would be able to focus its limited human and financial resources to serve the needs of the developing countries more effectively.

33. **Mr. Yepez** (Ecuador) said that his delegation associated itself with the statement made by Guyana on

behalf of the Group of 77 and China. Globalization was now a reality and developing countries had done their utmost to become integrated into the new world order by establishing structural adjustment programmes, despite their high social costs, opening up their markets, modernizing the State and combating corruption. Despite all those efforts, there were still wide gaps in development and the gap between the rich and the poor continued to widen.

34. Globalization had highlighted the vulnerability of developing countries to financial crises, declines in major commodity prices and the effects of natural disasters. Moreover, he was alarmed at the decline in development cooperation and the lack of sensitivity to the serious social difficulties faced by the poor countries. Globalization did not lead to an equitable distribution of wealth, nor to scientific progress, improvement in the health situation worldwide or cultural enrichment.

35. It was therefore up to the United Nations, as the international community's most democratic body, to lay the foundation for a more just international order. Globalization could not be pursued along the lines of development models which had proved incapable of meeting the fundamental need of people to live in dignity and respect and in keeping with genuine democracy and social justice.

36. His delegation favoured an international trading system with clear-cut, transparent and predictable rules. The new round of WTO negotiations would constitute a clear step forward towards the implementation of the Uruguay Round agreements so that in the new millennium there would be no more protectionism, non-tariff, and unilateral and extraterritorial measures that hampered free trade and closed access to international markets of products from developing countries.

37. Ecuador promoted foreign investment as a tool for development. Since the private sector was the main driving force for production at the international level, his delegation supported the new forms of cooperation that helped diversify trade, attract foreign investment and create new industries. He welcomed the efforts made by the European Union, especially within the framework of the European Community Investment Partners (ECIP) and AL-INVEST programmes, which had stimulated direct investments in the private sector, job creation and trade diversification with Europe.

38. Ecuador, steadfast in its commitment to integration, participated actively in the activities of the Andean Community which used the reforms undertaken under the Trujillo Act of 1996 to strengthen its institutions to meet the challenges of globalization and new external economic ties. Thanks to the dynamic role of the private sector, Ecuador had expanded its economic and trade ties with its traditional partners to promote greater openness with the outside world. With its membership of the Pacific Economic Cooperation Council, its expanded trade with the European Union and its active participation in subregional, regional and world activities, Ecuador was comprehensively applying the principle that trade and cooperation between nations would contribute to the harmonious development and well-being of humankind, as well as to a more just world order characterized by greater solidarity.

39. **Mr. Kasemsarn** (Thailand) said that his delegation associated itself with the statement made by the representative of Guyana on behalf of the Group of 77 and China. Under the Second Industrial Development Decade for Africa (1993-2002), Thailand had provided mainly technical assistance to African countries in the areas of agriculture, education, management and human resources development. Those areas constituted the foundation for strong industrial development. It also made efforts to involve the private sector, strengthen business partnerships between Thai and African enterprises and explore the potential for joint business activities and for forging mutually beneficial business links. Moreover, within the framework of the Tokyo International Conference on African Development, Thailand, in collaboration with other partners, had developed new social and economic development initiatives. In 1997, it had hosted the Asia-Africa Forum II in Bangkok in collaboration with the Japanese Government, the United Nations and the Global Coalition for Africa. Although Thailand was barely recovering from the financial crisis, and despite financial constraints, it remained committed to its technical assistance programme to Africa.

40. The role of UNIDO should be further strengthened because it contributed much to assisting developing countries to achieve sustained economic growth. Thailand, which had received UNIDO assistance in the 1970s and 1980s for the development of its industrial base, was now honoured to host the UNIDO Regional Office for Asia and the Pacific, and

would continue to work closely with UNIDO for the benefit of developing countries in the areas of environmental management, standardization, human resources development and the development of small- and medium-sized enterprises.

41. With regard to business and development, his delegation believed that sustainable development, particularly in the industrial sector, could not be attained without unleashing the creative force of private enterprise. In Thailand, the private sector was the prime engine of economic growth. The country's development strategy was based on private-sector-friendly policies. Even in times of crisis, his Government placed emphasis on the restoration of private sector confidence, since it was convinced that only private sector-led recovery could bring Thailand back to the path of sustainable development.

