



Debt relief for tsunami-affected countries?

by *Carlos Fortin, Officer-in-Charge of UNCTAD.*

The tsunami disaster has triggered an unprecedented mobilization of official and private humanitarian aid and a highly welcome discussion about some medium- and long-term development issues in the countries concerned. In particular, the need for debt relief for the affected countries, including a partial debt write-off, has been put forward. On 12 January the Paris Club of bilateral donors offered a moratorium on debt service payments falling due in 2005. This is a welcome gesture, and some countries (Indonesia, the Seychelles and Sri Lanka) have announced they will accept the offer. The moratorium will release funds in the public budget that are urgently needed for the financing of immediate humanitarian measures. It will also release foreign exchange receipts that can be used to finance additional imports essential for quick reconstruction.

The relative financial impact of such a moratorium on the government budgets of the economies concerned will reflect the size of the relevant debt stock of these countries. Obviously, this is not proportionate to the financing needs and the actual size of the damage in each country. For example, bilateral and multilateral debt service accounts for approximately 14% of government revenue in Indonesia and Sri Lanka. Moreover, the Paris Club can commit itself only for debt that is owed its members, while substantial amounts of other official debt do not fall under the moratorium offer. This is particularly the case for bilateral debt owed to governments that are not members of the Paris Club - a significant amount of the bilateral debt of the Seychelles and Sri Lanka - and debt owed to multilateral financial institutions. Another issue is that of comparability of treatment, which is typically required under Paris Club agreements and which would imply that private creditors treat the beneficiary in a way similar to bilateral official creditors.

The impact of the moratorium also depends crucially on the extent to which the financial relief resulting from the moratorium will be at the expense of new aid targeted at the most immediate needs in the regions concerned. Indeed, a debt moratorium makes sense only if it is complementary to the provision of additional aid. This is an important aspect because a debt moratorium is quite different from debt cancellation. In a moratorium the payments remain due and will increase the debt service payments to be made in the future, not only by the amount not paid during the moratorium, but also by the interest accruing on this amount during the same period.

Therefore, beyond the offer of a debt service moratorium, the international community cannot get around the question of a partial debt cancellation. In that case, however, it would be a matter of fairness to seek equal treatment for other developing countries that have not been affected by the tsunami disaster but which face comparable claims on the

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public budget resulting from shocks beyond the influence of their governments. There can be no doubt that this is true for a number of low- and middle-income countries that are not eligible for the HIPC Initiative but whose debt burdens are greater than those considered sustainable under the Initiative.

Governments that have been offered the debt moratorium are well advised to consider very carefully the pros and cons of accepting the Paris Club offer. Any freeing-up of scarce budgetary resources and foreign exchange income from debt service may be welcome in the very short run. But even if it is assumed that debt service obligations will not increase in the future because of a subsequent cancellation of some part of the external debt, debt relief is unlikely to come at no cost. In the first place, the cost of external financing from capital markets may rise because these markets view the fact that a country approaches the Paris Club for debt relief or debt restructuring as a sign of distress. In the second place, such debt restructuring may go along with IMF conditionality that is unrelated to the cause of the financial problem and that may very well reduce the policy space available to the governments concerned.

Finally, debt relief should not come at the expense of additional and much-needed new funds for reconstruction. It is only by quickly rebuilding the devastated economic infrastructure and by installing early warning systems that countries in the region will regain the confidence of international investors and their clients in the tourism industry. So far, the response from the donor community and numerous citizens of the richer nations has been very encouraging.

"Lies, Damned Lies and Statistics " (Disraeli) - True or False?

*Interview with Henri Laurencin,
Chief, Central Statistics and Information Retrieval Branch, UNCTAD*



Mr. Henri Laurencin

1. What do you think of Disraeli's quip: "lies, damned lies and statistics"?

Well, weighted data indicate that Disraeli was right only two-thirds of the time! Seriously though, statistics provide an indispensable element in the information system of a democratic society. They are definitely not lies if they follow the Fundamental Principles of Official Statistics adopted by the UN Statistical Commission in April 1994. Accordingly, statistical agencies should apply scientific methods and procedures to collect, process and present their data.

