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

Held at the Palais des Nations  
from 1 to 12 October 2001

Rapporteur: Mr. Federico Perazza (Uruguay)

Speakers:

Coordinator of Assistance to the  
Palestinian People  
Cuba for the Group of 77 and  
China  
Egypt for the African Group  
Belgium for the European Union  
Islamic Republic of Iran for the  
Asian Group  
Palestine  
Norway  
Israel  
United States of America  
League of Arab States

Algeria  
Officer-in-Charge of the Office of  
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Developed, Landlocked and  
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Cuba for the Group of 77  
and China  
Zimbabwe on behalf of the African  
Group  
United States of America  
China  
Japan  
Paraguay

**Note for delegations**

This draft report is a provisional text circulated for clearance by delegations.  
Requests for amendments to statements by individual delegations should be communicated  
by **Wednesday, 17 October 2001** at the latest, to:  
UNCTAD Editorial Section, Room E.8102, Fax No. 907 0056, Tel. No. 907 5654/1066.

## TECHNICAL COOPERATION ACTIVITIES

(Agenda item 5)

### (b) Consideration of other relevant reports: Report on UNCTAD's assistance to the Palestinian people

1. For its consideration of this subitem, the Board had before it the following documentation:

“Report on UNCTAD's assistance to the Palestinian people” (TD/B/48/9).

2. The **Coordinator of Assistance to the Palestinian people** introduced the secretariat's report on UNCTAD's assistance to the Palestinian people, which contained an update of progress achieved in implementing technical assistance activities for the Palestinian people. In line with the link between operational and analytical work, the report also examined the impact of the recent crisis on the Palestinian economy. It demonstrated that the crisis had adversely affected economic performance, while revealing continued vulnerability of the Palestinian economy to external shocks and deep-seated structural deficiencies. Those arose largely from the impact of prolonged occupation and had yet to be addressed effectively.

3. Despite a major development effort since 1994, all-pervasive challenges to the sustained development of the Palestinian economy remained as influential and debilitating as when first analysed by UNCTAD in the early 1990s. While recognizing the development challenges that the crisis posed for Palestinian Authority economic policy-makers, the findings of UNCTAD research nonetheless allowed for a reassertion of confidence in realistic hopes for a better development future for the Palestinian people.

4. International efforts in favour of Palestinian economic development had also been adversely affected by the recent crisis. However, UNCTAD advisors and experts had maintained an active presence in the field, despite interruptions and uncertainties. This demonstrated the secretariat's commitment to implementing its mandate in the context of sustained international assistance to the Palestinian people, as called for by UNCTAD X and the General Assembly.

5. UNCTAD research on the Palestinian economy had led to a careful matching of secretariat mandates and expertise with the relevant development needs of the Palestinian people and with available extrabudgetary resources, in regular consultation with Palestine and with other concerned parties. Secretariat project proposals had attracted resources from a number of donors. He reported on progress of work in four key areas, namely: debt management system; reform of customs procedures and regulations and related automation; training activities in the area of small and medium-size enterprise development; and commercial diplomacy training and related advisory services.

6. He expressed the secretariat's gratitude for the generosity and foresight exhibited by donors to date, though important proposals in several other areas remained unfunded. In particular, this had constrained the secretariat in responding to an urgent request from the

Palestinian Authority for coordinated technical assistance from UNCTAD and ITC to address some of the urgent needs that had arisen in the Palestinian trade sector. He concluded by renewing the secretariat's appeal to all members of UNCTAD to consider intensifying contributions to these and other priority areas of technical assistance to the Palestinian people.

7. The representative of **Cuba**, speaking on behalf of the **Group of 77 and China**, thanked the secretariat for its continued delivery of valuable technical assistance to the Palestinian people. His Group was pleased to see how the secretariat had responded over the years to the changing regional circumstances and to its evolving mandate in this area.