42. In order to achieve that objective, Thailand had adopted various policies to enhance the competitiveness of its economy. Those policies included a reform of the tax and tariff structure, the promotion of equity investment, incentives to promote the recovery of the real estate sector and financing for small- and medium-sized enterprises. Such policies were carried out in tandem with social safety-net measures, good governance and democracy, and sound environmental management and use, so as to build a solid foundation for the country's development.

43. In his statement at the East Asia Economic Summit at the World Economic Forum, the Prime Minister of Thailand had emphasized the various elements of his long-term strategy for making Thailand more competitive: (1) improvement of research and development capabilities; (2) enhancement of workforce skills; and (3) promotion of investment in areas that would enhance productivity and efficiency. Finally, the Thai private sector had been encouraged to work towards achieving international standards in respect of governance and transparency, as was demonstrated by the law on money-laundering adopted in August 1999.

44. Rationalizing State-owned enterprises through privatization was another important element of the efforts made to increase competitiveness. With the assistance of the World Bank and the International Monetary Fund, Thailand had formulated a master plan for public sector reform covering 59 State-owned enterprises in such key sectors as telecommunications, transport, water and energy, that would pave the way for increased private sector participation in the economy.

45. Notwithstanding all the reform efforts aimed at promoting private business and development, Thailand considered that a favourable external economic environment was an indispensable ingredient for sustained economic growth and sustainable development in developing countries and throughout the rest of the world. As the crisis had shown, no economy was impervious to the shockwaves of financial collapses or economic turmoil occurring in any part of the planet. Islands of prosperity could not endure in a sea of poverty and underdevelopment. Thailand was therefore recommending strong international cooperation, particularly interregional industrial cooperation, in order to put in place a sound global economy based on competitiveness and equity at the threshold of the new millennium.

46. **Mr. Özügergin** (Turkey) said that the efforts to redefine the State's role in the economy had gained ground during the 1990s. Thus, the private sector was becoming ever more widely accepted as an engine of economic growth and development.

47. Free-market-oriented development strategies included reducing restrictions on imports, creating a competitive environment at the national level, privatizing State-owned enterprises and easing the tax burden. The main measures taken in that context related to currency convertibility, authorization of foreign ownership and management control, emphasis on exports, and removal of tariff and non-tariff barriers.

48. Turkey considered that the private sector could probably operate best where State intervention in industrial and commercial activities was kept to a minimum. Policies aimed at enhancing the role of the State in terms of organizing and monitoring the economy should focus on ensuring fair competition, safeguarding intellectual and industrial property rights, protecting workers and consumers and ensuring the free flow of information, as well as on establishing a suitable legal and structural framework.

49. At a time when all countries were seeking to attract investment, potential investors were increasingly selective in looking at the likely return or the risk factors of any investment project. For that reason, countries with a tradition of sound management

were at an advantage. In order to attract new investment, it was necessary to have a track record of using funds responsibly and providing appropriate returns and of good corporate governance, whether in terms of transparency, protection of investor rights, accountability or full compliance with prevailing law.

50. With regard to business and development, the role of small and medium-sized businesses in the economies of developing countries was to be commended. They achieved greater and more varied output with less investment. They created employment by reducing investment costs, withstood economic fluctuations reasonably well because of their flexible structure, adapted to changes in demand and consumption patterns, encouraged balanced regional development, and tended to correct imbalances in national income distribution. Nevertheless, small and medium-sized businesses had difficulty in obtaining loans and benefiting from the incentives or finance mechanisms open to large businesses. Technology levels were generally low and it was difficult for them to attract skilled personnel.

51. He welcomed the fact that many of the United Nations funds and programmes, as well as the Bretton Woods institutions, had recognized the role and problems of small and medium-sized businesses in the developing world and in the developed world. They must continue to support small and medium-sized businesses in the areas of training, technology, management and marketing advice and to provide them with financial assistance, preferably through public-private cooperation.

52. Finally, his delegation considered that private sector participation in social policies was more important than ever. It was very clear that an efficient market economy must be supported by a network of well coordinated social structures. It followed that, at the national and international levels, the market economy could not truly function efficiently until social exclusion and inequality were overcome. Thus, it was important to insulate basic social services from the fluctuations of economic cycles, including through international safety nets.

