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**Second Committee****Summary record of the 22nd meeting**

Held at Headquarters, New York, on Monday, 5 November 2001, at 10 a.m.

*Chairman:* Mr. Barnwell (Vice-Chairman) ..... (Guyana)  
*later:* Mr. Djumala (Vice-Chairman) ..... (Indonesia)  
*later:* Mr. Barnwell (Vice-Chairman) ..... (Guyana)

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*In the absence of Mr. Seixas da Costa (Portugal) Mr. Barnwell (Guyana), Vice-Chairman, took the Chair.*

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

**Agenda item 96: Sectoral policy questions (A/56/358 and A/C.2/56/3)**

**(a) Business and development (A/56/403, A/56/442)**

**(b) Industrial development cooperation (A/56/139)**

1. **Mr. Szeremeta** (Division for Public Economics and Public Administration, Department of Economic and Social Affairs), introducing the report of the Secretary-General on business and development (A/56/442), said that achieving the goals of the Millennium Declaration was a daunting task. Indeed in view of the fact that the bulk of the global gross domestic product was now produced by the private sector, it would be an impossible one without the active involvement of the business community. The report therefore addressed two key questions: what did it take to secure entrepreneurial development in the world and what did it take to secure that business behaved in a “socially responsible” way?

2. The report highlighted global trends in entrepreneurial development, the main features of entrepreneurship, and key aspects of financing for entrepreneurs. It also identified important issues related to entrepreneurship development, such as property rights, knowledge acquisition, regulatory framework and governance.

3. The report presented views on the responsibility of business, including the Secretary-General’s Global Compact initiative, and discussed the social responsibility of business as a “near-rational” economic choice. It also emphasized the role of public opinion and highlighted current trends of the discussion on socially responsible ways to conduct business.

4. The enormity of the task and the crucial role business played in economic growth and in shaping the overall framework for human development continued to make the subject of the report a relevant topic for further study and discussion. It also remained a very complex problem. While the report had tried to address some of the facets, more reflection and analysis seemed necessary. The Secretariat was ready to undertake in-

depth study and to gather and analyse best practices relating to questions of interest raised by Member States. Regulatory reform and corporate governance seemed to be emerging as subjects deserving special attention.

5. **Ms. Freudenschuss-Reichl** (Special Representative and Assistant Director-General for United Nations Affairs, United Nations Industrial Development Organization), introducing the report of the Secretary-General on implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) (A/56/139), said that the picture emerging from it underlined the great challenges which continued to confront the continent’s productive sector. The contribution of the manufacturing sector to gross domestic product in Africa was lower than that in Latin America and South and East Asia, and the manufacturing value added during the 1990s was negative in all subregions of Africa except North Africa. Industrial development in Africa was constrained by both external and domestic environments.

6. The major challenges to economic and industrial development examined in the report comprised debilitating poverty levels, limited financial and investment resources, obsolete technologies, the virtual absence of information and communication technologies, Africa’s weak human resource base, insufficient physical and institutional infrastructures, and the state of democratic institutions and good governance.

7. Two areas seemed to be crucial for an accelerated industrialization of Africa in line with the requirements of sustainable development. They were access to energy and better access to technologies. Access to modern energy services was a prerequisite for industrialization, and in the context of liberalization of trade, deregulation and privatization of economic activities and the formation of new trading blocs, the competitiveness of the enterprises of African countries depended very much on their technological innovation, and management capability. Most African countries did not possess the necessary capacity for identifying critical technological needs, selecting technology, or performing the whole range of tasks associated with the technology management and transfer cycle. It was therefore imperative to develop and implement technical assistance programmes on strengthening national innovations systems; with the assistance of the

donor community, UNIDO could play a major role in achieving that objective.

