



NEW CHALLENGES

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNITED NATIONS DEVELOPMENT PROGRAMME

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Presenting the Global Programme at UNCTAD X

This Newsletter marks the completion of the first year of the UNCTAD/UNDP Global Programme on Globalization, Liberalization and Sustainable Human Development. Established to address the negative spin-offs and missed opportunities of globalization in developing countries, the Programme takes the view that integration into the world economy is not an end in itself, but a means of fostering sustainable development.

The activities undertaken in the first year will be presented at a parallel event during UNCTAD X. The seminar will provide an opportunity to illustrate how the UNCTAD/UNDP partnership is working to enhance the capacities of developing countries to manage their integration into the global economy in a manner supportive of sustainable human development (SHD).

Mr. Rubens Ricupero, Secretary-General of UNCTAD, along with a senior UNDP representative, will open the seminar which will be structured in two sessions. The first session will consist of a presentation of the eight country assessment studies undertaken so far (El Salvador, Guatemala, Honduras and Nicaragua in Latin America, Botswana, Malawi and Zimbabwe in Africa and Nepal in Asia) and a general discussion on the policy lessons that could be drawn from these experiences, in pursuit of SHD objectives.

In the second session, the activities undertaken at the global level, especially those relating to capacity building in Commercial Diplomacy and the recent Latin American and Asian Regional Policy Dialogues, will be presented. Initiatives partly funded by the Programme, such as the China Symposium on International Investment Agreements held in Xiamen, China, in September 1999, will also be discussed.

The participants in this event will be the international and national coordinators of the country assessment studies, UNDP Resident Representatives, representatives from the international organizations and UN Regional Commissions who have collaborated with the Programme, as well as delegates of Governments, other international organizations and NGOs to UNCTAD X.

The event will be held at the Queen Sirikit National Convention Center, Room VII, on 16 February 2000 from 1000-1230 and 1500-1800 hours. For more information, please email jagdish.saigal@unctad.org

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ACTING AT THE GLOBAL LEVEL

Regional Policy Dialogues

Organized under the aegis of the Programme, the Regional Policy Dialogues for Latin America, Asia and Africa are being convened in collaboration with the Geneva-based International Centre for Trade and Sustainable Development. These dialogues are meant to review the regions' experiences with globalization and the links between globalization and SHD.

The Latin American Policy Dialogue, convened in Santiago, Chile, from 8-10 November 1999, was hosted by the UN Commission for Latin America and the Caribbean (UNECLAC).

The two meetings were attended by representatives from NGOs, academic institutions, Governments, UNCTAD, UNDP, ECLAC and ESCAP.

Conclusions will be presented at the Global Programme's seminar on 16 February 2000, during UNCTAD X (see page 1).

Full reports will be available in March 2000

The African Policy Dialogue will be held in April 2000.

In spite of the progress achieved in the region in terms of liberalization, growth has been disappointing and SHD variables have not improved. Starting from these considerations, there was a consensus that the process of integration into the global economy needs to be carefully managed. To achieve both economic prosperity and social and human development, short-term macroeconomic policies will have to be complemented by micro, structural and social measures. Responsibility for managing globalization must be assigned to all stakeholders: national government, civil society and the private sector. This requires improving existing institutions, increased public participation and transparency.

During the discussion, some participants also underlined the need, in the multilateral trading system, to allow developing countries greater flexibility to implement national development strategies and to reinforce the provisions on special and differential treatment.

The Asian Policy Dialogue, convened in Bangkok, Thailand, from 24-26 November 1999, was hosted by the UN Economic and Social Commission for Asia and the Pacific (ESCAP).

In analysing the Asian experience with globalization, the meeting concluded that good macroeconomic management alone is not sufficient to ensure stable growth and development. It was agreed that successful integration into the global economy is conditional on the participation of all stakeholders and that civil society can play a crucial role in supporting this process. Better access to technological change, higher investment in human capital and the provision of safety nets were regarded as essential for tackling poverty alleviation and for improving participation.

