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Summary record of the 41st meeting
Held at Headquarters, New York, on Monday, 15 November 1999, at 10 a.m.

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

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99-82430 (E)

The meeting was called to order at 10.25 a.m.

Agenda item 97: Macroeconomic policy questions (*continued*)

(c) Trade and development (*continued*) (A/54/15, parts I-V, A/54/94-S/1999/518, A/54/304, A/54/392 and A/54/486)

1. **Mr. Stevcevski** (The former Yugoslav Republic of Macedonia) said that while it was encouraging that there had been no major trade policy reversals during 1998 and the first part of 1999, many issues remained to be addressed. They included the increase in protectionism following the recent financial crisis; the need for further trade liberalization; reduction and removal of high tariff and other trade barriers; trade imbalances; and the need for a more balanced approach in managing the negative impact of globalization and trade liberalization.

2. Achieving universality in the multilateral trading system should be a major objective of the trade negotiations to be held at the World Trade Organization (WTO) Ministerial Conference in Seattle during the current month. It was not the magnitude or the pace, but the quality, of integration of countries into the world economy that mattered. For that reason, the United Nations Conference on Trade and Development (UNCTAD) should consider various aspects of regional economic integration and development, issues of particular importance to the countries of South-Eastern Europe whose goal was to integrate fully into the European Union common market. It should also pay greater attention to the post-conflict rehabilitation and development of regions such as Kosovo and East Timor.

3. It was important for UNCTAD at its tenth session to offer an integrated perspective on future global development and to provide significant input into preparations for the Millennium Assembly and for all States to be represented at the highest possible level at the session.

4. Landlocked and with an economy in transition, his country needed international economic assistance, particularly in the areas of transport and technology. He therefore welcomed UNCTAD efforts to provide support in those areas.

5. **Ms. Leonce** (Saint Lucia) said that trade in a single commodity accounted for half of her country's total exports and over a third of its jobs. Market access for its exports in that commodity had been eroded and Saint Lucia would soon face the disastrous effects of open competition with its more advanced trading partners. Countries like her own had been given five years in which to restructure and diversify the entire economy, yet one developed country had been given over a decade in which to liberalize an industry peripheral to its already diversified economy.

6. Her Government had often called for fair trade, liberalization of developing and developed markets and differentiation between trading partners on the basis of levels of development, vulnerabilities and inherent constraints. Such treatment should be a contractual obligation under WTO agreements. The same principle should apply to technical assistance provided in support of developing countries' efforts to build their capacities and increase their competitiveness in order to meet their obligations under those agreements.

7. Of course, liberalization did not guarantee growth, nor did growth guarantee an improved standard of living for populations. Wealth was being concentrated in the hands of a few individuals and transnational corporations, whose growing economic power and political clout was helping to shape trading regulations and standards. Her delegation therefore called for the establishment of a code of conduct for such corporations.

8. The Uruguay Round of multilateral trade negotiations had had tremendous benefits for a few countries but few or none for the majority, and its results should be assessed before any further agreements were negotiated. The trading system and, in particular, WTO, should be reviewed in order to correct systemic imbalances with a negative impact on the trading prospects of developing countries. WTO must take into account the impact of its rulings on those countries, particularly vulnerable groups such as the small island developing States. Her delegation was in favour of universal membership in WTO and of an accelerated membership procedure for developing countries.

9. Trade was too important to be dealt with in a superficial or piecemeal fashion. For that reason, WTO should be actively involved, on an equal footing with the Bretton Woods institutions, in the high-level conference on financing for development and UNCTAD should have a substantial input into efforts to ensure the developing countries' effective participation in that conference. Moreover, the Committee, and the Organization as a whole, should reaffirm their credibility by making trade a priority in their deliberations.

10. **Ms. Fahmy** (Egypt) said that UNCTAD was the only body empowered by the General Assembly to deal with issues such as trade, finance, funding, investment, technology and the environment insofar as they had an impact on the international trade regime. It was

inappropriate to confuse its role with that of WTO by claiming trade-related status for issues not within the latter's mandate in order to restrict international trade and to increase growth opportunities for one group of countries at the expense of others.

11. She agreed with the Secretary-General that "merger mania" was sweeping the world (A/54/304, para. 34). For example, efforts were being made to combine the three environmental conventions, to restrict free trade on the basis of social or environmental considerations and to establish an unjustifiable relationship between WTO and the Bretton Woods institutions in order to achieve coordination in economic policy at the international level.