8. It was heartening that the discussion was taking place against the backdrop of the recently adopted African-led initiative for the development of the African continent, known as the New Partnership for Africa's Development (NEPAD). Given the strong leadership displayed by the Africans themselves, the United Nations system should be prepared to respond to the African-led priorities and should work to, inter alia, raise support for NEPAD both within Africa and in the international community, integrate the implementation of NEPAD in the broader follow-up processes of the Millennium Declaration and other forthcoming conferences and summits and strengthen inter-agency coordination at regional level within the framework of the Economic Commission for Africa. It was her hope that, in the framework of NEPAD, the industrialization of Africa would progress more rapidly and with more satisfactory results for the people of Africa and for the international community.

9. **Mr. Kamyab** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, noted that the report of the Secretary-General on business and development (A/56/442) contained interesting notions and analyses regarding corruption and the prevention and combating of the illegal transfer of funds and the repatriation of such funds to countries of origin. The ideas deserved comprehensive consideration and should be looked at from various angles.

10. There was now strong evidence to support the assumption that entrepreneurship and economic growth were closely linked. The Group of 77 and China recognized that the business community played an important role in enhancing the dynamic process of the agricultural, industrial and service sectors, and that emphasis should be given to the need to create an enabling environment for business in order to facilitate the economic growth and sustainable development of developing countries.

11. The first priority in that context was the role which the private sector could play in fostering economic growth and development. The United Nations should facilitate the participation of the private sector in the development process by embracing universal principles and norms such as honesty, transparency and accountability.

12. The Group of 77 and China were very concerned about the serious problem posed by corruption, for high-level corruption could endanger the stability of societies and jeopardize social, economic and political development. The recovery of assets looted from national economies and transferred abroad should help solve the problem. It would also deter corruption by sending the message that offenders would not be allowed to profit from it. Currently, little was being done at the international level to help individual countries in their efforts to recover such assets. The United Nations had the obligation to provide assistance in such cases.

13. Turning to the report of the Secretary-General on implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) (A/56/139), he said that for a number of reasons, the outcome of the programme had fallen far short of expectations. Africa still lacked some of the basic requirements for development and for effective participation in the world economy. The linkage between industrialization and poverty eradication targets was clear: in order to halve poverty by 2015, gross domestic product in Africa would have to increase to about 7 per cent per annum. That could not be achieved unless efforts were made to diversify the production base of African economies.

14. A minimum critical mass of investment resources for the industrial sector was essential in order to achieve long-term sustainable development. While many African countries had adopted policies to attract foreign investment, the response of the international community had been extremely discouraging. Investment was also needed in education and in other areas of human resources development, particularly in science and technology. There was a need to create and enhance institutional capacity.

15. Africa's struggle to achieve a rapid economic transformation would be won or lost depending on how effectively industrial development was linked with agricultural development, for Africa had a wide variety of agricultural resources many of which could be used as industrial raw materials. Further research and development was needed in that regard.

16. Priority should be given to agro-based industries in UNIDO's integrated programme approach in order to improve the competitiveness of those industries, and to identify new market opportunities. Developed countries

must fulfil their commitments by providing financial resources and by transferring technologies and the international community must embark upon genuine cooperation based on the principles of partnership, ownership and the promotion of national capacities.

17. **Mr. Goffin** (Belgium), speaking on behalf of the European Union and the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, said that in attacking the World Trade Center, the terrorists had probably wanted to attack a particular idea of the business world. The international community represented at the United Nations must fight those fanatic forces.

18. The responsibility of business in terms of social development, respect for human rights and protection of the environment was no longer questioned. The United Nations was moving timidly but steadily towards recognition of the private sector, and of transnational corporations in particular, as actors in their own right in the pursuit of sustainable development goals. That certainly represented a positive response to the anti-globalists who sometimes accused transnational corporations of being the perverse instrument of social and environmental degradation. The European Union was committed to inviting its own enterprises to adhere to the nine principles stated by the Secretary-General in the Global Compact initiative. Some European companies already recognized the value of the Global Compact, but too many multinationals remained outside that global movement.