It was clear that globalization must be managed and directed towards a more human and sustainable development through participation, good governance, a good corporate environment which rewards positive activities, greater attention to social impact and sound macroeconomic and microeconomic policies.

The recommendations of the meeting focused on the need to carry out policy interventions to promote the weakest sectors of developing economies, to support SMEs and to make efficient use of FDI.

Participants also called for the overhaul of Special and Differential Treatment within the multilateral trading system and for providing the poor with insurance against the irreversible effects that lasting economic downturns may have on health, schooling and nutrition.

Sequencing of Reforms in Brazil

The study on "The Sequencing of Trade and Capital Account Liberalization, using the Experience of Brazil in the 1990s as a Case Study" is under way.

The study will describe and analyse the problems of macroeconomic instability in Brazil and try to assess the extent to which such instability and its consequences might have been avoided or mitigated under alternative policy sequencing.

Starting from the assumption that the achievement of SHD objectives in low-income countries depends crucially on the way macroeconomic management is conducted, the paper will also provide a review of the literature on sequencing. Liberalization poses new challenges to the economy and to macroeconomic management. In this context, the question of the appropriate sequencing of policies to ensure that economic growth is sustainable and human-centred needs to be addressed. The review of the issues relating to sequencing will help to provide new elements to the discussion.

The case of Brazil will offer a useful benchmark, since this country shares the same problems that others embarking on reforms faced in the 1990s.

A similar study on India has already been completed.

GLOBAL LEVEL ACTIVITIES CO-FINANCED BY THE GLOBAL PROGRAMME

Fine-tuning FDI: The China Symposium

Discussions on the development of investment rules are proliferating at the bilateral, regional and multilateral levels. UNCTAD has been helping developing countries to participate as effectively as possible in international deliberations on investment-related matters.

Co-financed by the Global Programme, the symposium gave high-level government representatives, in charge of international negotiations, an opportunity to draw lessons from the negotiation of international investment agreements (IIAs), be they at the multilateral, regional or bilateral levels. Discussions were held with a view to enhancing their development dimensions.

The meeting ended with a round table which discussed possible scenarios for developing countries in the forthcoming negotiations.

Fifty-three participants, representing 32 countries from all regions (9 from Africa, 16 from Asia, 7 from Latin America, and the Caribbean, and 5 from the Arab region), adopted the "Message from Xiamen", a declaration calling for "rules that encapsulate an appropriate mix of predictability, stability and transparency on the one hand and provisions for an appropriate space for national development policies which are consistent with international agreements on the other."

The study is undertaken by Mr. Ricardo Gottschalk (Institute of Development Studies, Sussex, UK).

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The China Symposium is a culmination of a series of regional symposia organized by a special task force from the Division on Investment, Technology and Enterprise Development (DITE).

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Santiago, Chile, 4-5 November 1999

This meeting was organized within the framework of the *Commercial Diplomacy Programme* of the Division on International Trade in Goods and Services and Commodities, which was launched in June 1999. Similar activities are scheduled for Asia and Africa in mid-2000.

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The meeting was held to identify new areas of research in international trade, to support training and research programmes for economic negotiators and to establish a network of Latin American and Caribbean institutions for a regional and interregional exchange of experiences in the field of international trade.

In addition to an informative debate on the international trade agenda from the regional perspective, the meeting provided specific guidelines regarding the region's needs in terms of training and research in international trade.

The participants identified basic training topics for negotiators, such as international trade, international law, international relations and public policies, and recommended the formulation of integrated and multidisciplinary training programmes. In addition, it was proposed that research centres undertake the preparation of national, regional and subregional studies on the impact of multilateral trade agreements and on the formulation of negotiating positions.

The meeting was attended by representative of more than 20 academic institutions in the region, secretariats of regional organizations and the private sector, as well as parliamentarians, experts, and the staff of UNECLAC, which was directly involved as a co-sponsor of the meeting together with the Latin American Trade Network.

