



# Economic and Social Council

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## Organizational session for 2003

### Provisional summary record of the 2nd meeting

Held at Headquarters, New York, on Tuesday, 28 January 2003, at 3 p.m.

*Chairman:* Mr. Rosenthal . . . . . Guatemala

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*The meeting was called to order at 3.15 p.m.*

**Briefing on the World Economic Situation and Prospects 2003**

1. **Mr. Kinniburgh** (Development Policy Analysis Division, Department of Economic and Social Affairs) said that his Department and the United Nations Conference on Trade and Development (UNCTAD) had collaborated on the report with a view to achieving greater cohesion in their work.

2. The purpose of the report was to give the Council and its subsidiary bodies an overview of world economic trends in 2002 and 2003, emphasizing development issues. The Council should note that the figures contained in the report were not directly comparable with those provided by other organizations, such as the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Cooperation and Development (OECD). That was because the periods covered by the data and the way in which they were aggregated by region differed from one organization to the next.

3. Output growth in the developing countries had slowed markedly since 2000, although a faster recovery was forecast for 2003. Output in China had increased consistently by 7 per cent in past years, making it a special case; it distorted the aggregate figure for developing countries and had therefore been omitted from the calculation.

4. When current forecasts were compared with forecasts from only six months earlier, they showed output growth at the predicted level in the developed and transitional economies, but at a lower than predicted level in the developing countries, which had already been hit hard by stagnation in 2001 and slow progress in 2002. The difference in forecasts over only six months showed the danger of attaching dates to predicted performance because of the likelihood of being overly optimistic.

5. Real growth in gross domestic product (GDP) in the developing countries varied widely. Southern and eastern Asia, under the influence of China and India and what had been known as the newly industrialized countries, had performed well and would continue to do so. Western Asia's performance had suffered largely because of the level of oil prices in 2001, but had recovered somewhat in 2002 and would continue

recovery in 2003. Africa's growth of 3 to 4 per cent was satisfactory, but not good enough to counter widespread poverty. Latin America had fared badly in 2001 and had lost GDP in 2002, but it was expected to rebound in 2003.

6. The Department of Economic and Social Affairs had concluded that it was difficult to combat poverty if GDP growth fell below 3 per cent. In 2000, 64.6 per cent of the population of the developing world had lived in countries with GDP growth below that level; in 2001 and 2002, that proportion had dropped to around 40 per cent. At the other end of the spectrum, the share of the world's population facing serious setbacks from shrinking per capita GDP growth had risen to around 10 per cent from around 6 per cent in 2000. That meant that meeting the millennium development goal of halving the number of people living on less than a dollar a day had become a more difficult challenge. China had again been left out of both comparisons.

7. Looking at the strengths and weaknesses of the developed economies, the developed world continued to be the engine of world economic growth, but it was vulnerable. Consumer demand had been high in general, though Japan had been among the exceptions. Such demand was in danger of faltering, however. Business demand was weak, depressed by overcapacity and corporate governance problems, and would probably remain weak under the influence of declining consumer confidence. Rising oil prices were also likely to depress demand. Some prospect of improvement had resulted from action on economic policy and fiscal matters, and there was further scope for other targeted stimulus measures.

8. Looking at the strengths and weaknesses of the developing and transitional economies, the global weakness in demand led by the developed countries had caused damage, although the situation in Asia had been helped by China's growth. The prices of non-oil commodities, especially minerals and tropical beverages, had dropped since 2000 and depressed income in developing countries. Capital inflows were traditionally cyclical, but foreign direct investment had fallen in three consecutive years, and other capital flows had decreased and in some cases reversed to produce an outflow. The scope for counteraction was limited; the economies in question were in bad fiscal condition, and their monetary policies were constrained by the risks of further worsening balance-of-payments situations and of endangering already fragile capital

flows. The general strength of those economies had, however, been improved by better policies and macroeconomic fundamentals.

9. Globalization had made trade the motor of world economic growth. From a situation of growth in 2000, world exports had contracted in 2001 and recovered in 2002. The cycle of recovery was expected to continue in 2003.

10. The near future held uncertainties and risks for the world economy. As the contrast between current forecasts and forecasts from only six months earlier had shown, the recovery had been weaker and slower than anticipated. Moreover, it was not secure; it could be threatened by weaknesses in the developed economies, particularly Europe, the United States of America and Japan. Heavy dependence on the United States to propel world growth added to the risk. One effect of uncertainty, if short-term media predictions were to be believed, was that the equity markets, a traditional barometer of business and consumer confidence, would see a further decline.

11. Global difficulties could be caused by imbalances in the developed countries, particularly the United States, which had a very high trade deficit, and had until recently had an overvalued currency. Slow global growth could also produce serious monetary problems in individual countries, as Argentina's spiralling difficulties had shown.

12. Existing economic problems could easily be compounded. Without speculating on the likelihood of conflict in Western Asia, any such development would surely have economic effects. Destruction of the human and physical capital of the region would give rise to relief and rebuilding costs. Those should be viewed not just in terms of absolute cost, but of opportunity cost, in other words, the fact that money invested in relief and rebuilding would otherwise have been available for other uses. Oil prices would also be affected. Experience had shown that short-lived increases in oil prices could be absorbed by readjusting stocks, for example. By contrast, a sustained rise of 10 to 15 per cent risked causing an economic slowdown and recession by damaging consumer and business confidence and depressing demand and growth.