19. Referring to the report of the Secretary-General on the prevention of corrupt practices and illegal transfer of funds (A/56/403), he said that the European Union considered that the expression "illegal transfer" of funds was not entirely appropriate. In many cases, transfers were performed legally; what was illegal was the way in which the funds had been obtained. The European Union would therefore use the expression "transfer of funds of illicit origin and the return of such funds". The European Union was convinced that recovery of diverted funds and their transfer to the victims of the crime could contribute to rebuilding political trust in countries that had suffered from large-scale corruption. Whatever might be the practical and legal constraints on recovery of funds derived from acts of corruption, the European Union was convinced that common and determined action by the

international community was of the essence. In that regard, it underscored the importance of the work already accomplished by the Organisation for Economic Cooperation and Development (OECD) in combating money laundering. The European Union was ready to assist in building management capacities for illicit funds recovery; it also attached priority to combating petty day-to-day corruption at the local level.

20. The report of the Secretary-General on implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) rightly indicated that the outcome had fallen far short of expectations. The European Union agreed with the Secretary-General on the need to reassess operations relating to the Decade. The final review of the New Agenda of the United Nations for the Development of Africa in the 1990s would provide an appropriate context to elaborate those ideas within the broader framework of the major United Nations initiatives for the development of Africa and of the New Partnership for Africa's Development

21. The European Union recognized the importance of diversification and competitiveness of economies for the promotion of sustainable development and had called for further support for the implementation of Africa's industrialization strategies. It had called for attention to be given to the specific needs of African countries and welcomed the trade-facilitating initiative that UNIDO had launched. That initiative aimed at encouraging the participation of developing countries in international trade addressed needs relating to standardization and quality control of export products. A first regional programme had already been started in Western Africa with European Commission assistance. As it had demonstrated in the past, the European Union was ready to assume its responsibilities and support the African continent in its development and industrialization efforts.

22. **Mr. Hassan** (Pakistan) said that corrupt practices plagued all societies in varying degrees, and with varying impact. The illegal transfer of funds by corrupt leaders was a devastating form of corruption, particularly for developing countries, as it impeded economic growth and sustainable development and aggravated their debt burden. Such practices also diluted the effect of externally funded projects and weakened poverty alleviation programmes.

23. National efforts to counteract corruption must be reinforced by regional and global mechanisms. To that end, the leaders of the South had, in April 2000, emphasized the need for increased cooperation in devising both preventive strategies and means of repatriating diverted assets. Similarly, the international banking sector had expressed its commitment to facilitating the restoration of funds to their rightful owners. His delegation firmly believed that the United Nations provided an appropriate forum for negotiations on a convention to prevent corruption and the illegal transfer of funds, and would participate actively in discussions on those issues.

24. With reference to industrial development cooperation, he said many developing countries, had yet to reap the benefits of industrial development. The international community should take steps to prevent those countries from being marginalized and should complement their efforts by promoting a conducive economic environment, foreign direct investment and private financial flows and market access.

25. The United Nations, and United Nations Industrial Development Organization (UNIDO) in particular, could significantly facilitate the process of industrialization in developing countries. Pakistan fervently hoped that industrial development cooperation would be included in the larger debate on international development cooperation.

26. **Mr. Osei-Danquah** (Ghana) said that the vision of industrial development leading to increased productivity and higher incomes was still a pressing issue for Africa. The impact of industrial development on the economies and lives of Africans had however been rather limited.

27. Citing data in the Secretary-General's report (A/56/139), illustrating the decline in the share of the manufacturing value added in GDP, he said it was no surprise that the achievement of the goal of poverty eradication in Africa by 50 per cent by the year 2015 had been cast in doubt. In fact, poverty on the continent was growing.

