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

Held at the Palais des Nations
from 7 to 18 October 2002

Rapporteur: Mr. Mehdi Fakheri (Iran)

Speakers:
Director of GDS
Egypt for the G77 and China
Denmark for the EU
Indonesia for the Asian Group and China
Trinidad and Tobago for the Latin American and Caribbean Group
India
Thailand
Bahrain
China
Bangladesh
Jamaica
Russian Federation
Norway
Algeria
Cuba

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, 23 October 2002** at the latest, to:
UNCTAD Editorial Section, Room E.8108, Fax No. 907 0056, Tel. No. 907 5656/1066.

Chapter II

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: DEVELOPING COUNTRIES IN WORLD TRADE

(Agenda item 3)

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

Trade and Development Report 2002 and Overview (UNCTAD/TDR/2002)

2. The **Director of the Division on Globalization and Development Strategies** said that the assessment given in the *Trade and Development Report 2002*, published in April, had been seen by some as "gloomy if not negative", but it now looked quite optimistic in view of subsequent developments. In the recent meetings of the Bretton Woods institutions, the cautious optimism that had pervaded the Spring meetings had been replaced by sombre realism. Current projections were for GDP growth in the industrialized world of around one and two per cent for 2002 and 2003 respectively. The UNCTAD secretariat's prediction in 2001 that recovery in the United States would be slow and erratic, and that Japan and the European Union would not replace the United States as the locomotive of the world economy, had now become common wisdom. Financial excess had been at the origin of current difficulties in many economies, including Japan, the United States and a number of developing countries that had relied excessively on inflows of foreign capital. The reluctance to take seriously the interdependence between finance, trade and development remained a major obstacle to finding a better balance in the multilateral economic system.

3. The economic landscape in the developing world resembled that of the early 1980s. While growth in East Asia had been holding up, the rest of the developing world was again experiencing sluggish growth or outright recession. In sub-Saharan Africa, per capita income was still below the level of 20 years ago, and the chances of sustained poverty reduction depended crucially on a major overhaul of the international policy approach to stabilization and adjustment, debt relief, aid and market access. In most of Latin America, two decades of market-oriented reforms had brought inflation under better control and had helped attract FDI, but export performance had been disappointing and, as in the 1980s, the current downturn had unleashed forces that threatened to set off a new round of debt crises and another lost decade for development. Making the system of multilateral economic rules and institutions more supportive of development remained the overriding challenge in the run-up to UNCTAD XI. The international agenda was changing direction in line with alternative perspectives and proposals that had been presented by UNCTAD over the years, as witnessed by the attention now being given in the IMF to sovereign bankruptcy rules and collective action clauses; the recognition of the concern, in the context of the HIPC Initiative, that debt sustainability analysis was based on unrealistic assumptions about growth and exports and that the process had not resulted in additionality of resources; the support received from the

World Bank and the Zedillo Commission for the proposal that ODA to sub-Saharan Africa had to be doubled if internationally agreed growth and poverty alleviation targets were to be attained; the increased attention given in the Washington institutions to the question of excessive and intrusive conditionality in multilateral lending; and the recognition by all development agencies that solutions to many of the trade issues put forward by UNCTAD were the *sine qua non* of the success of outward-oriented strategies in developing countries. Real progress in development cooperation on aid, debt and trade, as well as improvements in global and national governance and policies, were indeed crucial in determining whether the new millennium would begin with another decade of lost development opportunities or usher in the growth renaissance that must be the cornerstone of broad-based and sustained development.