2. UNCTAD produces a number of statistical publications, but so do other UN organizations. How does UNCTAD's contribution differ?

The fundamental principle is that there should be no overlapping among organizations. As a result, organizations share statistics. The New York UN Statistics Division, for example, has compiled a special trade database called COMTRADE. But they do not produce all the data themselves and include information from other organizations, like OECD.



UNCTAD also relies on the data collected by others. When figures do not exist elsewhere, then we compile our own data. Take the case of foreign direct investment (FDI) statistics. The International Monetary Fund provides investment figures in their balance-of- payments statistics, but UNCTAD's database is more detailed, with information on different sectors and flows among countries.

We also compile commodity price indices and tariff statistics (TRAINS) and are involved in a project to measure the impact of information and communications technology (ICT) on development. This information is severely lacking, and the organizations dealing with ICT and development are working together to collect statistics in this area. UNCTAD is responsible for the business uses of ICT, as its mandate covers e-commerce.

2. How does UNCTAD apply the statistics it collects?

UNCTAD is responsible for many reports and research papers, and most of them use statistics. The original data have to be aggregated at regional level; in some cases data are not available for all countries and we have to develop a methodology to estimate the missing values. This is not always an easy task. In addition to a very good knowledge of statistics, it involves expertise and experience in the subject as well.

Quality control is extremely important. We always check the reliability of the statistics we receive and complement them with metadata, or "data about data", that describe, for instance, the content and quality of the figures. Only then do we use the data to calculate indicators and indices.

Let's take the case of export concentration indices. We look at whether a country's exports are concentrated in a few products or whether they are more widely distributed. This helps to assess a country's vulnerability should its export markets collapse.

UNCTAD makes its statistics available to the public, and we frequently receive feedback from researchers and requests for more information or details on the methodology used. Within the secretariat, statisticians and economists share the information and support the work of the divisions in preparing reports. To improve the consistency of our statistics and avoid duplication, we are setting up a new Intranet system called IntraStat that should be up and running in April 2005.

3. You said UNCTAD statistics were available to the public. How can one receive copies or download them?

The [UNCTAD Handbook of Statistics](#), [the Commodity Price Bulletin](#), [Development and Globalization: Facts and Figures](#) (DGFF) and the statistical annexes of the main UNCTAD reports are available on the web. They are also distributed to the regular UNCTAD mailing list.

The detailed data in the Handbook are presented in such a way that they are easy to use. Take, for instance, country exports for a given year. The Handbook produces not only the raw data but includes value added, such as the country's 10 main exports, as well. In the case of the DGFF, we have added an explanatory overview for each table and chart.

Users can access most of the information on the UNCTAD [statistics portal](#) free of charge.



4. By definition, UNCTAD's statistical work focuses on trade. With such an abundance of data and experience, would it not make sense for UNCTAD to specialize even more and create a niche for itself within international statistical offices?

Definitely. Although we will continue our methodological work, we also intend to focus more on topics for which no figures are available, such as foreign affiliates. Today, intra-firm trade is an important component of international trade and you cannot discuss development strategies without assessing the share of foreign affiliates in national economies: the impact of their activities on employment, value added and trade.

Other areas we plan to concentrate on are: terms of trade, trade prices and trade in services. We are also developing a trade network by country, by partner and by product.

From the feedback we have received, it appears that the quick-reference [Development and Globalization: Facts and Figures](#) is extremely useful for teachers and students, and we intend to tailor it to their needs. I should mention that UNESCO has offered to download the publication onto their website.