28. A recent report issued by the United Nations Conference on Trade and Development (UNCTAD) had raised the issue of the impact of trade liberalization on some African countries and had concluded that the growth process in Africa was extremely fragile. Africa had recognized its own responsibility for achieving rapid industrialization and had taken steps to nurture

the private sector, attract foreign investment and diversify the economic base but more was needed. The New Partnership for Africa's Development (NEPAD) had committed African countries to promote the development of infrastructure, agriculture and its diversification into agro-industries and manufacturing. Those measures would need to be reinforced by action at the national level and the trend towards democratic governance on the continent would have to be strengthened and widened so as to cover the entire continent.

29. There were, however, obstacles, beyond the control of African countries, which hampered the achievement of industrialization goals. There was need not only for well-grounded, coherent policy-making at the international level, but also for increased assistance for capacity-building in policy analysis and formulation and for debt relief. Nevertheless, the existence of well-grounded policies was not enough. In the case of private sector development in many low-income countries throughout Africa, where the creation of long-term funds for borrowing at concessionary rates was a pressing need, such funding must come from multilateral sources. In that connection, there was a need to expand the possibilities inherent in bilateral and multilateral investment guarantees, co-financing as well as export credit to leverage foreign private investment in the low-income countries. Another area in which external support was critical was economic diversification.

30. Neither the issues nor the actions required were new. The task of the international community therefore was to help create a supportive environment for industrialization in Africa in a manner that offered gains to all sides.

31. **Mr. Isakov** (Russian Federation) said that entrepreneurial development continued to be an important component of Russian economic policy. More than 10 per cent of the working population was employed in small enterprises. Federal legislation and State support, among other measures, had been adopted to create a favourable climate for the development and support of entrepreneurship, in accordance with the concept of in-depth reform. Under a modernization programme, the Government aimed at further liberalizing the economy, taking social factors into account, and further reform of the taxation, pension and judicial systems was envisaged. As mentioned in the Secretary-General's report (A/56/442), property

rights, knowledge acquisition and technological innovations were among the topics also of paramount importance to the promotion of entrepreneurship in Russia.

32. The Government of the Russian Federation fully acknowledged the importance of the fight against corruption and criminality as an important prerequisite for the healthy development of the economy and society as a whole. Relevant legislation, including an act to curtail money laundering, had been adopted. Russia fully supported efforts to strengthen the expansion of international cooperation, including within the framework of the United Nations system, in an effort to strengthen national capacity to prevent all forms of corruption and illegal transfer of funds.

33. His Government noted with satisfaction the positive results of UNIDO reform. As the lead specialized agency dealing with the problems of modernization of industrial production, and as a global forum for the development of effective industrial development policies at the national, regional and international levels, UNIDO's universal mandate should be upheld. The Russian Federation looked forward to the strengthening of UNIDO activity in such important areas as foreign investment, the elaboration of environmentally sound production, the introduction of internationally accepted norms and standards, dissemination of knowledge and technology related to the process of industrial development.

34. **Mr. Hirata** (Japan) said that political stability, a regulatory framework and physical infrastructure were three essential elements for the creation of a suitable environment for development and poverty reduction through economic activity. In the first instance, the maintenance of social harmony and the promotion of tolerance could be regarded as a precondition for any form of economic activity. In the second instance, a stable and sound macroeconomic and industrial policy, within an established legal framework, in which the private sector could operate, was of particular importance, as was public sector development of a reliable physical infrastructure.

35. Japan attached special importance to the development of economic infrastructure and supported the efforts of developing countries through technical and financial assistance. During the 1999 fiscal year, Japan had allocated over 30 per cent of its official development assistance (ODA), namely US\$ 4.4

billion, to that area. Studies on the impact of Japan's ODA had illustrated the positive contribution his Government had made to industrialization and business promotion in certain countries of the region. In addition to bilateral assistance, within the context of the Asia-African Summit, Japan had actively promoted cooperation with other Governments and international organizations, on the promotion of trade and investment between the two continents.