INTEGRATED FRAMEWORK FOR TRADE-RELATED TECHNICAL ASSISTANCE TO LDCs

The Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries is co-sponsored by WTO, the World Bank, the IMF, UNCTAD, ITC and UNDP.

In the last newsletter, we reported on the "UNDP/UNCTAD workshop on the Challenges of Integrating LDCs into the Multilateral Trading System", held from 21-24 June 1999 in South Africa, and partly funded by the Global Programme. The resulting handbook '*Future Multilateral Trade Negotiations: Handbook for Trade Negotiators from LDCs*' is now available from UNCTAD.

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Round Table on Trade in Haiti

Haiti, 11-12 November 1999

Eighty participants, representing the Haitian Government, aid agencies, the private sector and major donors, attended a Round Table (RT) on Trade organized by the Haitian Ministry of Commerce with support from a number of United Nations agencies, including UNCTAD and UNDP. This initiative is considered to be among the most concrete and specific to be launched since the installation of the transitional government, making Haiti one of the first countries to avail of the opportunity provided by the Integrated Framework for Trade-Related Technical Assistance to LDCs.

As pointed out by UNDP, given the prevailing political and technical co-operation climate in Haiti, the RT process would be most effective if conceived as a launching pad for a policy negotiation process between the Government, the private sector and development partners with a view to formulating a comprehensive export-led growth policy.

The conference concluded with some donors expressing their interest in a number of projects presented by the Government in such areas as the setting up of an export credit system (World Bank), and tourism (European Union). A monitoring committee was formed and will be responsible for:

- analysing the constraints faced by Haitian exporters
- formulating an export-led growth strategy
- further developing the project proposals in order to set priorities them and create the conditions needed for their implementation.

Sectoral Consultations on Trade, Investment and Private Sector Development for The Gambia

Palais des Nations, Geneva, 23 November 1999

As part of the Integrated Framework for Trade-Related Assistance to LDCs, sectoral consultations in trade, investment and private sector development for the Gambia were held in Geneva.

In seeking the endorsement and support of development partners for its Technical Co-operation Programme for Trade, Investment and Private Sector Development (TCP), the Government of the Gambia presented an overview of its macroeconomic framework and technical assistance requirements in these areas. The total cost of the projects were estimated at US\$ 13.2 million with US\$ 1.5 million contributed by the Gambian Government.

The development partners found the TCP relevant to the promotion of trade and investment in the Gambia. The IDB, the World Bank, the IMF, Japan and France all expressed interest in reviewing their co-operation programmes in order to address quickly the priority needs submitted to the Conference.

The consultations will be followed by an Investment Forum to be held in the Gambia in the first quarter of 2000.

ACTING AT A COUNTRY LEVEL

Zimbabwe National Workshop

Harare, 13-14 December, 1999

Upon finalization of the Zimbabwe country assessment study, the Global Programme held its first national workshop, to discuss the country's experience with integrating into the world economy and the challenges ahead.

Opening the workshop, Mr. Shamuyarira, the Minister of Industry and Commerce, welcomed the UNCTAD/UNDP initiative as extremely timely. The discussion focused on Zimbabwe's poor economic and social performance, paying particular attention to the issues of macroeconomic instability and the sequencing of reforms undertaken since the announcement of the Economic Structural Adjustment Programme (ESAP) in 1990.

General consensus was achieved on the daunting challenges facing the Zimbabwean economy as it integrates into the world economy. The participants in the workshop adopted a national action plan, whose main thrust will be to enhance governance to manage globalization, negotiating capacity and competitiveness.

The results of the assessment study will be presented at the National Economic Consultative Forum (NECF), - forum of Government, trade unions and business community representative- and will provide an input to the World Bank's Comprehensive Development Framework (CDF) exercise.