8. The current focus of the secretariat's work programme for the Palestinian people was on operational activities, backed up by research and analysis, and that was the most appropriate and effective contribution UNCTAD could offer to the Palestinian people. He noted that the secretariat had been able to intensify the scope of its assistance and the resources devoted to this issue, in line with the Bangkok Plan of Action. He thanked those States and international organizations that had already made contributions to UNCTAD projects of technical assistance to the Palestinian people, and he urged that such support should continue, especially in the light of the current difficult conditions facing the Palestinian economy.

9. The tragic confrontation that had engulfed the occupied Palestinian territory since October 2000 had dealt a serious blow to the Palestinian economy and to the achievements of the Israeli-Palestinian interim period economic accords. The severe losses in national income, the widespread unemployment and growing poverty, the impact of closures and other restrictive measures on Palestinian trade and other sectors were deplorable developments for a people that had already suffered so much.

10. The hope and possibility of emerging from this crisis represented one of the key points of the secretariat report, highlighting the interdependence between development and peace. His Group wished to reaffirm its belief that only through full implementation of all relevant UN resolutions could a just and lasting settlement be forged that recognized the rights of all peoples and States, including Palestine, to enjoy peace, security and development.

11. The representative of **Egypt**, speaking on behalf of the **African Group**, said that the developments in the Palestinian economy during 2000-2001 had mired it in a crisis of unprecedented depth and severity that would render a genuine recovery difficult to achieve for many years to come. Domestic output had been cut by almost half, the rate of unemployment had grown rapidly and sharply, and poverty indicators had grown dramatically. In addition, the economy had accrued significant infrastructure losses. Clearly all economic sectors had suffered severely during this period.

12. Social services had been subject to severe deterioration, reducing the already limited capacities available to meet the basic needs of the Palestinian people and adding more misery to life in Gaza and the West Bank. Practices of the occupying forces which had led to this

intolerable situation needed to be ended, especially the documented and repeatedly condemned practices of collective punishment and closure policy, which had cost the economy an estimated US\$ 8.6 million in losses.

13. The role of UNCTAD, development agencies and donors remained a corner stone in efforts to allow the Palestinian authority to reinforce its capacity to address the development needs of the Palestinian people, though the task of developing the Palestinian economy appeared to be more formidable than ever. Within this context, he welcomed the resumption of UNCTAD's technical assistance activities for the Palestinian Authority in mid-2001, moving towards the implementation of programmes that were considered of great help in the areas of capacity building and improving economic management. However, the lack of stability and funding had prevented the commencement of technical assistance requested by the Palestinian Authority in the areas of transit trade and transport and international procurement of strategic food commodities.

14. The African Group had urged donors to provide necessary funds to allow UNCTAD to reactivate projects and implement new projects. UNCTAD's technical assistance projects were pivotal in alleviating the conditions facing the Palestinian people. He called upon UNCTAD and the donor community to continue supporting these activities designed to assist the Palestinian people in an extremely critical economic situation. In conclusion, he reiterated the support of the African peoples and countries for the Palestinian people's struggle to achieve a comprehensive, just and lasting peace which would be the basis of prosperity and security for the entire region.

15. The representative of **Belgium**, speaking on behalf of the **European Union**, said that the secretariat report provided very instructive reading and allowed for an appreciation of the difficulties arising from an economic and political crisis that had lasted for a year. He continued to hope that the Palestinian economy, which was still very vulnerable, could restructure and that trade exchanges with the sub-region could develop. That would depend on the firm will of the parties to reach a just, durable and comprehensive peace on the basis of the principles established by the Madrid, Oslo and subsequent accords and in conformity with the pertinent United Nations resolutions.

16. Despite the past dramatic events and current tensions, the field work of UNCTAD for the Palestinian people retained all its usefulness. It was necessary to continue to prepare for the future, to train people, to reinforce institutional capacities, to better manage the macro-economic situation, to develop small and medium-size enterprises and to promote trade. To this end, UNCTAD should, within its areas of competence, provide carefully planned, well-targeted and demand-driven assistance. This could help to develop the local economy and to aid the Palestinian Authority in better serving its people.