53. **Mr. Baali** (Algeria) said that the discussion on international economic cooperation in aid of Africa was of particular importance for Algeria, which was not only an African country but held the current chairmanship of the Organization of African Unity (OAU), and of the Group of African States, on whose behalf he was speaking.

54. The issue of Africa’s industrialization had not received the requisite attention from the international community, which focused on other regions of the developing world, particularly Asia and Latin America, because that was where the so-called emerging countries were to be found. Seven years on, the programme for the Second Industrial Development Decade for Africa continued to encounter numerous obstacles, which the Secretary-General had enumerated clearly in his report (A/54/320). It was therefore to be feared that the Second Decade might meet with the same fate as the First Decade: broken promises and acknowledged failures.

55. Indeed, that important initiative would succeed only if it received the technical and financial support of the international community, since the resources mobilized from within Africa, limited as they were, would be insufficient. The issue of financial resources, whether official development assistance or direct foreign investment, remained vital for most African countries. In that respect, the request for assistance and cooperation from the international community was not an act of weakness, but an act of faith and a sign of trust in international solidarity, which, in the light of the current rapid globalization, had become a precondition for the ordered integration of the South into the global economy. The need for such solidarity was demonstrated by the report, which painted a far from rosy picture of the African economy.

56. The adverse impact of globalization could not be cited by way of explanation, since Africa, which was not fully integrated into the process, had been spared the turbulence resulting from the Asian crisis. However, the delays in Africa’s industrialization threatened to exacerbate its marginalization. In order to help African countries, whose economies depended on a limited number of commodities, to strengthen exports, efforts must be made to promote diversification, open the markets of the developed countries to African products and attract additional foreign investment to the continent, which abounded with untapped potential.

57. It was in response to that serious weakness that the African countries had in October 1996 launched the Alliance for Africa’s Industrialization, which was conceived as an instrument of partnership between the

public and private sectors and between African and non-African companies. Moreover, at the thirty-fifth Assembly of Heads of State and Government of the Organization of African Unity (OAU) and the first meeting of the Patrons' Group of Heads of State and Government of the Alliance for Africa's Industrialization, the leaders had emphasized the vital importance of the industrial development of the African continent for the structural transformation of African societies and as a factor of social and political stability. Various commitments had been made in that regard: to intensify efforts to reverse the current trend of declining direct investment flows in Africa and double Africa's share in global industrial output; to activate local resources for the industrialization of Africa and eliminate all the obstacles that inhibited foreign investments; and to intensify efforts to finance national industrialization programmes.

58. The private sector's crucial role in economic growth should be underscored; however, the private sector was not a panacea, especially since it was often influenced exclusively by the desire for profit and, in general, it was not very generous in transferring technology to countries of the South. Furthermore, the debate on the role of the private sector should not eclipse the international community's responsibility to come to the aid of Africa, a responsibility which was all the greater in that many of the problems confronting the African continent had their roots in a not too distant past when Africa was considered a source of raw materials to be plundered and human resources to be exploited, even as cannon fodder.

59. In that regard, he paid tribute to the United Nations Industrial Development Organization (UNIDO), which had made the industrialization of Africa its absolute priority and which should now devote itself to securing the international financial assistance that the task required. The other United Nations agencies, funds and programmes, in particular the World Bank, should also commit themselves to accelerating the implementation of the programme for the Second Decade, especially with regard to the development of local expertise and the enhancement of the scientific and technical capabilities of the African countries, and to deploying additional efforts to use different types of South-South cooperation.