The meeting, organized with the support of UNDP and UNCTAD, was attended by 14 delegations from Denmark, France, Italy, Japan, the Netherlands, The United Kingdom, The United States, the International Monetary Fund, IDB, ITC, UNCTAD, World Bank and WTO. The Gambian delegation was led by Her Excellency Mrs Isatou Njie-Saidy, Vice President and Secretary of State for Health, Social Welfare and Women's Affairs.

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Sixty participants, representatives of Government, academia, non-governmental organizations and the business community attended the seminar.

The final country assessment study and the report of the workshop will be available in February 2000.

El Salvador, Guatemala, Honduras and Nicaragua

The four Central American countries are similar in many respects. During the 1990s, all four emerged from decades of civil strife. They are all low-income countries exporting primary commodities, mainly bananas, coffee, sugar and meat. In the 1990s, several new exports have emerged, including clothing assembled in export processing zones, and a variety of non-traditional agricultural products, mostly for the United States market.

Up to the 1970s, a mainstay of their economic development had been the Central American Common Market (CACM). Regional integration had represented an important stimulus to the development of their manufacturing sectors during the 1960s and 1970s. However, civil war and external debt problems led, during the 1980s, to a considerable weakening of regional integration.

During the 1990s, all four countries have achieved a degree of social peace that had eluded them in previous decades. All of them now have democratically elected Governments. They have made enormous progress towards macroeconomic stability. At the same time, there has been a remarkable opening up of their economies to foreign trade and investment. Tariffs have been lowered and preferential trading arrangements have been sought with several partners (the most important one being Mexico), by individual countries and by the group as a whole, within the framework of CACM.

All four Governments have also completely liberalized their FDI regimes and have introduced privatization programmes in which foreign investors are already participating. FDI is already showing signs of picking up. Honduras has been able to attract large volumes of FDI into its export processing zones, which now give employment to more than 120,000 workers. Public utilities in El Salvador and Guatemala have also attracted FDI.

For the first time in decades, economic growth has been positive in per capita terms. However, in spite of this enormous progress, the growth process is still not consolidated. In the first place, growth rates are still on the low side. Second, the backlog of unmet human development needs has not diminished. FDI is unlikely to be attracted in sufficient volumes until these countries have educated and healthy labour forces. The lack of financing for micro and small enterprise is hindering the full participation of these firms in the development process. To varying degrees, governance, violence, and unclear property rights are still unsolved problems.

In some countries, fiscal balance has been achieved, but at the cost of severe cutbacks in expenditures in health and education. Greater policy coherence needs to be achieved so that incentives favouring new export-oriented sectors are clearly perceived. It also means that people must be empowered to respond to the new signals.

These countries would clearly benefit from revitalizing the CACM. A recovery of the original vision, now within the framework of "open regionalism", could be a powerful development tool and an important component of a strategy for speeding up economic growth and SHD.

The Country Assessment Studies for Central America were undertaken by a team comprising Professor Manuel R. Agosin (Universidad de Chile), Professor David Bloom (Harvard University), Professor Eduardo Gitli (Universidad Nacional de Costa Rica) and national consultants.

The studies will be available by March 2000.

Honduras and Nicaragua have serious external public debt problems and are candidates for the HIPC initiative. In these countries, the burden of external debt is making it difficult to maintain the levels of social expenditures.

Botswana, Malawi and Zimbabwe

In the Southern African region, the three countries chosen for country assessments fall under two categories: Malawi and Zimbabwe, which both adopted structural adjustment programmes (SAPs) supported by the IMF and the World Bank, and Botswana, which did not, and instead opted to follow its own open economic policies within the framework of the Southern African Customs Union (SACU).

Malawi started implementing SAPs long before Zimbabwe but failed to restructure its economy to exploit opportunities offered by globalization. This is partly due to its heavy dependence on a few primary commodities, such as tobacco, sugar, tea and coffee. Less developed than Botswana and Zimbabwe, Malawi does not enjoy the same level of infrastructure, high-level skills and manpower which, *inter alia*, are important prerequisites for integrating successfully into the global economy.