17. The European Union was the main contributor of aid to the Palestinian people and was also the main extra-regional trade partner of the Palestinian Authority. The European Union was convinced that for two peoples which must coexist, there was no alternative to engaging once and for all along the path of peace negotiations, regarding which recent official meetings provided hope. In conclusion, he stated that, in this difficult period,

everything should be done so that fear, hatred and violence did not win the day and so that the dialogue for peace intensified as soon as possible.

18. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Asian Group**, said that it was a testament to the importance of the issue under discussion, as well as to the commendable manner in which the secretariat had implemented its evolving mandate in this area, that assistance to the Palestinian people continued to feature regularly on the agenda of the Board and in the secretariat's work programme. He thanked the secretariat for its report, which sent relevant messages at a critical stage in the region and the world.

19. He was also pleased to learn that the past year's adverse developments had not distracted the secretariat from its focus on the Palestinian people's long-term development needs and efforts. The secretariat had made serious efforts, in cooperation with ITC, to respond to some of the urgent technical needs emerging from the recent crisis. The secretariat's work programme in this area was a good example of a successful match between the secretariat's analytical and technical capacities on the one hand and its concrete operational activities on the other. The focus on institution and capacity building efforts and on high-quality advisory and training services in several areas provided Palestine with the best that the secretariat could offer in technical cooperation activities.

20. He noted that the Israeli measures against the Palestinian people entailed a range of restrictions on the Palestinian economy and workers, leading to massive losses in national income, widespread unemployment and destitution. The events of the past year had aggravated and exposed the structural weaknesses of the Palestinian economy. The failure to address these problems so far was rooted in the effects of prolonged occupation and the continued denial by Israel of the Palestinian people's rights. Even an interim peace period of six years, which had granted Palestine some limited economic autonomy and an opportunity to rebuild and develop, had proved inadequate to reverse long-standing imbalances. It came as no surprise that the vulnerable Palestinian economy had been shattered so swiftly and comprehensively by Israeli measures.

21. The crisis, at both its political and economic levels, had taught some useful lessons at a time when the globalized world faced new threats and development challenges. In particular, peace and development had been shown to be inseparable, and peace in the Middle East required justice and equity, something that had yet to be offered to the Palestinian people. Furthermore, only through recognition of the legitimate national rights of the Palestinian people, as enshrined in United Nations resolutions, could a just and comprehensive peace be attained. In concluding, he called on UNCTAD to continue its work to assist the Palestinian people with a view to identifying and eradicating the long-standing root causes of underdevelopment.

22. The representative of **Palestine** commended the secretariat for its outstanding and continuous efforts to provide technical assistance to the Palestinian people in all areas falling within UNCTAD's expertise. He expressed deep appreciation to the Secretary-General of UNCTAD for the special attention he has devoted to the secretariat's programme of assistance to the Palestinian people, thus allowing it to continue to develop in a very difficult

political context. He also highly appreciated the commitment of the secretariat experts and staff who had continued technical assistance missions and activities despite the difficult field conditions, while launching a number of projects to support the Palestinian National Authority's long-term development efforts.

23. The secretariat report provided an accurate analysis of the structural problems that impeded the development of the Palestinian economy and the predicaments that had befallen the Palestinian economy during 2000-2001. Since September 2000, the Palestinian territory had been subjected to a range of Israeli military measures, including a siege imposed on Palestinian towns, that had persisted over prolonged periods. These measures had had adverse effects on the entire economy, unprecedented since 1967. They had stemmed from an Israeli policy that aimed at demolishing the infrastructure of the Palestinian economy and putting an end to the Palestinian dream of establishing an independent state with a prosperous economy.

24. He noted that, according to recent statistics, total losses accrued by the Palestinian economy over the last year had reached at US\$ 2.7 billion. The current crisis had destroyed the benefits reaped from development efforts over the last three years, whereas signs of economic prosperity had been clearly visible before the beginning of the crisis. The current conditions in the Palestinian territory, characterized by the absence of political stability and weak economic infrastructures, had resulted in a severe reduction of investment opportunities and the absence of foreign investment, while unemployment had augmented the burden of the Palestinian National Authority. The implementation problems affecting UNCTAD projects confirmed the view expressed by Palestine for many years that economic development could not be achieved under Israeli occupation that had persisted for more than 34 years.