#### **Adoption of the agenda and other organizational matters** (E/2002/3; E/2003/1-3, 6, 7 and 9; E/2003/L.1)

13. **The President** invited the Council to take action on the draft decisions contained in document E/2003/L.1.

*Draft decision I: Provisional agenda for the substantive session of 2003 of the Economic and Social Council*

14. **Mr. de Barros** (Secretary of the Council) read out a series of proposed amendments and corrections to the provisional agenda for the Council's substantive session of 2003 as contained in document E/2003/1. The changes reflect the Organization's recent activities in the area of financing for development.

15. *Draft decision I, as orally revised, was adopted.*

*Draft decision II: Basic programme of work of the Economic and Social Council for 2004*

16. *Draft decision II was adopted.*

*Draft decision III: Working arrangements for the substantive session of 2003 of the Economic and Social Council*

17. *Draft decision III was adopted.*

*Draft decision IV: Theme for the operational activities segment of the substantive session of 2003 of the Economic and Social Council*

18. **The President** noted that the theme for the operational activities segment had not been chosen by the Council, but that it corresponded to a request made in paragraph 27 of General Assembly resolution 56/201. He suggested that the draft decision should be reworded as follows: "The Economic and Social Council decides to address the request contained in paragraph 27 of General Assembly resolution 56/201, concerning the progress made on the issue of funding of the development cooperation activities of the United Nations system, during the operational activities segment".

19. **Ms. Fragouloupoulou** (Greece), speaking on behalf of the European Union, said that while she welcomed the President's suggestion, the request contained in paragraph 27 of General Assembly resolution 56/201 was not limited to the issue to which he had referred. The Council was also requested to consider, at its substantive session of 2003, the conclusions reached at the 2002 triennial policy review

on resources for operational activities for development. The theme of the operational activities segment should reflect the entirety of that request.

20. **Mr. Benmellouk** (Observer for Morocco), speaking on behalf of the Group of 77 and China, said that he would prefer to adopt the President's original suggestion. If the European Union was not in a position to do that, the matter could be discussed further at the next meeting of the Council.

21. **Mr. Chave** (Observer for Switzerland) said that his delegation had led the negotiations on General Assembly resolution 56/201. He recalled that in paragraph 95 of the resolution, the General Assembly invited the Council, during the operational activities segment of its substantive sessions of 2002 and 2003, to examine the operational activities of the United Nations system in order to evaluate the implementation of the resolution with a view to ensuring its full implementation. The choice of the theme for the 2002, 2003 and 2004 operational activities segments had been decided by common agreement; that decision had the Assembly's full support and there was no reason to discuss it further.

22. **The President** said he took it that the Council wished to defer further consideration of the draft decision to a later date, pending informal consultations.

23. *It was so decided.*

*Draft decision V: Theme for the humanitarian affairs segment of the substantive session of 2003 of the Economic and Social Council*

24. **The President** said he took it that the Council wished to defer consideration of the draft decision to a later date, pending informal consultations.

25. *It was so decided.*

*Draft decision VI: Theme for the regional cooperation item of the substantive session of 2003 of the Economic and Social Council*

26. **Ms. Fragouloupoulou** (Greece), speaking on behalf of the European Union, said that the suggested theme was highly relevant at the current stage of negotiations under the Doha Development Agenda and in relation to multilateral, regional and bilateral efforts to help countries benefit from those negotiations and their outcome. In particular, the item would allow consideration of the role of the United Nations system

in promoting increased trade-related assistance and capacity-building; the development dimension of regional trade negotiations; and the contribution of regional integration to economic growth and development. The European Union had formulated a strategy for increased trade-related assistance and it promoted the development dimension of trade at the multilateral and regional levels. Focusing discussion on those key aspects under the regional segment would help to ensure a constructive debate that did not overlap with or repeat discussions conducted in other forums.

27. *Draft decision VI was adopted.*

*Draft decision VII: Date of the high-level meeting of the Economic and Social Council with representatives of the Bretton Woods institutions*

28. **The President** suggested that the words "and the World Trade Organization" should be inserted after "Bretton Woods institutions".

29. *Draft decision VII, as orally revised, was adopted.*

*Draft decision VIII: Second session of the Committee of Experts on Public Administration and its provisional agenda*

30. **Mr. de Barros** (Secretary of the Council), referring to the programme budget implications of holding the meeting of the Committee of Experts on Public Administration in New York, recalled the oral statement made to the Council on 19 December 2002 by the representative of the Programme Planning and Budget Division, who had pointed out that, should the meeting be held from 7 to 11 April 2003, conference services could be provided to the Committee from within the Organization's existing capacity and that no additional requirements would arise. Should the Council adopt draft resolution E/2002/L.41, it was the intention of the Secretariat to convene the meeting of the Committee from 7 to 11 April 2003, unless the Council decided otherwise.