12. Although the report of the Secretary-General on international trade and development (A/54/304) raised important issues, it did not give a true assessment of the impact of international trade on developing countries. For example, while it rightly stated that of the 225 anti-dumping cases initiated in 1998, 143 had targeted developing countries and countries in transition (para. 10), it also seemed to suggest that only a few developing countries were insisting on full implementation of the agreements on agriculture and textiles. The Ministerial Meeting of the Group of 77 and China had established that all the developing countries were making such demands.

13. Many of the proposals contained in the report were in contradiction to the clearly-expressed positions of numerous Member States and to the actual situation of the international trade regime. In particular, special and differential treatment should be granted, not to all developing countries as proposed in paragraph 35 of the report, but only to those which could demonstrate the need for them. Provisions for such treatment, including technical assistance to help developing countries implement WTO agreements and a "grace period" for adaptation of their legislation to the new trade regime, were contained in all WTO agreements.

14. Furthermore, the partnership approach (para. 48), proposed as an alternative to the protectionist measures employed by developed countries on labour- and environment-related issues, was unrealistic; genuine environmental protection would require the developed countries to fulfil their commitments for official development assistance (ODA) and technology transfer.

15. The statement in the report that the WTO Committee on Trade and Environment had an important role to play in the trade and environment debate (para. 49) was out of place since WTO was not, strictly speaking, a United Nations body. Moreover, the discussion of environmental matters in the report demonstrated a confusion between the mandates of UNCTAD, the United Nations Environment Programme (UNEP) and the Commission on Sustainable Development. UNEP and the Commission had no jurisdiction in trade-related matters except under certain General Assembly resolutions that sought to establish a link between trade and the environment for which there was no legal basis.

16. Her Government, like those of most developing countries, considered that all agreements stemming from the Uruguay Round must be implemented in full before any new negotiations were initiated. The next WTO Ministerial Conference should adopt a resolution calling for the implementation of the Marrakesh Declaration and for a review of such implementation no later than 1 January 2001.

17. The Uruguay Round Agreement on Agriculture stipulated that negotiations should begin on 1 January 2000. Those negotiations should assess fulfilment of commitments to reduce local subsidies for agricultural exports; the impact of such commitments on world trade; special and differential treatment for developing countries; and the importance of establishing a just multilateral trade system based on market policies in agricultural products.

18. Accordingly, consultations on any draft resolution on trade and development should focus on the elements agreed to in previous General Assembly resolutions and on the role of UNCTAD as the United Nations body empowered to deal with issues relating to trade, investment and science and technology.

19. **Mr. Cabactulan** (Philippines) expressed his delegation's support for the statements delivered by the representative of Guyana on behalf of the Group of 77 and China, the representative of Thailand on behalf of the Association of South-East Asian Nations and the representative of Australia on behalf of the Cairns Group. His delegation was firmly committed to the reform of the agricultural trading system and the elimination of trade-distorting domestic support and export subsidies. The forthcoming negotiations on agriculture within the framework of the third Ministerial Conference of the World Trade Organization should focus on establishing an environment that would enable developing countries to develop their agricultural potential, based on the principle of special and differential treatment for developing countries. Developing countries must be able to address their development needs, particularly with regard to food security, poverty alleviation and equitable participation in international trade.

20. **Mr. Shikhaliyev** (Azerbaijan) said that the landlocked developing States such as his own required

more active support from the international community and, in particular, from their transit neighbours, in areas such as infrastructure, financing and information exchange. The special problems of those countries should be reflected in the decisions adopted at the tenth session of UNCTAD.

21. His Government was endeavouring to integrate into the world transport system by modernizing its transport and communication systems. Implementation of the multilateral agreement on restoration of the Great Silk Road, to which Azerbaijan was a party, would provide the countries of the Europe-Caucasus-Asia transport corridor with a stable basis for development of their natural resources, more effective use of their economic potential, mutual trade and economic cooperation and further integration into the world economy.

22. His Government also hoped to increase its cooperation with the United Nations and its specialized agencies. It therefore attached great importance to the successful outcome of the Fourth Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions.

(b) Financing of development, including net transfer of resources between developing and developed countries (A/54/471, A/54/512 and Add.1)

23. **Mr. Kinniburgh** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs), introducing the report of the Secretary-General on the financial crisis and its impact on growth and development, especially in the developing countries (A/54/471), said that the financial crisis of 1997-1998 had underscored the inherent instability of international capital flows. In a number of countries with fragile financial systems, the crisis had caused sharp declines in output and widespread human suffering. Those events had led to the recognition that there was a need to improve the management of the international financial system, and to changes in the perception of international financial volatility and its ramifications.