25. He expressed his appreciation for the financial support provided by donor countries to enable UNCTAD and other international organizations to implement assistance projects for the Palestinian people. However, the Palestinian people was calling for justice and solidarity from the international community. Though the Palestinian people's memory was replete with pain and tragedies, they aspired to a peace that restored their rights and ensured stability in the region. In conclusion, he said that Palestine appreciated the growing recognition of several countries, including the United States of America, of the Palestinian people's right to establish an independent state alongside the State of Israel. This should be translated into concrete measures, based on the decisions of the Security Council and other relevant United Nations resolutions which called for Israel to withdraw to the 4 June 1967 borders, to be replaced by the authority of the independent State of Palestine. This would lay the correct and strong basis for a just and comprehensive peace beginning in Palestine and spreading throughout the entire region.

26. The representative of **Norway** emphasized that developing the Palestinian economy was of paramount importance for building support among the Palestinian people for the continuation of the peace process. UNCTAD's technical assistance to the Palestinian Authority supported these goals. He commended UNCTAD for its work during a very difficult time for the Middle East, and also for reorienting part of its programmes as a response to the Palestinian Authority's economic crisis. His delegation strongly supported

UNCTAD's continued assistance to the Palestinian people within the mandate of the institution and in cooperation with other agencies.

27. He noted that, while UNCTAD's assistance could play a catalytic, technical role in preparing the Palestinian Authority to better withstand the challenges of the present crisis, it could not solve the crisis. The solution to the Palestinian Authority's economic crisis, as well as the crisis in the peace process, lay in the full implementation of the recommendations of the Mitchell Report and the Tenet understandings, leading to the resumption of peace-negotiations based on UN Security Council resolutions 242 and 338, as well as the Oslo Accords. Since the signing of the Israeli-Palestinian Declaration of Principles, the international community had invested considerable resources to support the Palestinian Authority in building a Palestinian administration capable of delivering much needed services. The current crisis imperiled the significant progress made over the past seven years, and he urged the two sides to resume final status negotiations as soon as possible.

28. The representative of **Israel** noted that, during the previous year's discussion of this agenda item, he had expressed the hope that the violence that had erupted only a few days earlier would soon be brought under control and that the political process would resume. However, since then the situation in the region had only deteriorated. The violence has caused unimaginable suffering for all peoples of the region, as well as huge economic losses. The only solution to this crisis was to implement a full ceasefire and then to resume political negotiations based on the Mitchell Committee recommendations.

29. The report prepared by the secretariat made it clear that, prior to the current wave of violence, the Palestinian economy had been pursuing a path of recovery and vigorous growth. This trend would have continued if the political process had remained on track, especially if the structural problems of the Palestinian economy could have been addressed. The negative situation facing the Palestinian economy was not surprising, as it was impossible to sustain positive economic development in such a violent environment. The wave of violence had also badly affected other economies in the region, including the Israeli economy.

30. The past year had been a very bad one for the peoples of the region, and the global economic slowdown in the aftermath of the recent terrorist attacks on the United States might well aggravate the situation. It was imperative to bring the violence to a halt and then to restart the political process in order to reach a political compromise. He continued to regard the economic well-being of the Palestinians as being of importance to Palestinians, Israelis and the region as a whole.

31. The representative of the **United States of America** thanked the secretariat for its report and its activities of assistance to the Palestinian people. He shared the frustration expressed by many delegations with regard to the continued violence in the region and with the absence of progress in political negotiations. The United States was working hard to bring an end to the violence and to implement the Mitchell Committee report. One-sided condemnations did not help in moving the peace process forward. The recent meeting between Chairman Arafat and Foreign Minister Peres was an important step, and he called on

the parties to move forward to implement the ceasefire, remove restrictions and resume negotiations.

