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

Held at the Palais des Nations
from 7 to 18 October 2002

Rapporteur: Mr. Mehdi Fakheri (Iran)

Speakers:

President

Secretary-General of UNCTAD

Egypt for the G77 and China

Denmark for the EU

United Kingdom

Finland

Indonesia for the Asian Group and

China

South Africa for the African Group

Benin for the least developed
countries

Russian Federation

Bangladesh

United States of America

Switzerland

Japan

Norway

Mozambique

Note for delegations

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

Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 23 October 2002** at the latest, to:

UNCTAD Editorial Section, Room E.8108, Fax No. 907 0056, Tel. No. 907 5656/1066.

OPENING STATEMENTS

1. The **President** said that the contribution made by UNCTAD to consensus building was widely recognized. Group D acknowledged the importance of UNCTAD, and hoped that the concerns of countries with economies in transition would receive increasing attention. With regard to the work of the session, under agenda item 3 on interdependence, key issues would include market access, the impact on development prospects of the emergence of international production networks for products such as clothing, telecommunications and audiovisual goods, and the impact of unfavourable price movements for the exports of labour-intensive manufactures on the contribution of trade to development prospects. With regard to item 4 on LDCs, he noted that building effective and sustained capacity in LDCs was complex and required a long-term perspective. On the question of LDC status, the intention would be to raise policy issues related to the question of effective benefits derived from LDC status with a view to identifying ways and means of better targeting benefits and to improving their use by LDCs. Concerning item 5 on Africa, a major concern raised in the secretariat's report was that, while the current approach rightly emphasized the central role of rapid and sustained growth in poverty alleviation, it continued to endorse the very stabilization policies and structural reforms that had barely succeeded in bringing about growth and reducing poverty in Africa over the past two decades. Increasing the probability of success of the strategy to reduce poverty in Africa called for a reconsideration of the respective responsibilities of national authorities and the international community. With regard to item 7(b) on technical assistance to the Palestinian people, the ongoing crisis in the region had not only eroded the benefits reaped from development efforts over the last decade, it had also effectively set the economy on a path of de-development. The depletion of the economy's coping strategies threatened to produce long-term dependencies and increased vulnerability, hence the urgent need for renewed development efforts to strengthen the economy's resilience, while setting it on the path of sustained recovery. Finally, concerning the post-Doha programme, questions that could be considered would be whether a development-friendly outcome was guaranteed and how successful the Doha work programme would be in reorienting the WTO system towards development.

2. The **Secretary-General of UNCTAD** said that the current international situation contained two particular dangers. One was the risk that development problems might once again take a secondary place in international considerations as political and strategic issues came to the forefront. The second was that, because of the concentration on security matters, attention might be wholly distracted from the process of providing developing countries and countries in transition with the conditions they needed for their development.

3. The so-called post-cold-war period had now come to an end. Having started with the crumbling of the Berlin Wall, it had seen the demolition of physical or legal barriers among countries or among people, including *apartheid*, the wall between the two Germanies, and the walls that had prevented countries in the former Soviet Union achieving their independence.

There had also been a promise of the demolition of barriers in trade, finance, investment and technology. The new period seemed to be ushering in a new kind of cold war, but in contrast with the former period, actual war was no longer improbable; on the contrary, it was becoming a growing likelihood. This meant that yesterday's subjects were losing their importance, practically by the day. For example, globalization was not going to go away, but the debate about globalization was fast losing its importance for the simple reason that political considerations were again reasserting their primacy over the economic sphere. A war against Iraq would certainly impact on the world economy, but this was not regarded as the central issue in the debate, because other considerations closely related to security and political matters were receiving more attention.