60. **Mr. Teshome** (Ethiopia) said that his delegation associated itself with the statement made by the representative of Guyana on behalf of the Group of 77 and China. Since the adoption of General Assembly resolution 52/208, some important developments had taken place on the African continent. The countries of the region had continued their efforts to create an economic environment that was conducive to investment and trade. They had implemented structural adjustment and private sector development programmes and embarked on sectoral programmes that were vital for the development of the economic and social infrastructure necessary to ensure sustainable development. Nevertheless, there was no cause for complacency with regard to the reforms undertaken so far. The role of the industrial sector in the eradication of poverty or the generation of employment remained insignificant. The weakness of that sector was largely due to supply-side rigidities caused by infrastructure bottlenecks and demand constraints arising from the lack of purchasing power. Moreover, policies designed to correct macroeconomic imbalances had failed to factor in coherent strategies focusing on the industrial sector. That loophole in the adjustment programmes, coupled with the trade liberalization that had resulted in an inflow of cheaper commodities, had helped to reduce the demand for locally-produced goods. The integration of Africa into the globalization process through the development of its industrial sector required the improvement of the available human resource base, the diversification of the industrial sector and the provision of the appropriate financial services. The international community should offer genuine cooperation based on the principles of partnership, local ownership and the promotion of national execution, in view of the fact that the efficient use of Africa's mineral, agricultural and human resources could help to promote a healthier global economy.

61. In view of those considerations, his delegation fully endorsed the programmes defined by the Alliance for Africa's Industrialization which called, *inter alia*, for enhanced partnership in the area of capacity-building, the promotion of regional integration, the fostering of national consensus among all the stakeholders in the industrial sector and national ownership of programmes. Within the framework of the Alliance, 11 African countries had been able to develop integrated national programmes that fully complemented their respective overall development strategies. His delegation hoped that the Conference on Industrial Partnership and Investment in Africa, held at Dakar on 20 and 21 October 1999, would help to

secure the technical and financial support required for the integrated programmes that had already been developed, as well as for those that were in the pipeline. The Alliance for Africa's Industrialization deserved support from development partners and international financial institutions.

62. His delegation noted with satisfaction the development of a project to establish an Africa-Asia investment and technology promotion centre, as well as the call made by the G-7 countries for global partnership to address Africa's industrial development problems and enhance Africa's share in the global industrial output.

63. While there were several positive initiatives in the pipeline, it was discouraging to note that the financial resources required for UNIDO-sponsored programmes were not forthcoming. Indeed, the 1998 report of UNIDO indicated that there had been a decrease in the level of the technical cooperation fund and also that 40 per cent of the voluntary contributions approved by donors for UNIDO had gone to support services or institutions in donor countries. His delegation sincerely hoped that the various initiatives concerning industrial partnership and investment in Africa would help to secure the technical and financial resources required for the implementation of the integrated country programmes formulated under the auspices of the Second Industrial Development Decade for Africa. It supported the recommendations in the report of the Secretary-General (A/54/320) on the course to be followed in order to implement the partnership envisaged. A new development-aid-investment link should be established in order to improve human resources and infrastructure in Africa. Development partners should determine how bilateral or multilateral aid could be harnessed to attract foreign private investment to the manufacturing sector in Africa. The use of investment concessions for private sector ventures should also be given serious consideration as they could generate employment.

64. Lastly, his delegation expressed its appreciation for the efforts made by UNIDO to promote industrialization in Africa. It called upon UNIDO to work more closely with the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA) and to accelerate the process of decentralization.

65. **Mr. Bouah-Kamon** (Côte d'Ivoire) said that, for his country, as for the whole of Africa, the subject under consideration was of prime importance, given that industrialization was a mainstay of Africa's economic and social development policy. As was clearly indicated in the report of the Secretary-General (A/54/320), Africa was marginalized in global trade as a result of its heavy dependence on primary products. In that unpromising international context, African countries had undertaken to diversify their production by promoting the manufacturing industry and the processing of raw materials. Such industrialization, which aimed to bring added value to export products with a view to increasing African participation in the global market, faced a number of challenges and hazards, some of them resulting from the effects of globalization. The industrialization of Africa was confronted by adverse factors such as a shortage of financial resources owing to a lack of national savings, heavy external debt, the reduction in official development aid, poor foreign direct investment, the dearth of skilled human resources and the difficulty of access to scientific and technical knowledge. In order to overcome such challenges, the African countries had united in a coalition, the Alliance for Africa's Industrialization. A Plan of Action had been adopted by the Assembly of Heads of State and Government of the Organization of African Unity in June 1996, and a Patrons' Group, supported by a Steering Committee composed of prominent businessmen from the private sector and representatives of Ministries of Industry, had been formed. The Patrons' Group had acknowledged the crucial role of industrialization in the quantitative and qualitative structural transformation of African societies, as well as in the creation of jobs and the eradication of poverty.