24. Since the crisis, information flows about economies had improved, and various international standards had been updated or broadened to help in the early identification of crises and build investor confidence. A better understanding of the relationship between capital account liberalization and financial sector instability in individual countries had been reached. The new financing mechanisms in IMF, the Contingent Credit Lines and New Arrangements to Borrow, had increased the availability of international financial resources to prevent and deal with crises. It was now generally agreed that adjustment policies must be tailored to the specific circumstances of each country.

25. The recent financial turmoil had also spurred greater dialogue and collaboration within the international community. Although the sense of urgency in international financial reform had diminished, much remained to be done to ensure that the international community was better prepared, in future, to deal with such crises.

26. For example, agreement had yet to be reached on a range of issues, which were discussed in the report of the Secretary-General. First, the reform of the international financial architecture was not complete, and the report contained proposals to strengthen the effectiveness of the IMF and enhance the use of regional institutions and resources. Second, national policy makers should be allowed greater autonomy in managing their external payments, and conditions for international assistance should not infringe on that autonomy. Third, there was a need to achieve more equitable burden-sharing between debtors and creditors and between the private and public sectors in resolving international debt crises, through a more comprehensive approach to the renegotiation of debt repayment in crisis situations. Fourth, the line between balance-of-payments adjustment and strategies for economic and social development had eroded in recent years and must again be drawn more sharply. Fifth, developing and transition economies were not adequately represented in international economic policy-making or in the reform of the international financial architecture. Broader representation would better reflect different stages of development and varying financial circumstances and requirements.

27. **Mr. Kregel** (United Nations Conference on Trade and Development (UNCTAD)), introducing the note by the United Nations Conference on Trade and Development (A/54/512 and Add.1), said that it, *inter alia*, provided a brief analysis of the causes of instability and crisis and offered policy responses and conclusions.

28. Recent experience showed that any country closely integrated into the global financial system was susceptible to crisis. Developing countries were particularly vulnerable, in part, because of their dependence on foreign capital. In an ideal world, global financial arrangements would include some combination of improved disclosure and transparency, both public and private; effective surveillance of the national macroeconomic and financial policy; globally agreed but nationally implemented rules for the control of capital flows through oversight of

international lenders and borrowers; an international lender of last resort with discretion to create its own liquidity; and orderly debt workout procedures in international finance.

29. In the view of the UNCTAD secretariat, developing countries would benefit from a more flexible approach. The autonomy of those countries in the management of capital flows or in choosing capital account regimes should not be constrained by international agreements on capital account convertibility, international investment or trade in financial services.

30. **Mr. Talbot** (Guyana), speaking on behalf of the Group of 77 and China, said that the inherent instability of international financial markets and the particular vulnerability of developing countries in the current financial environment was widely acknowledged. While developed countries had remained relatively unscathed by the recent financial crisis, in developing countries the gains of decades of economic and social progress had been erased overnight and millions had been thrown back into poverty. Understandably, the financial crisis and the resulting economic and social fallout had given rise to energetic debate regarding the ability of the existing international financial architecture to cope with or prevent recurrent crises. The debate had also focused on the implications of globalization for growth and development.

31. The report of the Secretary-General (A/54/471) acknowledged the shortcomings of measures envisaged in General Assembly resolution 53/172 to address the effects of the financial crisis and underlined the need for additional ways to cope with the volatility of international financial markets. A continuing debate on institutional issues was essential in order to promote a stable and equitable international financial system that was supportive of long-term development. The Group of 77, while concurring with the avenues for further action outlined in the report, was of the view that the development dimension could be further strengthened.

32. **Mr. Kääriäinen** (Finland), speaking on behalf of the European Union and the associated countries Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, as well as Cyprus and Malta, said that the international community must find ways to support the actions at the national level of those countries which suffered most during periods of financial turmoil. The European Union welcomed the enhanced cooperation between the United Nations system, the Bretton Woods institutions and other relevant international organizations in their efforts to strengthen and improve policy. Adequate and timely information on the macroeconomic situation in different parts of the world was essential for early warning efforts, and sound macroeconomic policies to strengthen institutional capacity and regulatory frameworks, as well as domestic banking systems, were also essential.

33. Global financial integration had helped generate strong private capital flows to some developing countries, but had also posed enormous challenges to national financial and banking systems in terms of ensuring the sustainability of those flows. In order to improve predictability of private flows and maintain investor confidence, policy measures were needed to strengthen the domestic financial sector and put regulatory reform in place, where necessary.