4. The best image of the new phase of history now starting was not the image of aeroplanes hitting the World Trade Centre, but the building of new walls - physical walls designed to prevent the infiltration of terrorists; legal and political walls against immigrants or economic refugees; trade and economic barriers against specific products, particularly sensitive agriculture products from developing countries; walls against anti-globalization demonstrators, as seen every time there was a major conference; and all kinds of walls to protect public buildings. In many cases, walls might be necessary, but they were usually the expression of a failure to solve problems. Of course, real threats had to be taken seriously, but the problem went far beyond terrorism, which was the expression of something much larger, namely insecurity. The roots of today's insecurity were multiple, and the solidarity required to face up to it must be indivisible if it was to exist at all. Indivisible solidarity was essential in the face of such problems as global warming or AIDS but also in the struggle against extreme poverty, desperation, and frustration.

5. One comforting fact was that, in international trade, it had been possible so far to preserve multilateral structures, and it would be important to ensure that the multilateral approach concentrated on demolishing barriers and not erecting new ones. Another important idea was that the economy should not be seen as indifferent to moral and ethical values. One of the excesses of the period of illusion about globalization had been precisely the idea that the economy was like astronomy or physics, i.e. completely neutral in terms of moral or ethical values. However, corruption was there to disprove that, and it affected not only Governments, but also markets. Both Governments and markets required a moral basis for their proper functioning. Markets could not operate when they were dominated by opportunist inside traders and players, Governments could not operate as they should when dominated by the behaviour of the corrupt and greedy, and development itself was impossible unless both markets and Governments functioned properly, in partnership. Many aspects of the so-called failure of development during the last fifty years could be readily explained if that precept was borne in mind.

6. The representative of **Egypt**, speaking on behalf of the **Group of 77 and China**, said the negative consequences of the uncertainty prevailing in the world at the time of the Board's forty-eighth session remained. While most of these consequences were features of the developed world, they affected the developing world in equal measure. In addition,

globalization, which was closely linked to the evolving international trading system, had had a number of adverse consequences.

7. Economists had forecast that the slowdown in the world economy could be reversed sooner than expected. This process would be initiated in the developed world, which had a wide range of tools at its disposal, unlike the countries of the developing world. In the latter, the difficulties created by economic crises were more severe, and manifested themselves at the social and human levels as well. The fragility of structures in those countries did not allow economic adjustment measures to interact easily, particularly because of the absence or weakness of any meaningful monetary or fiscal policies to provide safety nets for the population. Nevertheless, most of the international focus was on the developed countries and synergies between their various sectors. The role of UNCTAD was therefore crucial, for it adopted a developmental perspective in dealing with changes in the world economy. It performed an important task in this respect through its analytical work and technical assistance programmes. The Group of 77 and China extended their full support to UNCTAD, and invited member States to continue working together to strengthen the organization.

8. The representative of **Denmark**, speaking on behalf of the **European Union (EU)**, expressed his appreciation for the secretariat's work in the past year, during which the Mid-Term Review had been held. UNCTAD XI should establish clear priorities for UNCTAD's work and contribute to a more coherent and focused work programme.

9. It was appropriate that the high-level segment was focusing on the Doha Development Agenda, since the EU had advocated that UNCTAD concentrate on the follow-up to the Doha Declaration. Discussions should be oriented towards support for developing countries in achieving the objectives of the Development Agenda. With regard to the item on interdependence, there was a need to discuss how trade could be of greater benefit to all and how it could make a greater contribution to poverty reduction. Since the poorest countries had been affected most by the slowdown in the world economy, the session should examine UNCTAD's contribution to LDCs' development through capacity-building and the provision of policy advice. The EU was looking forward to the discussions on Africa and the review of technical assistance. With regard to the former, the New Partnership for the Development of Africa was a promising initiative that exemplified African leaders' determination to take responsibility for the development of their countries.

10. The representative of the **United Kingdom** said that his country was about to make a number of extrabudgetary contributions for UNCTAD's work on investment. They would include £387,000 over 18 months to provide capacity-building technical assistance for developing countries in the context of paragraph 21 of the Doha Ministerial Declaration, as well as support for the preparation of the 2003 World Investment Report and for the participation of developing country experts in the two expert meetings on investment in 2002.

11. The representative of **Finland** said that the promise of expert meetings had not yet been fulfilled. His country supported efforts to ensure long-term financing for the meetings,

and it would be making a contribution of 100,000 euros to finance the participation of experts from LDCs.

12. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China**, said that, as emphasized by the Secretary-General of UNCTAD, the main problem for the developing countries and the LDCs was not so much globalization and liberalization as those countries' lack of the necessary capacity to adjust to their pace. At the same time they were confronted with a wide range of unfavourable international trade practices, while the provisions contained in the WTO agreements did not take into account the developing countries' varying capacities and stages of development. The other major obstacle was the lack of political will and commitment on the part of the developed countries to allow special and differential treatment provisions to become effective.

13. Since developing countries had to participate effectively in the world economy, the main challenge was to improve their capacity for participation. Although most of the responsibility for doing so lay with the developing countries themselves, it was difficult if not impossible for them to take their place on the world stage owing to the imbalances and asymmetries in the global trading and financial system and the absence of an enabling international environment. Consequently, it was crucial to ensure that current economic arrangements were mutually reinforcing in order to support equitable, rapid and sustainable growth and development. Likewise, reform of multilateral arrangements and global policies would be required in order to give developing countries more flexibility in responding to the changes and challenges brought about by increasingly rapid globalization. In addition, there was a need for measures to achieve greater coherence and coordination of global economic policy making, as well as increased participation by developing countries in international institutional arrangements.

14. Lastly, the world needed a more balanced trade system, with more equitable international trade rules. The post-Doha work programme should therefore be directed towards removing the imbalances in the international trade system, as well as the full implementation of its development dimensions. In this context, the role of UNCTAD in helping developing countries was becoming more critical as the challenges facing them became more complex and daunting.

15. The representative of **South Africa**, speaking on behalf of the African Group, said that Africa was still the most marginalized of all continents, and the time had come to take action to remedy the dire situation of its peoples. Recent UNCTAD analyses indicated that conventional approaches to economic liberalization and poverty reduction had not worked in most African countries, and there was therefore a need to further refine development policies and strategies.

16. A bold new initiative had been taken – the New Partnership for Africa's Development (NEPAD) – which was based on what Africa considered to be the necessary conditions to free the continent from poverty and underdevelopment. The positive response from the

international community would go a long way to ensuring that NEPAD's objectives were attained.

17. There was great uncertainty with regard to the world economy. The prospects for a global economic recovery continued to be dominated by the performance of the United States, the euro zone countries and Japan, all of which had consistently revised their growth forecasts downwards. There were growing concerns about the volatility of exchange rates, plummeting share prices and unstable oil prices. It was becoming increasingly clear that an even distribution of demand and harmonized macroeconomic policies among the major economies held out better prospects for a sustained recovery of the global economy.

18. Continuing protectionist trends in the United States and Europe had impacted negatively on the optimism that had emerged from the Doha Ministerial Meeting. More seriously, the promotion of agricultural projects in the South, with no concomitant policy reforms in the North, had led to a very sharp fall in commodity prices, leaving at least 25 million farmers in more than 50 countries with the barest minimum on which to survive. The unstable international financial system and the lack of orderly procedures for international debt continued to undermine efforts to intervene in crisis situations.

19. An international consensus was emerging with regard to ways of tackling poverty. Poverty reduction was increasingly forming the basis on which African Governments and their development partners were designing their programmes. As had become clear at the World Summit on Sustainable Development, poverty reduction was not simply related to fiscal planning but involved a wider set of imperatives – social, economic and environmental. The Monterrey International Conference on Financing for Development showed that development assistance needed to be accompanied by policy reforms by the rich nations in favour of the poor ones. Furthermore, international agencies and financial institutions must work together more closely to avoid conflicting policy recommendations and prescriptions for those in need of their help, and the donor community should harmonize its policies, practices and procedures. In this context, Policy Reduction Strategy Papers, while being important tools, were administratively burdensome in their formulation and implementation, and could therefore be linked to, inter alia, national budgetary processes and other mechanisms of external finance.