4. The representative of **Egypt,** speaking on behalf of the **Group of 77 and China,** said that the outlook for the world economy was very uncertain, not least because of the fragility of investor confidence and the decline in equity markets, which had been due in part to problems with corporate governance in industrial countries. The outlook was gloomy for sub-Saharan Africa, where hardly any growth in per capita incomes would be attained, and for Latin America, where even negative GDP growth was likely. Sustained poverty reduction could not be achieved through redistribution of stagnating or even falling per capita incomes; it required faster growth benefiting all countries and all parts of their societies. The ability of developing countries to benefit from increasing global interdependence also depended on the multilateral trading system. Increased trade and FDI had the potential to boost economic growth in developing countries, but at present, due to the distortions in the international economic order, this potential was not being realized. Export-oriented development strategies had led to a rise in the developing countries' share of world trade in manufactures, but in many cases trade liberalization had also led to an increase in the import content of consumption, production and of manufacturing exports. Trade should not be considered an end in itself, and successful participation in international trade was not equivalent to faster income growth. The terms-of-trade movement against Southern manufactures, as evidenced in this year's *TDR*, was a reason for serious concern, especially as a growing number of developing countries with large reserves of unskilled labour were adopting export-oriented strategies. The *TDR 2002* raised awareness among developing country policy makers of the need for measures to ensure that increasing trade with manufactures was translated into domestic income growth and poverty reduction. Trade and financial liberalization and efforts to attract FDI had to be carried out in a well-sequenced manner and be imbedded in a comprehensive development strategy.

5. Market protection in advanced economies played a significant role in perpetuating poverty in the developing world. It was therefore essential to enlarge market access for developing countries, phase out trade-distorting subsidies, and tighten the rules for the use of trade remedy procedures, such as antidumping and countervailing measures, and of standards and regulations that impeded exports from developing countries. While agricultural subsidies in the OECD amounted to over six times the level of total ODA, the net transfer of resources to the poorest countries had been negative in recent years. In order for the Millennium

Development Goals to be attained, the industrial countries should urgently consider increasing their level of ODA from the current average of 0.22 per cent of GNP to 0.7 per cent of GNP. Implementation of the HIPC Initiative had progressed but at a disappointingly slow pace. There was a need for more realistic projections of export growth and debt sustainability of the HIPCs. Moreover, a number of non-HIPC debtor countries should also be considered for comprehensive official debt relief. An effective and wide-ranging reform of the international financial architecture remained imperative for the restoration of growth and the attainment of the Millennium Goals in developing countries. The recent new incidence of financial crisis in emerging-market economies had again pointed to the need for better tools for crisis prevention and resolution. There had recently been some welcome progress at the IMF towards the introduction of better mechanisms for dealing with unsustainable sovereign debt, an issue that had been raised repeatedly by the UNCTAD secretariat. The close linkages of trade and finance and the global character of the causes and implications of the current crisis required coherent approaches by the international community to revive world output growth in the short term and to attain the Millennium Development Goals, including the reduction of poverty by one half, in the longer term. The international community now had to take urgent action to convert the good intentions of recent international conference declarations into concrete action.

6. The representative of **Denmark**, speaking on behalf of the **European Union** and the countries seeking accession to the European Union (Bulgaria, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey), said that the share of developing countries in world merchandise exports had increased from less than one fourth to almost one third between 1970 and 1999.There had also been a shift in the composition of their exports from primary commodities to manufactures. The latter now accounted for 70 per cent of all developing countries’ exports, while the share of the former had fallen from 20 per cent to 10 per cent. Trade could foster growth to help reduce poverty; according to World Bank estimates, trade liberalization could lift 320 million people out of poverty by 2015.

7. Developing countries now accounted for 42 per cent of total EU imports, and their trade balance with the EU had moved into surplus in 1999. However, exports by developing countries were still concentrated on a limited range of products derived from the exploitation of natural resources or the use of unskilled labour. These products had a low domestic value-added content. Moreover, the share of the 49 least developed countries had fallen from 3 per cent in the 1950s to 0.5 per cent in the early 1980s and over the last two decades. This could be explained by a combination of domestic factors, such as inappropriate policies, weak productive capacities, low levels of education and high levels of corruption, and international factors, such as worsening terms of trade, high price volatility in world markets, and high trade barriers for agricultural and labour-intensive goods. Moreover, increased competition to attract FDI had put small countries in a weaker bargaining position.