32. The representative of the **League of Arab States** expressed his grave concern at the manner in which the Palestinian economy had been sabotaged. This concern was aggravated by the fact that, compared to the last few years, and despite notable support by international organizations and donor countries, the Palestinian economy was going from bad to worse due to Israeli measures. The occupying authority was demolishing not only the economy's infrastructure, but also its superstructure. The measures taken had inflated unemployment rates, aggravated the current crisis, and foiled international efforts to develop the economy, making them meaningless. The international community should adopt a firm stand so that its efforts could bear fruit. International organizations and donor countries should act not only as payers but also as players and as main partners in achieving sustainable development. He thanked UNCTAD, particularly the Assistance for the Palestinian People Unit, for supporting the Palestinian economy.

33. The representative of **Algeria** expressed his appreciation for the assistance provided to the Palestinian people by UNCTAD and other agencies, as well as for the support of donors, in particular the European Union. However, Israeli practices had jeopardized these efforts and rendered them ineffective. The social consequences of these practices had been dire, leading to a chaotic and disastrous situation for the Palestinian people. The secretariat report had correctly identified the main problem facing the Palestinian economy, namely the structural weaknesses arising from prolonged occupation. In concluding, he noted it was often stated that Israel's security was at stake, but that security could only be assured alongside security for all other peoples in the region.

*Action by the Board*

34. At its 924<sup>th</sup> plenary meeting, on 4 October 2001, the Board took note of the secretariat's report on UNCTAD's assistance to the Palestinian people (TD/B/48/9) and of the statements made thereon and decided to submit the account of its discussion to the General Assembly in accordance with General Assembly decision 47/445.



## OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 6)

### (a) Specific actions related to the particular needs and problems of landlocked developing countries: Report of the Fifth Meeting of Governmental Experts

35. For its consideration of the this agenda item, the Board had before it the following documentation:

“Progress report by the UNCTAD secretariat” (TD/B/48/13);

“Report of the Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, New York, 30 July – 3 August 2001” (TD/B/48/10).

36. The **Officer-in-Charge of the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries**, introducing the item, said that UNCTAD, as indicated in the documents before the Board, had continued to undertake both substantive analytical work and technical cooperation activities in favour of landlocked and transit developing countries. The Fifth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions had recommended many far-reaching and innovative policy measures and actions which landlocked and transit developing countries should implement with the support of their development partners in order to adequately address the physical and non-physical aspects of transit trade. Referring to the recommendation to hold a ministerial meeting in 2003, UNCTAD would seek the close collaboration of all stakeholders in the preparation of the meeting. Finally, he expressed appreciation for the generous financial contribution made by the Government of Japan to the Fifth Meeting of Governmental Experts. The contribution had been used to finance travel of national experts from landlocked developing countries and resource persons - a factor which had contributed significantly to the quality and deliberations of the Meeting.

37. The representative of **Cuba**, speaking on behalf of the **Group of 77 and China**, commended the secretariat for both its substantive analytical work and its technical assistance support to member States. His Group fully supported the conclusion and recommendations of the meeting of Governmental Experts. The Group of 77 and China, in line with the views expressed by that Meeting, underlined the fact that the development of infrastructure in landlocked and transit developing countries required a degree of financing exceeding the means of many of these countries and that donor countries and financial institutions should therefore strengthen their support. Referring to the recommendation to convene a ministerial meeting in 2003, he expressed the full support of the Group of 77 and China and stressed that the UNCTAD secretariat should undertake the preparatory work in close cooperation with all stakeholders, including regional organizations and financial institutions.

38. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, said that, as half of the 30 landlocked developing countries were located in Africa, the needs and problems of landlocked developing countries were matters of great importance to his Group. Africa faced excessive transport costs, which greatly undermined its trade competitiveness and sustainable development. The African region more than any other urgently required the development of adequate national and regional transport networks in order to open up productive areas and stimulate economic activity. Efforts were being made in Africa to modernize legislation in order to provide an enabling environment for transit operations and attract private sector management expertise and capital. New institutional arrangements better suited to respond to the changing needs of transport and trade were being established. The role of the private sector was expanding and subregional and regional transit transport cooperation was turning existing economic cooperation arrangements into operational instruments for change and development. In spite of these positive developments, transit systems of landlocked and transit developing countries were still inadequate. That was why the African Group supported the call for a ministerial meeting that would give appropriate emphasis to the problems of landlocked and transit developing countries. He believed that a ministerial meeting would provide the occasion to support new modalities for financing infrastructure and provide impetus for increased ODA, as well as an opportunity for promoting consensus on a package of measures designed to improve transit systems.