36. **Mr. Awesso** (Togo) noted with great disappointment the conclusion, in the report of the Secretary-General (A/56/139), that the outcome of the Second Industrial Development Decade for Africa (1993-2002) was falling short of expectations. Despite the many appeals that had been made to the international community to support the programme for the Decade the international community continued to focus most of its attention on other regions. The question that remained was whether Africa would ever be industrialized at all. His delegation was confident that African countries would industrialize no matter how little support they received.

37. His delegation took note of the Secretary-General's recommendations which stressed the importance of the role to be played by the organizations of the United Nations system in the implementation of the programme for the Second Decade and the measures to be taken by the African countries. The industrialization of Africa would also hinge on efforts to implement the new African initiative adopted by the Heads of State and Government of the Organization of African Unity (OAU) at its summit meeting held in Lusaka in July 2001. The initiative, also known as the New Partnership for Africa's Development, was designed to create conditions for good governance and help the countries appropriate new information and communication technologies.

38. **Mr. Valera** (Mexico) said that his delegation agreed with the statement in the report of the Secretary-General on prevention of corrupt practices and illegal transfer of funds (A/56/403), that a comprehensive long-term approach was needed to combat corruption. Domestic and foreign companies could help by supporting free and independent media.

39. His Government had taken steps to ensure transparency and accountability in all its actions. In its efforts to combat corruption, it was focusing on

procedures and methods for assessing the extent of corruption and conducting independent and impartial investigations; consolidating an effective monitoring system, improving the legislative structure and improving coordination between the three branches of the State; and enlisting the cooperation of new political representatives and of civil society and the private sector in the struggle against corruption. During 2001, the Government had authorized 124 non-governmental organizations to act as monitoring agencies in order to ensure transparency in government. It had also set up a new electronic system to prevent corruption in State procurement and was educating citizens to help prevent corruption.

40. His Government would redouble its efforts to eradicate corruption at the national level and would continue participating actively in international forums set up to combat corruption, money laundering, embezzlement of funds and illegal transfer of resources.

41. **Mr. Ibrahim** (Nigeria) said that, without access to venture capital, small and medium-sized enterprises in Africa were highly unlikely to enjoy economies of scale; moreover, they had no chance of competing on the global market with their counterparts from the developed world. Even worse, developing country Governments, which were crippled with the burden of external debt payments, were incapable of rendering any assistance to their businesses; as a result, 50 per cent of them closed down within the first five years of operation.

42. His delegation did not doubt that high-quality regulatory frameworks, good governance, respect for democratic principles and a commitment to the principle of the free market, including privatization, were prerequisites for participation in the globalized economy. However, although most African countries had subscribed wholly to those values since the beginning of the 1990s, there had not been any noticeable improvement in the continent's entrepreneurial development. Clearly it was not enough just to transplant values.

43. His delegation welcomed the call in the Secretary-General's report, for more socially responsible business behaviour. The need for a more acceptable corporate social responsibility could not be overemphasized, especially in relation to the activities of many transnational corporations in developing

countries. However, corporate social responsibility should not be left to the public relations departments of corporations. The United Nations should set a global standard for corporate social responsibility, making it mandatory for companies to go beyond their historical role of making profits, paying taxes and employing people, by also contributing to broad societal goals.

44. Turning to industrial development cooperation, he noted that the Second Industrial Development Decade for Africa would end without significant improvement in Africa's industrial output; indeed, most developing countries were likely to record a lower industrial output in the next 10 years than in the previous decade. He therefore hoped that the United Nations and the international community would assist the continent to implement its industrialization strategies as contained in the New Partnership for Africa's Development.