20. The African Group was pleased with the work carried out by UNCTAD's Office of the Special Coordinator for LDCs. The newly established Office of the High Representative in New York should complement UNCTAD's activities on behalf of the LDCs. The Group hoped that paragraph 3 of United Nations General Assembly resolution 56/277, calling on the UN Secretary-General to enhance UNCTAD's operational activities, would be implemented as soon as possible.

21. The representative of **Benin**, speaking on behalf of the **least developed countries**, noted that the world economy was characterized by a number of disparities and that the developing countries, particularly the least developed countries, were subject to various restrictions and limitations. Analyses had shown that there was a significant link between

trade, development and poverty reduction. The work programme adopted at the Doha Ministerial Meeting had defined the strategic framework for concrete action which, if carried out, would enable the developing countries, and particularly the least developed countries, to respond to the challenges facing them.

22. If the liberalization of global trade, which was the cornerstone of current negotiations, were achieved, the resulting expansion of the world economy would generate \$2,500 billion and free some 320 million people from extreme poverty over the next 13 years, in accordance with the objective set by the Millennium Declaration. However, at the present time world trade was still seriously distorted by various negative factors, including high tariffs, an increasing number of technical barriers to trade and export subsidies.

23. To ensure developing countries' effective integration into international trade, the rules and principles to be formulated in the current negotiations would have to take into account the specific situation of those countries, with attention being given to special and differential treatment for them because of their structural weaknesses and constraints. Consequently, emphasis should be placed on the need to provide the developing countries with technical assistance for enhancing resources and capacity building, which were indispensable for competitiveness in world markets. The relevant projects and programmes, such as the Integrated Framework Programme and the Joint Integrated Technical Assistance Programme, should therefore be provided with sufficient resources to ensure their orderly implementation, strengthening and extension to other countries.

24. In conclusion, he said that the developing countries in the process of accession to the World Trade Organization required technical support to cope with the rules, disciplines and procedures involved in that process, which imposed many burdens on them and necessitated the mobilization of both human and financial resources. In that connection, the "accelerated procedure" for acceding countries should be followed.

25. The representative of the **Russian Federation** said that it was important to provide countries with economies in transition and developing countries with support in multilateral trade negotiations in WTO. UNCTAD had a comparative advantage in a number of issues relating to the negotiations, and through its analysis, consensus-building and technical cooperation, it should contribute to the preparatory process for those negotiations. The capacity building and technical cooperation plan developed by UNCTAD in connection with the Doha work programme was a step forward, but given the resource constraints, priorities would have to be set. All UNCTAD activities should be based on the principle of universality, meaning that the specific interests of each country or group of countries should be given due attention. UNCTAD's technical cooperation was effective and had a real impact, and it was important that such cooperation be extended to countries acceding to WTO. Finally, globalization should logically produce a general rise in living standards throughout the world. UNCTAD's analyses of globalization and its forecasts of the consequences for developing countries and countries in transition were greatly appreciated, and it was hoped that the analytical potential of the organization would be used not only to analyse but also to develop concrete recommendations for the Governments of developing

countries and countries with economies in transition with regard to overcoming the possible negative effects of globalization.

26. The representative of **Bangladesh** observed that globalization seemed to have different meanings for different groups. For multilateral development and financial institutions, it was the key to the future, whereas those adversely affected by it had other views. Everyone knew the opportunities it offered, but they had to be shared equitably. UNCTAD was able to provide insights that could be of assistance to developing countries in this process.

27. The developing countries were constantly being reminded of the gains that could accrue from free trade. However, there appeared to be no explanation for the tariff and non-tariff barriers confronting developing countries' exports to the industrialized world. Furthermore, it was not possible for developing countries to compete in agricultural markets when some developed countries provided their farmers with subsidies totalling over a billion dollars a day. However, the removal of existing trade barriers could provide developing countries with \$1.5 trillion over a decade, which would lift an additional 300 million people out of poverty by 2015. UNCTAD should play a leading role in drawing attention to the inequities in the multilateral trading system and suggesting remedial measures.

28. It must be asked whether the underdeveloped capital markets of developing countries could withstand the shocks transmitted through a freely operating global financial network. Since not many developing countries could deal with these by insulating their currency, the best solution might be to put in place appropriate controls or an effective regulatory framework.