We also intend to work more with developing countries and regional organizations. We plan to share our statistics and help them to set up and maintain their own statistical information systems. In the case of the Union du Maghreb Arabe (UMA), for instance, we are drafting a technical cooperation agreement that should come into effect shortly. We are expecting similar requests from a number of other organizations.

Interview with Sam Laird,

Officer-in-Charge, UNCTAD Trade Analysis Branch



Mr. Sam Laird

1. UNCTAD uses and develops a number of databases. As a researcher on trade issues, what kind of information are you looking for and how do you use it?

The Trade Analysis Branch in the Trade Division is responsible for the [TRAINS](#) database, which includes trade data, tariff data and information on non-tariff barriers.

The trade data essentially come to us from the UN Statistical Division in New York. Legally-bound tariff rates originate from the World Trade Organization (WTO), whereas applied tariff rates - that is to say, what countries are doing both on a most favoured nation (MFN) basis and regarding preferential agreements - are compiled by UNCTAD itself, through collaboration with other international agencies and regional trade commissions. We are actually the prime source of that information.

In addition, UNCTAD compiles information on non-tariff measures that is gleaned from official sources, such as WTO documents and official government publications. We in fact maintain an information library. A small unit is responsible for putting this information into a unique database extraction and information system, which we developed with the World Bank. It is called the World Integrated Trade Solution ([WITS](#)). The system is called WITS/TRAINS, WITS being the software and TRAINS our UNCTAD database. The data is actually stored on a server at the World Bank.



The data is provided for UNCTAD's own use in the first instance, but it is also made available to member States, research institutes and others. We train people how to do the extraction. The system also includes some analytical tools, including a trade model, which allows people to ask questions about what would happen to their trade if trade barriers were changed, for example in the course of WTO negotiations.

2. How can one access TRAINS? Is it available online or on CD-ROM?

A limited amount is available online free to anybody who accesses the UNCTAD public website. But that's quite restricted. The full system is available online free via WITS to member States. As far as institutes and research organizations are concerned, they are asked to make a donation to a trust fund in order to get access.

3. How useful has TRAINS proven to be? It is not a new project and has obviously grown over the years.

I think we get as many as 10,000 strikes on the Internet each year. We have also installed the system in close to 60 countries. We don't necessarily know how the countries are using it. Some might want it solely for investigating market access opportunities - where the major markets are for the kinds of things they sell. But we know for sure that countries use it to prepare their negotiating positions in the WTO, because there has been intense demand for training in this function over the last couple of years. In other words, they use it to determine what they are willing to offer and what they are going to request of other countries in the negotiations on goods.

The WITS/TRAINS information and database system brings together the experience of economists and policy-makers using the system and those involved in the compilation effort. It is this kind of policy-driven approach that has contributed to its usefulness.

4. And as far as UNCTAD's own research is concerned?

We use TRAINS for preparing documentation for meetings. In addition, our staff use it in research publications on a variety of subjects, like trends in trade and trade barriers, the analysis of protectionism and regionalism.

Knowledge society

What should be the role of science, technology and innovation in moulding the "knowledge society"? How can science and technology help countries to narrow the digital divide?

On 8 April 2005, a [high-level forum](#) will meet to discuss these issues. The forum, financed by the Italian Government, will be organized jointly by UNCTAD, the UN Task Force on Information and Communications Technologies and the scientific institutions belonging to the Trieste System network. Among the participants will be scientists, Nobel Laureates, and policy makers, including Heads of State and Ministers of Science and Technology. The outcome of the meeting will be presented at the World Summit on the Information Society, to be held in Tunis, Tunisia, in November 2005.



Impact of FDI on Development

The importance of innovation and research and development (R&D) for upgrading technologies, moving up the development ladder and catching up with developed countries was outlined by participants in the UNCTAD [Expert Meeting on the Impact of Foreign Direct Investment on Development](#), held in Geneva from 24 to 26 January 2005.