45. Nigeria realized that responsibility for its development rested primarily with its Government and people. While it remained firmly committed to the principles of democracy, good governance and accountability, its commitment to development would become increasingly difficult to maintain, in view of the huge sums of money illicitly transferred abroad by corrupt former government officials. His Government had tried to recover that money, but had been told that due to differences, inter alia, in political traditions and legal practices, it would be almost impossible to use legal means to recover funds illicitly taken away from developing countries. Differences in political traditions and legal practices should not deter nations from taking necessary measures to implement decisions collectively arrived at by the United Nations. Corruption was a serious international problem which undermined good governance, threatened democracy and human rights assisted organized crime and impeded sustainable development. The Committee would be failing in its responsibility if it did not take the lead in efforts to fight corruption and help return illicitly transferred funds to their countries of origin. The best approach, would be to negotiate a legally binding United Nations convention against corruption and for the repatriation of illicitly transferred funds to their countries of origin.

46. *Mr. Jumala (Indonesia), Vice-Chairman, took the chair.*

**Agenda item 98: Environment and sustainable development** (*continued*) (A/C.2/56/L.8-L.14)

*Draft resolution A/C.2/56/L.10*

47. **Mr. Alimov** (Tajikistan) introduced the draft resolution entitled “Status of preparations for the International Year of Freshwater, 2003” on behalf of the sponsors.

**(a) Implementation of Agenda 21 and the Programme for the Further Implementation of Agenda 21** (*continued*)

*Draft resolution A/C.2/56/L.11*

48. **Mr. Moeini Meybodi** (Islamic Republic of Iran), introduced the draft resolution entitled “World Summit on Sustainable Development” on behalf of the Group of 77 and China.

**(b) International strategy for disaster reduction** (*continued*)

*Draft resolution A/C.2/56/L.12*

49. **Mr. Moeini Meybodi** (Islamic Republic of Iran) introduced the draft resolution entitled “International cooperation to reduce the impact of the El Niño phenomenon” on behalf of the sponsors.

**(d) Convention on biological diversity** (*continued*)

*Draft resolution A/C.2/56/L.9*

50. **Mr. Moeini Meybodi** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, introduced the draft resolution entitled “Convention on Biological Diversity”. The fourth preambular paragraph should be amended to read: “Takes note of the outcome of the third meeting of the Ad Hoc Open-ended Working Group on Access and Benefit-sharing, which discussed the appropriate access to genetic resources and the fair and equitable sharing of benefits arising out of its utilization, held at Bonn from 22 to 26 October 2001”.

**(g) Promotion of new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005** (*continued*)

*Draft resolution A/C.2/56/L.8*

51. **Mr. Moeini Meybodi** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, introduced the draft resolution entitled “Promotion of new and renewable sources of energy, including the implementation of the World Solar Programme 1996-2005”. He highlighted, the ninth, twelfth and thirteenth preambular paragraphs, and paragraphs 5, 13 and 15 and expressed the hope that it would be adopted by consensus.

52. *Mr. Barnwell (Guyana), Vice-Chairman, took the Chair.*

**Agenda item 99: Operational activities for development** (*continued*) (A/C.2/56/L.13 and L.14)

**(a) Triennial policy review of operational activities for development of the United Nations system** (*continued*)

*Draft resolution A/C.2/56/L.13*

53. **Mr. Zarie Zare** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, introduced the draft resolution entitled “Triennial policy review of operational activities for development of the United Nations system”, saying that it would be one of the most important resolutions considered by the Committee. In order to facilitate discussions, the operative part had been divided into 14 sections.

**(b) Economic and technical cooperation among developing countries** (*continued*)

*Draft resolution A/C.2/56/L.14*

54. **Mr. Tootoonchian** (Islamic Republic of Iran), speaking on behalf of the Group of 77 and China, introduced the draft resolution entitled “Economic and technical cooperation among developing countries” and expressed hope that it would be adopted by consensus. He drew attention to paragraph 4 and pointed out that the Ministerial Declaration of the Group of 77, which would be issued in a few weeks, would need to be reflected in the fifth preambular paragraph of the text later on.

*The meeting rose at 12.30 p.m.*