66. His delegation welcomed the efforts made by UNIDO to help African countries to resolve the problems involved in establishing an industry that was both modern and efficient. Côte d'Ivoire had based its industrialization strategy on four principles: the endeavour to achieve the maximum enhancement of agricultural production, which was an essential prerequisite for the achievement of a rigorous and internationally competitive industrial development; the adoption of sectoral strategies centred on the development of four main sectors (agriculture, mining, energy and industry); due regard for the integration process of the West African Economic and Monetary Union and the Economic Community of West African

States; and the improvement of relations between public authorities and the private sector with a view to establishing the atmosphere of trust which was crucial to renewed investment and growth.

67. **Mr. Osei-Danquah** (Ghana) said that the structure of Africa's economy had remained unchanged after four decades of independence. Africa had lagged behind the rest of the world in industrial production and some countries on the continent had even experienced de-industrialization. The issue of industrial development in Africa had, however, now assumed greater urgency in the light of the need for the continent to achieve integration into the global economy. The report of the Secretary-General (A/53/320) highlighted both the deepening problems of poverty in Africa, as well as that continent's marginal role in the world economy. As indicated in the report, Africa's rapid economic transformation lay in linking industrial development to agricultural activity, including higher agricultural productivity and enhanced access to learning and technology. However, the economic reform measures which African countries were undertaking within the framework of the World Bank, the International Monetary Fund and donor-driven macroeconomic formulas had killed off local industries, while at the same time sharply raising the cost of learning. On the other hand, the successful implementation of attractive investment and tax policies in many African countries had not led to greater inflows of foreign direct investment. There was therefore a need for continuing refinement of the process begun in Washington to ensure that poverty reduction and other social aspects of development formed the basis of macroeconomic policy. In addition, innovative ways of leveraging capital for industrial development in Africa should be considered. In that regard the use of investment guarantees and risk insurance schemes would have to be expanded and more effectively targeted. Similarly, the efforts to ensure market access for African products on the world market had not had the desired impact in view of the supply-side constraints. Technical assistance would be critical if Africa was to be able to take advantage of future trade preferences.

68. A comprehensive approach was required to ensure the conditions that would support Africa's industrial development. His delegation was gratified to note that UNIDO had begun implementing integrated programmes in developing countries and countries with economies in transition. UNIDO was also rightly stressing the need for a more comprehensive strategy to develop competitiveness in global markets, instead of the present focus on cost and price criteria. Its new strategic partnership with the World Trade Organization (WTO) and its focus on industry and trade issues within the WTO Integrated Framework for the Least Developed Countries were critical steps in pursuing that strategy.

69. The increase in the membership of the Patrons' Group of the Alliance for Africa's Industrialization was an indication of the commitment of African leaders to the industrialization of the continent. It was the responsibility of African Governments to support and strengthen the development of Africa's private sector, for instance by institutionalizing government-private sector consultations at the highest level of decision-making. The Conference of African Ministers of Industry itself would ensure representation of the private sector in its Steering Committee. The African countries should also create conditions for a sound banking sector; that would require support from the international community with a view to capacity-building. A mix of actions at both the national and the international level was required to improve human resource capacity, strengthen technical and management capacity, build infrastructure and enhance domestic resource mobilization. The transfer of technology and skills was also particularly critical, as were research and development issues.

70. His delegation called on Member States to provide UNIDO with political and financial support in view of its role in the promotion of industrialization in Africa. In that regard, his delegation noted that a rise in official development aid levels and the implementation of debt relief measures for the continent would make a significant contribution towards removing the impediments blocking that industrialization. Accordingly, it supported the call for debt-for-industrial-development swaps and the proposal to leverage capital through public and private partnerships in the developed countries for small and medium enterprises (SME) in Africa.