Neither Malawi nor Zimbabwe has achieved macroeconomic stability. Economic growth and social performance (poverty alleviation and employment generation) are worse than at the start of the SAPs. Failure to address the budget deficit has contributed to inflation and high interest rates, which have hindered domestic and foreign investment. Failure to implement policies lies at the heart of these problems. Lack of good governance and political accountability are far more serious hindrances.

In contrast to Malawi and Zimbabwe, Botswana always maintained relatively liberal economic policies. Thanks to very rapid economic growth during the past 30 years, Botswana is already in the league of middle-income countries. It enjoys sound macroeconomic management and has significant amounts of foreign exchange reserves. Its main requirement is to diversify the economic structure and promote non-traditional exports for both regional and global markets in order to reduce risks. Botswana's economic growth so far has been quite impressive but it has been largely driven by growth in government spending which is not sustainable. Botswana presents an interesting case of (sub) regional integration within SACU serving as a stepping stone to globalization through links with other regions, particularly the EU and the United States. Botswana's need to compete with South Africa and Zimbabwe may have prepared it well for opening up to global competition.

The challenge for Zimbabwe is to achieve economic stability and for Botswana to restructure and diversify its economy. Malawi faces the twin challenges of attaining both economic stability and economic restructuring.

All three countries must address the tasks of poverty alleviation and employment generation. Although Botswana has grown rapidly compared to Malawi and Zimbabwe, like them it has failed to reduce poverty, which suggests that growth is a necessary, but not a sufficient, condition for achieving equity. Secondly, in all three countries community-based and resource-based monitoring and management needs support for promoting SHD. Thirdly, all three countries need to strengthen their capacity for international trade negotiations. Regional training courses in this area within the framework of SADC is a high priority.

The Country Assessment Studies for Southern Africa were undertaken by a team comprising Dr. Ajit Bhalla (Sidney Sussex College, Cambridge University, UK), Professor Rob Davies (University of Zimbabwe), Professor Chinyamata Chipeta (Southern African Institute for Economic Research, Malawi), Professor Charles Harvey (Botswana Institute for Development Studies and Institute of Development Studies, Sussex, UK) and national consultants.

The studies will be available by March 2000.

Nepal

Nepal is a landlocked least-developed country with a very low level of human development and widespread environmental degradation. In recent decades it has made significant progress in education and literacy and modest progress in other indicators of human development. But inadequate growth, agricultural stagnation, increasing inequality of income distribution and continued disadvantages for women have slowed down Nepal's progress in SHD.

The country implemented a substantial programme of structural adjustment during the mid-1980s, and in the early 1990s it implemented a far-reaching programme of reform of the trade regime and related policies to facilitate its integration into the global economy. These reforms have resulted in a significant growth in trade. But this growth has not been robust: exports have become less diverse both in terms of composition and destination, and the inflow of FDI has been very modest. Furthermore, the favourable initial effect of globalization on economic growth has not been sustained and the inequality in the distribution of income has continued to rise.

The weak impulse of reforms on trade and growth has been due to many problems: the difficulty of promoting worthwhile "infant industries" because its location places Nepal in a *de facto* free trade situation vis-à-vis relatively developed India; the high cost of transit and transport to ports from which it can access international markets; and generally low elasticity of supply.

The Country Assessment Study for Nepal was undertaken by a team comprising Professor A. R. Khan (University of California, Riverside), Dr. Shankar Sharma, member of the National Planning Commission, and national consultants.

The study will be available by March 2000.

FORTHCOMING NATIONAL WORKSHOPS

March 2000	Botswana, Malawi and Nepal
April 2000	El Salvador, Guatemala, Honduras and Nicaragua

FORTHCOMING COUNTRY ASSESSMENT STUDIES

Bolivia, Burkina Faso, Chad, Jordan, Mali, Mozambique, Togo and Tunisia

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