8. The studies on the impact of increased developing country participation in international trade and investment had shown that countries with a higher participation tended to achieve faster growth, and that in order for trade to have a sustained positive impact on

poverty, it must be part of a wider country-owned strategy. The Poverty Reduction Strategy Papers, which embodied such a concept, were the most effective tool for poverty reduction. An effective strategy for poverty reduction had to include, *inter alia*, sound macroeconomic policies, improved delivery of education and health services, appropriate social safety nets and respect for core labour standards. It also had to address the need for improved infrastructure; access to markets, particularly for populations in rural areas; the effective enforcement of a regulatory framework to guarantee the proper functioning of markets and to prevent corruption; and appropriate environmental legislation. In order for domestic strategies to be successful, there was a need for external financial support focused on reform, capacity building and infrastructure. The Bretton Woods institutions played a key role in this regard. It was important that priorities defined in the national development strategies of recipient countries be taken into account in their lending policies.

9. The EU was ready to deliver on its commitments to trade capacity building spelled out in Doha and Monterrey, as well as to improving market access conditions in the context of the Doha Development Agenda. The direction had been set with the EU's GSP scheme and the Everything-but-arms Initiative, but the concessions offered through these initiatives had not always been fully exploited, indicating the need to address supply-side constraints. In line with the commitments made at the World Summit on Sustainable Development, the EU and its member States were ready to assist in strengthening the capacity of vulnerable countries to benefit from trade opportunities.

10. Regional integration among developing countries could lead to increased trade volumes and investment. The EU/ACP Partnership Agreements were designed to enhance integration policies, poverty reduction and sustained development. However, the positive effects of integration could only be realized within the context of a conducive overall policy framework, good governance and real security.

11. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China** said that the economic outlook in Asia was better than for other parts of the developing world, but given their strong outward orientation, the growth prospects of most Asian countries depended on a revival of the world economy. With the unfavourable expectations generated by macroeconomic developments and policies in the developed countries, the near-term prospects for all developing countries and for progress in the fight against poverty were not encouraging. It would not be possible to attain the ambitious goals of the Millennium Declaration should the present international economic scenario persist. To attain these goals, significant structural changes in the world economy, in both trade and finance, were also needed. This had been recognized at the Conferences in Monterrey, Doha and Johannesburg.

12. In many countries the benefits reaped from their greater participation in international trade had fallen short of expectations. In the new round of multilateral trade negotiations, the remaining biases in the multilateral trading system had to be corrected to assure more equitable outcomes. All trade issues of particular interest to developing countries had to be addressed in a cooperative manner, including trade barriers and trade-distorting measures.

But developing countries also needed to preserve their sovereignty in the design of their trade, industrialization and development strategies.

13. The *TDR 2002* provided a new perception of the benefits that developing countries had reaped from their outward-oriented development policies, in particular trade liberalization and opening-up to foreign direct investment and international production networks. The impact of these policies appeared to differ considerably across regions and countries. Since rising domestic value-added was at the core of development efforts, it was particularly worrisome for developing countries to see that their rising share in world manufacturing exports had not been accompanied by a concomitant rise in their share in manufacturing value-added. Past policies for industrialization therefore had to be carefully reviewed and, where necessary, revised or complemented by new innovative measures securing a greater share in manufacturing value-added. Moreover, many developing countries relied on their large unskilled or low-skilled labour force for the production of manufactures. But the *TDR* had drawn attention to the fact that, with a high share of such goods in total exports, the risk of terms-of-trade losses remained. Developing countries had to strengthen the technological capacity and skills in their economies in order to benefit fully from globalization.

14. *TDR 2002* made an important contribution to the debate on appropriate development strategies in the context of globalization. It showed that growth and development could not be expected to result automatically from trade liberalization. In order to ensure a fair distribution of income gains from increasing global integration of production and markets, new thinking about domestic policies was required. It might be necessary to look more to domestic markets, and to strengthen regional and international cooperation among developing countries in the design of export-oriented policies in order to reduce the risk of oversupply and falling prices in the markets for labour-intensive manufactures, especially in the present phase of weak growth and high unemployment in the advanced industrial countries. The experience of many developing countries in Asia had shown that successful export-orientated industrialization required more than just reliance on market forces, liberalization and deregulation. It was also necessary to define a positive role for the state, national institutions, and policies that supported the private sector in attaining competitiveness in global markets.