34. The most important source of financing for development was domestic, including government expenditure, national savings and internal revenues. Domestic resource mobilization had a key role to play in achieving sustainable growth. The European Union was working to enhance the complementarity of various forms of financing for development and the involvement of the private sector. In addition, further effort was needed towards the fulfilment of the target of 0.7 per cent of GNP for official development assistance, although such resources should be complementary to other sources and not the primary source for development financing. The debt situation in many developing countries was still a cause for concern. Recent developments in the World Bank and IMF raised hopes for improvement, however, if financing and full implementation of the Highly Indebted Poor Countries Debt Initiative could be secured.

35. **Mr. Robertson** (New Zealand) said that his delegation was committed to joining in the efforts to address the issues raised in the wake of the recent international financial crisis, namely, how to address stability in financial markets, how to find appropriate domestic and international policies to meet developmental challenges and how to secure greater coherence in the international financial and development system.

36. Official development assistance remained a key element in meeting the challenges of global development and seizing the opportunities offered by globalization. New Zealand was committed to increasing its official development assistance, as it had done every year for the past decade, and was working towards the agreed international target. In his country's experience, an international and domestic environment which facilitated growth and development must be founded on stable markets, open and fair trade, good governance and sound economic management. The specific vulnerabilities and

constraints of small island developing States must also be addressed; his delegation therefore welcomed the renewed commitment to the implementation of the Barbados Programme of Action made during the recent twenty-second special session of the General Assembly.

37. Meeting global development challenges required a coordinated approach at all levels, particularly the international level, and thus the growing collaboration between the United Nations system and the international financial institutions was welcome. His delegation looked forward to participation in the international conference on financing for development in 2001 and its preparatory process, and believed that early involvement of the Bretton Woods institutions was essential. Participants must ensure that the conference focused on concrete, action-oriented outcomes.

38. **Mr. Bocoum** (Mali) expressed his delegation's support for the statement delivered by the representative of Guyana on behalf of the Group of 77 and China. The decline in official development assistance in the face of a mounting debt burden gave the developing countries cause for grave concern. He noted with alarm that social and economic development had seemed to be offset by negative economic growth in recent years; it was estimated that, in 25 years, half of the planet's 8 billion people would live on less than $2 a day and 1.8 billion, on less than $1 a day. Indeed, globalization had increased the developing countries' dependence on the developed countries, and trade liberalization had led to a decrease in the income developing countries derived from export taxes. Another major handicap to financing for development was price fluctuation in commodities, which now accounted for only 20 per cent of international trade.

39. The heavy debt burden of developing countries was eroding their already scarce resources. In 1998, the African debt had amounted to $350 billion, equivalent to 300 per cent of the continent's exports of goods and services and 100 per cent of its gross domestic product. The overall trends in the international economy should be a constant source of concern to the international community. The state of the African economies demonstrated that an unfavourable international economic environment was an obstacle to sustainable development and growth. The African debt situation was particularly worrying in the light of the continent's deteriorating socio-economic conditions. Indeed, in its most recent report, the Economic Commission for Africa had indicated that the African debt was irrecoverable. The situation called for urgent and adequate measures.

40. His delegation therefore welcomed the Group of Seven's Cologne debt initiative cancelling 90 per cent of the debt of the heavily indebted poor countries (HIPCs), representing some $15 billion. It called on the creditor community to follow the example of President Clinton of the United States of America, who had decided to forgive the full amount of the debt owed to the United States by countries which promised to reallocate debt-servicing resources to social programmes. Thanks to the Heavily Indebted Poor Countries Debt Initiative, Mali had been able to strengthen its poverty reduction programme and accelerate the implementation of priority social programmes. The Initiative, however, was too limited in scope, too slow to have a significant impact and had too many conditionalities attached to it.

41. His delegation supported the solutions outlined in the report of the Secretary-General on recent developments in the debt situation of developing countries (A/54/370), in particular, the 80 per cent reduction on official bilateral debt to all heavily indebted poor countries (HIPCs); the full cancellation of bilateral official debts for post-conflict countries, countries affected by serious natural disasters, and countries with very low social and human development indicators; the implementation of measures to reverse the current trend of declining official development assistance; the allocation of new aid funds for social and human development projects and poverty reduction; and the adoption of procedures to release resources for HIPC relief without impinging on regular budgets for official development assistance.

42. In addition to helping to finance programmes and projects in developing countries, the international community could lift non-tariff barriers, such as quotas and anti-dumping measures, and increase aid flows, direct investments and technical assistance in order to strengthen national capacities, particularly human resources.