71. The Economic Commission for Africa should continue to exercise its leading role, together with UNIDO, in providing support for the attainment of the goals and objectives of the International Development Decade for Africa (IDDA). The alignment of the IDDA country programme to the United Nations Development

Assistance Framework (UNDAF) should be strengthened, in the context of ensuring greater cooperation with the Bretton Woods institutions, as should the partnership between UNIDO and the United Nations Development Programme (UNDP). Lastly, ECA, together with UNIDO and UNDP, should explore the possibilities of helping regional economic groupings to pool their research and development resources as a way of reducing cost and maximizing output.

72. **Mr. Reshetniak** (Ukraine) said that the process of entrepreneurial development, privatization, demonopolization and administrative deregulation was of special significance to economies in transition, which were laying the foundations for a market economy. Private businesses helped to strengthen economic freedom, to mobilize energy and to encourage people to affirm their sense of initiative and realize their aspirations. Small and medium-sized enterprises had a crucial role to play in spurring the transition to a market economy. The entrepreneurial spirit was a radically new concept for the current generation of Ukrainians. Over the decades, conceptions and objectives that ran counter to that spirit had been thrust on the Ukrainian population, and universally recognized incentives for effective economic growth had been rejected. In addition, Ukraine had inherited the internal contradictions of a planned administrative system, which had accumulated over several decades — a system that was rigid, totally militarized and structurally unbalanced. After Ukraine had gained its independence, the Government had taken decisive measures to renew the economy and to alter the mentality of the people, with a view to freeing market forces and developing a spirit of entrepreneurship. It acknowledged that much more should be done to create a competitive market economy capable of responding to the expanding needs of that society. At a meeting of entrepreneurs held recently in Kiev, the President of Ukraine had identified seven major tasks to be accomplished: completing the privatization process; realizing the right to private ownership of land; protecting creditors, investors, and private property; creating a favourable economic environment; reforming the tax system; strengthening the national currency; and enhancing cooperation with international financial institutions (which included accelerating the process of acceding to the World Trade Organization).

73. In that context, United Nations bodies responsible for economic and social questions had an important role to play in providing technical assistance to developing countries and to those with transition economies. Ukraine benefited from a programme conducted by the Economic Commission for Europe which aimed at the promotion of entrepreneurship in countries in transition. His delegation welcomed the work done in Ukraine both on a multilateral basis (by such organizations as UNCTAD, UNIDO and UNDP) and a bilateral one. To avoid duplication and overlap, it was important to improve coordination among the various organizations and to expand private sector involvement. Ukraine also believed that the use of electronic methods of commerce could help to stimulate entrepreneurship. In that regard, it favoured an in-depth study on the technical, economic, legal and social aspects of electronic commerce under the leadership of UNCTAD.

74. His Government welcomed recent developments in UNIDO. The international community should continue to strengthen that organization by better utilizing its existing capacities, within the limits of its budget, which had been substantially reduced. UNIDO was now in a position to increase its role in coordinating the efforts of various international agencies in the spheres of science, industry and ecology. By virtue of its expertise in the harmonization of legislation, and of the experience it had gained by cooperating with a number of bodies, it had a contribution to make to the globalization process. UNIDO should also place more emphasis on technology transfers, including from economies in transition like Ukraine. His Government was keen to maintain close cooperation with UNIDO in a number of areas and hoped that the national focal point installed in Kiev by UNIDO would enhance that cooperation.

75. **Mr. Howell** (International Labour Organization) said that ILO had a unique relationship with the private sector within the United Nations system, in that it was considered a full partner with governments. The partners were expected to advance the principles underlying the strategic objectives of ILO: promoting fundamental rights at work; ensuring job security and income for all; enhancing social protection and strengthening the social dialogue. The Tripartite Declaration of Principles on Multinational Enterprises and Social Policy, adopted by ILO in 1977, set out the

principles that should be adhered to in the fields of employment, training, working conditions and industrial relations; contributed to the establishment of a partnership of Governments, employers and workers; and ensured a balance between the need to attract direct foreign investment and the need for an equitable and progressive social policy.