15. The evaluation in *TDR 2002* of China's accession to the WTO was of particular interest for the developing countries in Asia. The analysis and the policy issues raised would contribute to the understanding of the challenges for adjustment resulting from this event, in China itself as well as in the economies of its trading partners.

16. The representative of **Trinidad and Tobago**, speaking on behalf of the **Latin American and Caribbean Group**, said that two decades of experimentation with market-oriented reforms in Latin America and the Caribbean had brought inflation under control and helped attract FDI on an unprecedented scale. However, export performance had been disappointing and growth sluggish by comparison with the levels attained in the 1960s and 1970s. In 2002 GDP growth would not exceed 2 per cent.

17. The economic and political influence of international finance was now openly discussed. There was growing concern that efforts to strengthen the accountability of democratically elected governments, including on economic matters, could be undermined by unregulated international financial markets. Progress with the much needed reform of the international financial architecture was too slow, and in the process no attention had been given to the plight of debtors.

18. In an interdependent world it would be wrong to attribute all the problems facing the countries in Latin America and the Caribbean to the vagaries of international finance. The *TDR 1999* had placed a good deal of emphasis on the way trade and financial flows had, during the 1990s, interacted in a rather lopsided manner to cause a tightening of the external constraints on growth and development in most developing regions. The discussion of trade and development presented in *TDR 2002* was an important extension of that work. His Group noted with some trepidation the finding in the *Report* that most countries in the region had failed to make progress in the export of the most dynamic products in world trade. It also noted with concern the evidence in the *Report* on the weakening link between exports of manufactures and economic growth. In particular, the *Report* raised very important questions concerning the dangers of excessive reliance on FDI, including more export-oriented FDI. Such arguments were familiar from an older development debate concerning the constraints on the export of primary commodities, a debate which had been very much centred on Latin American experiences.

19. The members of his Group would certainly endorse the broad policy messages emphasized in the *Report*, namely, first, the need for faster growth in developed countries; secondly, the need for sufficient policy space in developing countries, particularly for middle-income countries, to upgrade their own industrial base and realize greater value added; and finally, the need to expand markets in the developing world, including on a regional basis, as key to overcoming their deep-seated problems of unemployment and poverty. But these objectives could only be achieved through a coordinated and consistent approach at the international level. In this regard the efforts at the recent conferences in Doha, Monterrey and Johannesburg to put development at the centre of the international economic agenda needed to be supported and strengthened.

20. Many of the concerns raised by the UNCTAD secretariat had also been expressed by the ECLAC secretariat. Over the coming year, as the preparations for UNCTAD XI scheduled for 2004 in Brazil intensified, these ideas should be developed further and in cooperation with the regional commissions.

21. The representative of **India** said that UNCTAD had an important role in policy analysis and consensus building on the developmental dimensions of interdependence and globalization. Its distinct function was, *inter alia*, to objectively monitor economic developments and phenomena that underlay policy making; to develop policy proposals to achieve welfare gains for all; to act as a watchdog that assessed the developmental impact of particular policies; and to contribute to a positive agenda regarding both systemic and policy issues.

22. Developing countries had to raise the share of manufactures in their exports in order to reduce their vulnerability to price instability and to foster productivity growth. But while the share of developing countries in world manufacturing exports had been expanding, their share in earnings from such exports had been falling, and the attempt to secure a share in world manufacturing value added had engendered a race to the bottom among developing countries. The Doha agenda showed the commitment of developing countries to work in partnership with developed countries, on the basis of the understanding that development concerns would be at the centre of the negotiations. Since protectionist tendencies in some major developed countries could undermine confidence in developing countries in the international trading system, the multilateral trading system had to ensure improved market access and price stabilization for their exports, allow for greater policy space to develop local industries, and establish more appropriate terms of accession to the multilateral system. Each country should be able to choose a path that was appropriate for its conditions and people, but in order for developing countries to benefit from globalization to the same extent as the developed countries, a true sense of global community was required, and it had to be translated into concrete policy action.