The net impact of foreign direct investment (FDI) depends on factors such as the nature of R&D and government policies to attract FDI for research purposes. Transnational corporations, universities, research centres and domestic firms all play a role in technology generation, transfer and diffusion.

The presentations given during the meeting are available on the [UNCTAD website](#).

New indicators to assess ICT development

An important step forward has been made in the compilation of internationally comparable data on information and communication technologies (ICT). For the first time, a set of indicators adopted at a UN [meeting](#) in Geneva (7-9 February 2005) will make it possible to assess country-by-country progress in ICT.

The list includes indicators on Internet usage, infrastructure and access for both households and business - acquiring information, communicating, purchasing or ordering goods and services, learning ... The statistics will be collected by all countries and harmonized at the international level.

The meeting, on "Measuring the Information Society", was convened by members of the Partnership on Measuring ICT for Development, created at the [World Summit on the Information Society](#). UNCTAD contributes to the partnership by helping developing countries produce e-business statistics and databases.

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Intellectual property rights - a development perspective

The [Resource Book on TRIPS and Development](#) is a guide to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The book, prepared by UNCTAD and the International Centre for Trade and Sustainable Development (ICTSD), aims at providing WTO Members with a sound understanding of their rights and obligations. It also highlights the areas in which TRIPS leaves members leeway to pursue their own policy objectives.

The UNCTAD-ICTSD Project on Intellectual Property Rights and Sustainable Development aims to improve understanding of the development implications of intellectual property rights.

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Focus on SIDS - Mauritius, 10-14 January 2005

The specific problems of Small Island Developing States (SIDS) in the multilateral trading system were at the centre of the panel discussion UNCTAD organized during the [international meeting on SIDS](#), held in Mauritius from 10 to 14 January 2005.

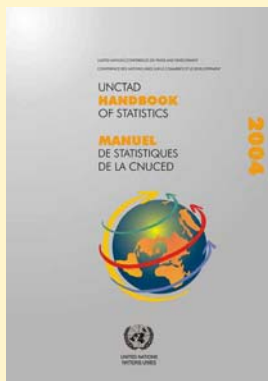
Most SIDS have limited resources and are highly dependent on external markets and resources. Many are single-commodity exporters and are more vulnerable than other developing countries to economic threats and shocks.

The issues addressed by the panel focused on competitiveness and the need for a differentiated and more favourable treatment of SIDS. It also considered the problems posed by the absence of a clear definition of SIDS, which makes it difficult for these countries to assert themselves as a category, particularly vis-à-vis donors. Although the matter remained unresolved, UNCTAD proposed a set of [definition criteria](#).

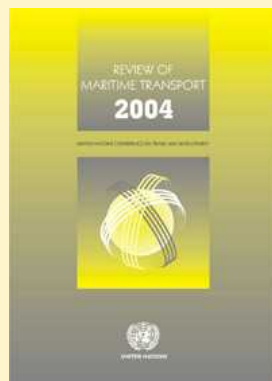
On the occasion of the meeting, UNCTAD launched a new publication entitled [“Is a special treatment of SIDS possible?”](#) It discusses the definition of SIDS, the question of preferential market access and ways of ensuring special treatment for these countries.

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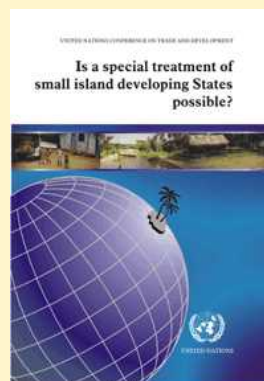
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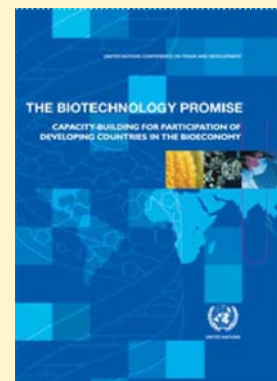
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Is a special treatment
of small island
developing States
possible?



The Biotechnology
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