76. Confronted by evolving relationships between the world of business and communities at the global, national and local levels, ILO was attempting to forge new ways of assisting and guiding the dialogue. The Second ILO Enterprise Forum, scheduled to be held in Geneva during November 1999, would explore a new concept of enterprise development, which would take into consideration the social dimension. In 1998, ILO had also organized, in collaboration with the United Nations staff college, a series of workshops in Turin which had emphasized the importance of dialogue and practical partnership between United Nations specialized agencies and the national and international business communities with a view to promoting the goals of development. ILO had also taken an active lead in solidifying the global compact between the United Nations and the business community, which had been announced by the Secretary-General at Davos in 1999 and had already resulted in the adoption of measures to encourage the private sector to embrace labour standards, human rights and environmental protection. Lastly, the ILO technical cooperation programme actively promoted employment creation by businesses and cooperatives in many sectors.

77. All those steps reflected the fact that the business community was at the heart of the development process; its role as an investment channel, a developer of natural resources and a provider of jobs, goods and services was, however, far more quantitatively significant. In 1998, ILO had adopted the Declaration on Fundamental Principles and Rights at Work, under which member States undertook to respect the freedom of association, to recognize the right to collective bargaining, to eliminate forced labour, to abolish child labour, and to eliminate job discrimination. Such norms could not exist without mechanisms ensuring responsible practices in the workplace, decent work standards and respect for the fundamental rights of workers whatever their workplace.

78. **Mr. Delaney** (Papua New Guinea) said that an active private sector was the principal means by which a society generated employment and wealth and promoted the delivery of goods and services to its population. Privatization provided Governments with much needed revenue that allowed them effectively to support sustainable development. It was nonetheless unrealistic to expect real growth in the domestic private sector when a country was obliged to spend its export earnings on servicing the debt. The experience of his country showed that a privatization policy was a daunting task that required systematic planning and public acceptance in order to minimize its adverse impact, including the deterioration of social cohesion. His Government was committed to making privatization stimulate productive economic activity, improve overall economic stability and create an enabling environment for investment. Embarking on an ambitious plan, it had opened a stock exchange, and was encouraging enterprises to register, with a view to placing national enterprises on the same path as their international competitors.

79. His Government had overhauled the public sector in order to weed out corruption and to raise confidence among all stakeholders, private businesses, civil servants and political leaders. Furthermore, the promotion of better working conditions should enhance accountability and responsibility. His delegation therefore welcomed the Secretary-General’s call for greater international cooperation in that area, especially by fostering close partnerships among United Nations institutions, the private sector and governments. Each country should be able to make the necessary changes in accordance with its own circumstances and with respect for the shared principles of transparency, good governance and accountability.

80. Lack of infrastructure was one of the basic obstacles preventing the developing countries from achieving self-sufficiency and attracting foreign investors, including transnational corporations. While countries should make substantial investments in national infrastructure facilities, that was no easy task where the required capital and technology were lacking. Training, too, was crucial, and the United Nations funds and programmes and the Bretton Woods institutions had helped to fill the gaps in national programmes in that area. The institutions of countries of the Asia-Pacific region were encountering serious financial difficulties owing to the recession which had followed the Asian financial crisis. Papua New Guinea therefore called upon the United Nations system to continue training programmes for those countries. As a

member of the Asia-Pacific Economic Cooperation forum (APEC), Papua New Guinea was determined to revise trade and investment policies that hindered economic growth and the promotion of local industry, such as trade barriers, monopolies, restrictive trade practices and certain regulatory practices. The establishment, 10 years earlier, of a free-trade zone in the Melanesian subregion had broadened the range of goods traded and had opened up new opportunities for companies.

81. **Mr. Osio** (Nigeria) associated his delegation with the statement made previously by the representative of Guyana on behalf of the Group of 77 and China. With respect to item 98 (a), he observed from the report of the Secretary-General on the implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) (A/54/320) that despite the economic recovery, per capita income in nearly half the countries in Africa south of the Sahara was still lower than it had been 20 years before. Moreover, poverty had deepened and productivity had declined, which was a striking feature of African industrial development. His delegation therefore believed that an industrialization programme for Africa would have little effect unless poverty alleviation measures were included. It supported the recommendations put forward by the United Nations Industrial Development Organization, the Organization of African Unity and the Economic Commission for Africa through the coordinating mechanisms of the Patrons 2 Group to find a solution to the problem of industrialization in the African continent.