23. The representative of **Thailand** said that the Doha Ministerial Declaration had raised the hopes of the developing countries that their concerns over the implementation of the Uruguay Round Agreement would be seriously addressed and that the new trade round would lead to a more equitable sharing of the gains from the multilateral trading system. The main challenge was to achieve a substantial improvement in market access for goods and services from developing countries, through a substantial reduction or elimination of tariff and non-tariff barriers, effective implementation of special and differential treatment provisions and an increase in technical assistance for capacity building in the negotiation and implementation of the WTO Agreement. For trade in services, the Guidelines and Procedures for Negotiation adopted in 2001 provided a sound basis for negotiation, ensuring that further liberalization of trade in services would promote an expansion of international trade, full employment and a rise in living standards. The achievement of these objectives depended largely on the domestic competition law.

24. Regarding the interdependence of trade, finance and investment, there was a strong need to improve policy coherence on the national and international level, as recognized also in the Doha Declaration.

25. UNCTAD’s efforts in providing technical assistance to build capacity in developing countries for negotiation and implementation of the WTO Agreements had considerably improved their ability to cope with complex international trade laws and policy. Many developing countries also needed assistance in the formulation and implementation of appropriate domestic legislation. Legal assistance in preparing enabling legislation for complex agreements like TRIPS and GATS was very important to enable members to exercise the right of progressive liberalization or use safeguard or development provisions under the different agreements.

26. The representative of **Bahrain** said that, as the world economy was still not recovering from the sharp downturn over the past few years, there was an urgent need for coordinated policies to arrive at a global solution to the crisis. The root causes of this downturn had to be tackled. Failure to arrive at such a solution would aggravate the economic crisis, lead to escalation of social problems and add to global instability. Policies to govern the globalization process should be supported by mechanisms for fostering interdependence and macroeconomic policy coordination. The developing countries were in a particularly weak position to withstand the consequences of the current crisis, since their economies were more vulnerable to external shocks than the advanced economies. In order to overcome the current crisis, the developing countries needed increasing inflows of FDI, improved market access conditions for their exports, and a further strengthening of technical assistance in the economic sphere. Bahrain attached great importance to investment promotion as a vehicle for generating growth and had adopted liberal policies for attracting FDI and creating a market-oriented economy led by the private sector. This policy had contributed to making Bahrain one of the most favoured locations for TNCs.

27. UNCTAD was one of the leading organizations in terms of supporting developing countries' efforts for closer integration into the world economy. It should continue its efforts in assisting economies in difficulty, and especially strengthen its technical assistance in support of a sustained recovery of the Palestinian economy. The entire Middle Eastern region was feeling the impact of the tragic events in connection with Israeli practices. The Palestinian economy was now in need of international support to rebuild its destroyed infrastructure and find a solution to the problems of unemployment and poverty.

28. The representative of **China** said that, without a favourable international environment, developing countries could not be successful in developing their external trade. In their efforts to promote trade liberalization, they were encountering numerous challenges, as developed countries were not implementing Uruguay Round commitments and continued to maintain market access barriers against exports from developing countries. There were still high tariff peaks as well as numerous non-tariff barriers, in particular increasing anti-dumping measures, and a high level of subsidies for domestic agricultural production in the developed countries. All these measures had contributed to significant imbalances in trade between developed and developing countries and contributed to an inequitable international economic environment. There were several elements of the new round of multilateral trade negotiations which could strengthen the position of developing countries in the international trading system. An effective and equitable participation of developing countries in these negotiations was also necessary to attain the Millennium Development Goals. But developing countries also had to actively pursue domestic economic reforms, fostering market mechanism, and adopt appropriate macroeconomic and sectoral policies. The outcome of the Monterrey and Johannesburg conferences gave rise to optimism, but it was now important to assure concrete action by the international community in the follow up to these conferences.

29. The assessment in the *TDR 2002* of the implications of the accession of China to WTO was very useful as a support for policy formulation, and the proposals made in the *Report* deserved in-depth assessment and follow-up.

30. The representative of **Bangladesh** said that, although developing countries had expanded their share in world manufacturing exports, they had not reaped a proportionate gain in value-added. The *TDR 2002* raised the awareness of policy makers concerning the fact that many developing economies were at the low-skill, low-value-added end of international production chains. Its recommendation to developing counties to seek wider policy space to nurture their domestic industries was important but difficult to realize in the present system. While WTO championed the virtues of free trade, trade flows were governed by protectionist trade policies of the major industrial countries and the global strategies of TNCs.