43. **Mr. Escanero** (Mexico), speaking on behalf of the Rio Group, said that the adoption of resolution 53/172 on the financial crisis and its impact on growth and development, especially in the developing countries had been a highlight of the previous session of the General Assembly. On the basis of that resolution and in order to provide input to the report being prepared by the Secretary-General, his Government, with the support of the Economic Commission for Latin America and the Caribbean, had organized a High-level Regional Meeting "Towards a stable and predictable international financial system and its relationship to social development", which had been held in Mexico City from 5 to 7 September (A/54/384). He reaffirmed the commitment of the Latin American and Caribbean countries to continue

participating actively in efforts to establish a new financial architecture with strong linkages between economic and social development. The United Nations had a key role to play in that connection. The Rio Group would actively support consensus-building in order to improve early warning, prevention and response capabilities for dealing with financial crises.

44. **Mr. Kolby** (Norway) said that, despite the positive turn in the overall trend of net financial flows to developing countries and the projected growth figures for 2000 (5 per cent in Africa and 4 per cent in Latin America), a much higher growth rate and a redistribution of assets and incomes would be necessary in order to meet the international development goals. The development of the developing countries was hampered by a debt burden equivalent to a huge proportion of their export revenues (over 50 per cent in Latin America and nearly 30 per cent in Africa) and by protectionism; rigid quality standards that were difficult to meet; and falling commodity prices. Domestic obstacles included developing countries' lack of ownership of their development programmes; their lack of adequate legal and institutional frameworks for private-sector development and investment; and corruption. Given that situation, attainment of the international development goals would require extraordinary and serious efforts by both developing and industrialized countries.

45. On the positive side, he noted changing attitudes on the part of donors and greater reliance on partnerships and cooperation modalities that took a macro view of development; developing countries' efforts to acquire genuine ownership of their development; a strengthened commitment to fight corruption; and the release of resources under the Heavily Indebted Poor Countries Debt Initiative. He called for greater policy coherence in all areas, rather than in just the limited sector of development assistance, in order to achieve the international development goal of reducing absolute poverty by 50 per cent by the year 2015. There was also a need to improve developing countries' access to world markets, particularly in the industrialized countries, and for the developed countries to discontinue subsidized exports, which seriously hampered the competitiveness of producers in developing countries.

46. **Mr. Fedorchenko** (Russian Federation) said that the financial crisis of 1997-1998 had heightened the difficulties of development financing in developing countries and those with transition economies, including Russia. Furthermore, the lingering effects of the crisis limited the potential of those countries to mobilize their own resources for development. The slowdown in economic growth and its related social problems were proof that international financial support was still important, and the urgent need to attract resources for development remained.

47. His delegation noted the growing cooperation between the United Nations, the Bretton Woods institutions, WTO and bilateral donors, as demonstrated by the widespread support for the proposed high-level international forum on financing for development. Among priorities for international cooperation, his delegation would include active support from the United Nations for capacity-building in developing countries and transition economies in order to mobilize domestic resources for development, through high-quality advisory and support services in the areas of policy, budget structures, attracting foreign investment and private sector development.

48. The report of the Secretary-General noted some progress in exchange of information, transparency, a review of rules and standards and regulation of the banking sector. However, the reform of the international financial system was still under way, and the United Nations could play a very useful part in the discussions, in the specific areas of monitoring, forecasting, early warning and response in the event of another financial crisis.

49. **Mr. Sadjadi** (Islamic Republic of Iran) said that the large outflow of resources from developing countries (nearly $60 billion in 1998), high interest rates and the recent turmoil in South-East Asia had illustrated the contagion and global risks of financial crises. Global crises should be addressed globally; traditional national responses were no longer adequate to deal with them.

50. He noted that the East Asia and Pacific and Latin American and Caribbean regions had become the most attractive locations for foreign capital, and that over 90 per cent of net capital inflows to the developing world in the 1990s had gone to only 20 countries. The transition from largely public to largely private-sector capital inflows to developing countries and the increased role of institutional investors, such as insurance companies, pension funds and mutual funds posed new challenges that were likely to be around for a long time.

51. Those challenges must be tackled through inclusion of the developing countries in decision-making in the new international financial architecture, coordination of macroeconomic policies and improved information flows. His delegation welcomed recent initiatives for institutional consultation among developed and some developing countries and called for greater coordination among international financial, monetary and trade systems; a more equitable distribution of capital flows; the integration of all developing countries in the international economy; strengthened regulatory and supervisory mechanisms in

financial and capital markets, and particularly in the banking system; and technical assistance and capacity-building in developing countries in the area of banking supervision.

The meeting rose at 12.15 p.m.