82. Turning to item 98 (b), he said that because of globalization, the private sector would not only command an enormous proportion of the world’s resources, but would also play a more important role in determining the economic, political and social stability of many countries. It was thus imperative for Governments and the United Nations system as a whole to go into partnership with it. The report was largely based on the assumption that the developing countries had modern and effective market economies with structures that applied monetary and budget policies, without any external constraints. Yet in many developing countries, 80 per cent of the money in circulation was outside the banking system, and interest rates had no bearing on investment. To improve the economic situation of the developing countries, especially the least advanced among them, United Nations should take a deeper look at the economic structures of those countries and prescribe policy solutions that would reflect the realities on the ground.

83. In many countries, corruption was the single greatest obstacle to development; although the Secretary-General’s report appeared to imply that the Governments of the developing countries must eliminate corruption so as to attract foreign private investment, experience had shown that, in fact, it was the private sector, and in particular certain foreign companies acting in collusion with Government officials, that acted as catalyst in instances of corruption and bribery. The Nigerian Government had given top priority to fighting corruption, and while recognizing the link between business and economic development, it held that the country’s development must be protected from adverse elements of business such as corruption. The Government wished to repatriate some of the funds that had been illegally transferred abroad, and it was counting on the Committee’s support to make that possible. His delegation therefore hoped that the Committee’s draft resolution for the current session would not only reflect that need, but would also request the Sixth Committee to elaborate a convention on the repatriation of such wealth.

84. The report of the Secretary-General also addressed the growing volume of trade both between developing countries and their developed partners and among the developing countries. Nigeria wished to reiterate its call for greater market access for the products of developing countries; to facilitate such access the WTO Rules of Origin must be changed. His delegation therefore invited the United Nations and its specialized agencies to look into the matter in the effort to promote an enabling environment for private sector development, especially in the developing countries.

85. In conclusion, he was delighted that the report took cognizance of the need to embrace certain universal principles and norms, including those relating to the environment and to the promotion of private sector participation in economic growth. His delegation would like to advocate the application of standards in the production systems of foreign companies, especially those in the mineral and petroleum sectors. To maximize profit, some companies operating in developing countries showed an utter disregard for the environment, which they would not contemplate in their own countries of origin.

86. **Mr. Rahmatalla** (Sudan) endorsed the statement made by the representative of Guyana on behalf of the Group of 77 and China. Referring to the report of the Secretary-General (A/54/320), he said that although growth rates in Africa had improved between 1995 and 1998, growth prospects for 1999 and 2000 remained modest in the light of the global economic problems resulting from the recent financial crises. Africa's contribution to world industrial production stood at 0.3 per cent, and foreign direct investments were less than 1 per cent of world total flows. Sub-Saharan Africa's external indebtedness corresponded to 80 per cent of gross national product.

87. In the light of the fact that Africa had been left on the sidelines in trade and foreign direct investment and that poverty had worsened after a decade of structural adjustment programmes, the production base of African economies must be diversified. The international community had undertaken to do so when it had adopted General Assembly resolution 49/142.

88. His delegation fully supported the recommendations of the Secretary-General, and in particular the one relating to the enhancement of value added as a prerequisite for ensuring higher rural incomes. Support for the Second Industrial Development Decade for Africa must be renewed so as to encourage foreign and local private sector investment on that continent and bring Africa's economies back into the mainstream.

89. The Sudan was pleased that UNIDO had finalized programmes in 15 African countries and was planning to develop similar programmes in another 10 countries. Some $150 million would have to be raised to implement those programmes. The Committee should examine the results of the Conference on Industrial Partnerships and Investment in Africa which had been held in Dakar pursuant to General Assembly resolution 52/208.

90. It was to be hoped that the Committee would adopt the initiatives proposed in paragraph 69 of the report, especially the one aimed at establishing debt-for-industrial-development swaps as a financing mechanism for industrial projects.

91. His delegation warmly welcomed the results of the first meeting of the Patrons' Group of Heads of State and Government of the Alliance for Africa's Industrialization, which had been held on 13 July in Algiers. The Sudan, as a crucial partner in the plan drawn up by the Alliance to promote industrial development in Africa, would do everything in its power to facilitate its implementation.

92. **The Chairman** announced that the Committee had completed the general debate on items 98 (a) and 98 (b) of the agenda.

The meeting rose at 12.55 p.m.