31. At present, faster growth in the developing world required a strong demand stimulus from the industrialized countries. This pointed to an asymmetry in the global economic system; macroeconomic or structural adjustment programmes in developing countries were subject to much tighter multilateral surveillance than macroeconomic policies of the developed countries, although their global impact was much weaker. In order to ensure faster growth and avoid even greater economic instability, the macroeconomic policies of the G-3 economies, including their exchange-rate policies, had to be better coordinated. The present international financial and trading system favoured private over public flows, exchange-rate flexibility over currency stability, creditors over debtors.

32. If the targets of the Millennium Declaration were to be attained, an additional $50 billiion of ODA was necessary. The Marshall Plan was a good example of the potential of official aid to accelerate growth. In many poor countries FDI was insignificant, and often flowed only into activities where local value-added was very small. As trade and financial liberalization had increased the exposure of developing countries to globalization and interdependence, the challenge now was to strengthen global governance, and the contribution of developing countries to it.

33. The representative of **Jamaica** said that while the *TDR 2002* depicted the growing participation in world trade of developing countries as a group, that trend was confined to a relatively small number of exporters of manufactures. For a large number of developing countries, which had not been able to move away from primary commodities, markets were stagnant and prices declining. Many developing economies, including those in the Caribbean, were faced with persistent market access barriers limiting their possibilities to shift to exports of manufactures. In almost all Caribbean countries, two or three primary commodities still accounted for as much as 60 per cent of total exports.

34. Jamaica, like other countries in the region, was heavily dependent on developments in external markets, particularly in the United States. As a consequence, it had suffered from the repercussions of the economic slowdown, with the tourism sector being most severely affected. In 2001, Jamaica's merchandise trade deficit had increased further, to reach $1,558 million. This widening trade deficit was due in part to a 6.6 per cent fall in export earnings, with export revenues form merchandise exports falling by 5.3 per cent to $1, 224.5 million, the lowest level since 1994.

35. It was very difficult for Jamaica to enhance its position in international trade so as to reap the economic dividends of trade liberalization. Like other countries with similar problems, Jamaica needed special and differential treatment in order to ensure that it had equal opportunities in the global trading system. It also required technical assistance and capacity building to strengthen supply capabilities with a view to enhancing trade performance.

36. The representative of the **Russian Federation** said that the current session of the Board was taking place at a crucial moment for the international community. The new round of multilateral trade negotiations in the framework of WTO was moving ahead and the preparatory work for UNCTAD XI had started. The progress achieved in the implementation of the Bangkok Plan of Action was a good basis for the elaboration of a new development strategy.

37. The discussion on interdependence, globalization and trade liberalization and their influence on development reflected the permanently increasing interest of the international community in these issues. This discussion should aim at finding a common approach to defining a concept of development in the global economy that responded to the challenges of the present and the future. This concept had to reflect the realities of an increasingly interdependent world and the problems of economic globalization. It was necessary to identify a direction and a pattern of development that maximized the positive effects for all countries and minimized the negative consequences of globalization for individual countries or specific groups of countries. Effective participation of developing countries in the global trading system required a strengthening of their domestic economic potential. To that end, countries should implement adequate domestic policies and carry out the necessary structural reforms, taking into account the relationship between macroeconomic and social aspects of their policies.

38. The Russian Federation was participating fully in global economic processes. Important pieces of draft legislation were presently under consideration, with a view to aligning domestic legislation with the norms and principles of WTO and achieving full integration into the world economic community. As a member of the G-8, the Russian Federation was also making efforts to contribute to the alleviation of the debt burden of the developing countries. Between 1996 and 2001 it had written off $35 billon of debt owed by developing countries. This corresponded to 0.3 per cent of its GDP, a ratio which exceeded that of many developed countries. At the same time, Russia was actively participating in international programmes of assistance to the LDCs. Practically all goods produced in these countries were benefiting from duty-free access to the Russian Federation and were not subject to any antidumping, countervailing or safeguard procedures.