29. With regard to development efforts, he urged the LDCs' development partners to further strengthen the LDC Trust Fund so that UNCTAD could offer targeted capacity-building programmes. As the *Least Developed Countries Report 2002* had emphasized, rapid poverty reduction in LDCs was largely dependent on a supportive international environment.

30. In conclusion, he noted that many who had once advocated the unregulated operation of the market now emphasized the need for institutions to facilitate the effective functioning of market forces. It was now recognized that development was also dependent on international arrangements and policies in the areas of trade, finance, debt, investment and technology. As mandated by the Bangkok Plan of Action, and reiterated during the Mid-term Review, UNCTAD should continue to undertake research and policy analysis in those areas.

31. The representative of the **United States of America** said that recent summits had changed the dialogue on development, with more emphasis now being given to national enabling conditions and the mobilization of private resources. His Government's establishment of the Millennium Challenge Account reflected its commitment to helping countries that were themselves committed to good governance, investment in people and promotion of economic freedom. Some items on the Board's agenda might overlap with efforts in other fora, and in that connection UNCTAD should support the efforts of the

Secretary-General of the UN in reviewing activities to identify any that had lost their relevance. His Government attached particular importance to trade-related capacity building, since trade was a key aspect of poverty reduction. A number of initiatives designed to liberalize global trade in agriculture and services and to improve market access for developing countries were on the table, and UNCTAD had an important role to play in that connection, but it must reject efforts by anti-free-trade skeptics to thwart trade liberalization. Reducing and then eliminating barriers to agricultural trade would have a great impact on economic growth in all countries. For Africa, trade liberalization and integration into the world economy were key to sustained economic growth. Efforts should focus on fostering partnerships for growth, and as African countries consolidated democracy and sound economic management, the industrialized countries would respond with support in respect of peace and security, capacity building, trade, FDI and more effective ODA. With regard to UNCTAD, his delegation welcomed the efforts being made with regard to absorptive capacity and internal evaluation of technical cooperation, but felt that still more was needed to ensure rapid filling of vacancies.

32. The representative of **Switzerland** said that, with regard to the high-level segment on the post-Doha process, the developing countries needed technical assistance for the negotiations, but they also needed assistance for capacity building. The Integrated Framework and JITAP could contribute in that connection, in particular with their emphasis on inter-agency cooperation. The *Trade and Development Report 2002* presented a rather pessimistic picture of the world economic situation and the fragility of some developing countries, but the increase in the exports of developing countries as a whole and the increasing share of manufactures in those exports was in fact encouraging. UNCTAD's intensification of its activities in favour of LDCs was welcome, but the analysis of the LDC status might send the wrong signals to LDCs. The Board should be provided with further information on the relationship between UNCTAD and the Office of the High Representative in New York.

33. On Africa, the secretariat was critical of the Poverty Reduction Strategy Papers, and it was true that some problems had arisen in that connection, but appropriate measures were being taken on ownership, follow-up and costs, and the process was going in the right direction. With regard to technical cooperation, his delegation welcomed the Working Party's recommendation on the incorporation of strategic goals in the annual technical assistance reports, as well as on indicators of achievement.

34. The representative of **Japan** said that his country attached particular importance to the Declaration adopted by the Fourth WTO Ministerial Conference, which dealt with matters of special concern to developing countries. Japan continued to try to help developing countries on various issues in that connection, including implementation issues, improvement of market access for LDC products, and trade-related technical cooperation.

35. The representative of **Norway** said that UNCTAD had a crucial role to play, not only in matters connected with the Doha Ministerial Declaration but also in the follow-up to the World Summit on Sustainable Development, the International Conference on Financing for

Development, and other events. UNCTAD was not replaceable; it was the only institution in the United Nations system mandated to review overall trade issues in a development context. Of course, as with the rest of the UN system, its efficiency and effectiveness could be enhanced, but that did not reduce its relevance.

36. The representative of **Mozambique** thanked the Board for welcoming his country to the membership.