39. The representative of the **United States of America** said that his Government was aware of the specific problems faced by the landlocked developing countries and had been implementing a programme in East Africa while considering giving some aid to Southern African countries to improve the transport activities in those regions.

40. Referring to the proposal to convene a ministerial meeting, he raised specific concerns regarding the timing of the meeting, because if held in 2003, it would take place after other major UN Conferences. His delegation also had questions regarding funding arrangements, in particular to meet the travel costs for delegates from landlocked and transit developing countries. His delegation would raise these issues when the General Assembly discussed the matter.

41. The representative of **China** commended UNCTAD's work to assist landlocked developing countries in the areas of policy coordination and technical cooperation. She expressed the hope that UNCTAD would continue to make its contribution in this regard, including by playing a central coordinating role in dealing with interregional issues concerning these countries. Some international development and financial agencies and donor countries had started to pay attention to the question of transit transport and had provided financial and technical assistance to the landlocked developing countries in the area of transit transport, including infrastructure construction and human resources development. As a developing transit State bordering eight land-locked neighbours, China had always paid great attention to the question of transit transport, an issue that was of fundamental interest to landlocked developing countries. The ever-accelerating reform and openness in China had enabled the country to engage in transit transport cooperation with other countries and progressively remove existing institutional and policy obstacles. In addition, China had

conducted numerous talks and consultations with neighbouring countries on issues related to transit transport. In particular, she emphasized the importance of the ongoing negotiations on the draft transit traffic framework agreement between China, Mongolia and the Russian Federation. She believed that the agreement would be concluded in the near future, which would serve as a useful example for other subregions.

42. The representative of **Japan** said that his country continued to pay special attention to landlocked developing countries. His Government recognized that geographically disadvantaged countries such as landlocked countries had been unable to derive full benefit from the new trade opportunities offered in the process of globalization due in part to high transit costs.

43. To help landlocked countries benefit from globalization, the international community must create an enabling environment for development of transport infrastructure and efficient transport services. To achieve an enabling environment for smoother transit transport, managerial, regulatory, and institutional systems must be improved. Landlocked and transit developing countries must create stronger partnerships.

44. Concerning the development of transport infrastructure, it was essential that there should be a sense of commitment and ownership by landlocked and transit developing countries. Japan had provided support for development of infrastructure in the form of grants and concessional loans to build roads and bridges in the southern African region (Zambia, Zimbabwe and Swaziland), in Asia (Nepal, Kazakhstan, Uzbekistan, Lao People's Democratic Republic, Thailand, Viet Nam and Myanmar).

45. Support for infrastructure development in landlocked countries must take into account the difficulties these countries were facing in attracting private investment in this area and the management of funding. His delegation renewed its support for the convening of a ministerial meeting in 2003 and welcomed Kazakhstan's generous offer to host the meeting.

46. The representative of **Paraguay** said that his delegation supported proposals that gave landlocked countries access to the sea. Many of the existing instruments in this regard were not implemented effectively, and there were still too many restrictions that impeded the efficient flow of goods to and from the sea. Rules should be changed and trade should be promoted in order to speed up the development process of landlocked developing countries. The WTO, UNCTAD and the World Bank should help in preparing a multilateral agreement to that end.

47. Available infrastructure was not adequate or efficient. There was a need for better land communication and more human resources training. His delegation did not share the view of the United States delegation that the timing of the 2003 ministerial meeting was wrong. He regretted that such an important issue for landlocked countries was not often dealt with at the highest level.

*Action by the Board*

48. The Board took note of the progress report by the UNCTAD secretariat (TD/B/48/13), as well as the report of the Fifth Meeting of Governmental Experts (TD/B/48/10), endorsed the conclusions and recommendations of the Meeting, and decided to recommend them to the General Assembly at its fifty-sixth session, in accordance with General Assembly resolution 54/199.