39. The representative of **Norway** said that although immediate security concerns had recently gained importance, development-related issues continued to be very high on the international agenda. The main challenge now was to translate the positive outcomes of the recent international conferences into appropriate action. An open multilateral trading system, based on mutually agreed, legally binding and enforceable rules, was in the interest of all

countries. Renewed protectionism and unilateral action were not the way forward. Trade did not necessarily provide for sustainable development, or for poverty reduction, but reversing the process towards more open markets would be detrimental to everyone. To make trade work to the benefit of all, it was important to achieve coherence not only between trade, sustainable development and poverty eradication, but also between trade and other instruments of development, such as access to capital, technology and know-how. Market access for products from developing countries should be significantly extended, both in the developed economies and in the developing countries themselves. A particular effort should be made to provide full tariff-free and quota-free market access for all products from LDCs.

40. Developing countries were in need of better access to capital, including through debt relief. All developed countries should meet the internationally agreed ODA target of 0.7 per cent of GNI. In Norway's new budget, ODA was expected to reach 0.93 per cent of GNI. Private sector partnership was also crucial for the viability of any development strategy. But the developing countries themselves had to create an enabling environment for growth through good governance, including adherence to the rule of law, anti-corruption measures and a credible legal system. The findings of the *Trade and Development Report 2002* to the effect that the increase in developing countries' share in world trade had not been accompanied by a corresponding increase in their share in value added underscored the need for diversification of their economies. The enhancement of labour productivity was not only a matter of traditional economic policies, but also of improvements in universally available infrastructure and health and education services.

41. The representative of **Algeria** said that the uncertainties of the international situation, in which security considerations had become dominant, were a reason for concern. There was a risk in this situation that, following on from the crisis in Latin America, the implications for developing countries of the downturn in the world economy could be exacerbated by a possible armed conflict in the Middle East.

42. The *TDR 2002* rightly pointed to the difficulties of developing countries in creating the necessary conditions for reducing their dependence on primary commodities, in some cases on a very small number of such commodities. The challenge for the developing countries was to shift their economic structures towards increased production and exports of goods with a higher content of domestic value added. This required substantial inflows of capital and technology to strengthen international competitiveness.

43. Some emerging-market economies had been able in the past decades to upgrade their productive capacity and to increase their participation in international trade, but a majority of developing countries, particularly in Africa, had been marginalized and their socio-economic situation had worsened in spite of substantial adjustment efforts. The *TDR* indicated the order of the losses experienced by the developing countries, which amounted to $700 billion in export earnings, on account solely of the different protectionist barriers in developed economies. When the new round of multilateral trade negotiations, focussing on development, had been launched in Doha, there had been hopes that the concerns of developing countries would be better taken in account in a more transparent, open and

equitable trading system. However, developments since Doha gave rise to concerns over a return to unilateral and protectionist attitudes contrasting with the spirit and the letter of the Doha Declaration. The developing countries had agreed on the Doha programme in response to firm commitments by the developed countries to give first priority in the current negotiations at the WTO to the economic and social concerns of the developing countries.

44. The representative of **Cuba** said progress in development depended very much on the speed with which the gap between rhetoric and reality was bridged. UNCTAD had made important contributions to finding solutions to the problems encountered in development, even if initially these had not always been well received.

45. The implementation of the Doha Agenda could represent an important step in the search for development-friendly solutions in the design of the multilateral trading system. Efforts had to be made in the WTO framework to meet the deadlines set, and a constructive attitude on the part of the developed countries was required in the negotiations on special and differential treatment, its application, and other topics of interest for development. Some recent proposals regarding special and differential treatment were a reason for concern, as they would imply a renegotiation of this principle. Cuba regarded special and differential treatment as a precondition for entering into any type of association with members at different levels of development.

46. Increased interdependence required an improvement in global governance in order to create a favourable framework for development that, in turn, would lead to a more even distribution of the world's income. UNCTAD had proven itself to have a considerable comparative advantage in the treatment of development, by taking an integrated view on trade, finance, technology and investment issues. It was in a privileged position to follow up on the agreements reached on the important questions discussed at recent summits, and its operational capacity needed to be strengthened.