31. **Ms. McCann** (United States of America) sought clarification of how the additional amount of \$43,500 for the travel and daily subsistence allowance of the experts attending the meeting would be met.

32. **Mr. de Barros** (Secretary of the Council) recalled that in his oral statement, the representative of the Programme Planning and Budget Division had said that

the amount of \$43,500 would be financed in accordance with established practice and a report thereon submitted to the General Assembly at its fifty-eighth session, in the context of the Assembly's consideration of the final performance report for the biennium 2002-2003.

33. **Ms. McCann** (United States of America) said that her delegation would be unable to support the draft decision unless the additional amount of \$43,500 could be absorbed from within existing resources.

34. **Mr. Benmellouk** (Observer for Morocco), speaking on behalf of the Group of 77 and China, expressed surprise that the Secretariat should have raised the issue of the programme budget implications of the draft decision. There was no point in reopening a debate that had been closed in the previous year with the Council's decision that the requirements for servicing the Committee's session would be met from within existing resources.

35. **The President** said that it would be helpful for the Secretariat to clarify its earlier statement on the matter.

36. **Mr. Shimizu** (Japan) said it was his delegation's understanding that the Council had taken a clear decision on the matter in paragraph 5 of its resolution 2002/40.

37. **Ms. McCann** (United States of America) said that her delegation was not satisfied with the proposed arrangement for financing the additional amount and reporting thereon to the General Assembly, and that it could support the holding of the meeting on the dates proposed only with guarantees that the additional amount could be absorbed from within existing resources.

38. **Mr. Benmellouk** (Observer for Morocco) said that the only question open for discussion concerned the precise dates of the session. The Council had decided that the session would be held in 2003.

39. **The President** agreed with the observer for Morocco that a decision had already been taken to hold the meeting and that the Council had received assurances that the requirements would be met from within existing resources. However, given the doubts that had been expressed by the United States representative, it would be helpful to seek clarification from the Programme Planning and Budget Division.

40. **Mr. Khamis** (Programme Planning and Budget Division), reiterating the statement made on 19 December 2002, said that convening the meeting of the Committee in 2003 would give rise to requirements of

approximately \$114,500 for the travel and daily subsistence allowance of the experts. It was anticipated that savings of some \$71,000 would be available from the provision of \$163,000 appropriated for the Committee's sixteenth meeting. The Division had not been in a position at the time to say whether the balance of \$43,500 could be absorbed and had therefore indicated that the additional amount would be financed in accordance with established practice and a report thereon presented to the General Assembly at its fifty-eighth session as indicated. He reaffirmed that, should the Committee's session be held from 7 to 11 April 2003, conference servicing requirements could be provided from within existing resources and no additional requirements would arise.

41. **Ms. McCann** (United States of America) asked whether it was now possible for the Programme Planning and Budget Division to determine whether the additional requirement of \$43,500 could also be absorbed from within existing resources.

42. **Mr. Khamis** (Programme Planning and Budget Division) said that it would not be possible to make that determination before the second half of the year.

43. **Mr. Benmellouk** (Observer for Morocco) proposed that the text of the draft decision should be amended to read:

“The Economic and Social Council decides to hold the second session of the Committee of Experts on Public Administration in New York from 7 to 11 April 2003 and approves the agenda”.

44. **Ms. McCann** (United States of America), supported by **Mr. Shimizu** (Japan), said that she could go along with the proposed amendment with the addition of the following sentence to be inserted at the end of the draft text:

“The Economic and Social Council requests the Secretariat to take all necessary steps to ensure that no additional financial requirements will be reported in the final performance report”.

45. **Mr. Benmellouk** (Observer for Morocco) said that the amendment proposed by the United States was unacceptable, but that the Group of 77 and China could accept the inclusion of a reference to Council resolution 2002/40.

46. *The meeting was suspended at 5 p.m. and resumed at 5.20 p.m.*

47. **The President** said that agreement had been reached on the wording of the following additional sentence to be inserted at the end of the draft text:

“In this context, the Council recalls its resolution 2002/40, adopted on 19 December 2002, and urges the Secretariat to make efforts to meet the expenditures from within existing resources”.

48. *Draft decision VIII, as orally amended, was adopted.*

*Draft decision IX: Participation of intergovernmental organizations in the work of the Economic and Social Council*

49. *Draft decision IX was adopted.*

50. **The President** said that the Bureau would review the applications of the Islamic Development Bank (E/2003/6), the Islamic Educational, Scientific and Cultural Organization (E/2003/7) and the Intergovernmental Institution for the Use of Micro-alga Spirulina against Malnutrition (E/2002/3) and make recommendations in due course.

*Distribution of responsibilities within the Bureau*

51. **The President** said that he would be responsible for the high-level segment. The Vice-Presidents — Mr. Hussein (Ethiopia), Mr. Sharma (Nepal), Mr. Kuchinsky (Ukraine) and Ms. Rasi (Finland) — would preside over the operational activities segment, the coordination segment, the humanitarian affairs segment and the general segment, respectively, of the substantive session of 2003.

*The meeting rose at 5.25 p.m.*