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**HIGH-LEVEL SEGMENT: ECONOMIC GROWTH AND POVERTY REDUCTION
IN THE 1990S – LESSONS FROM A DECADE OF ECONOMIC REFORM FOR
DEVELOPMENT STRATEGIES AND GLOBAL PARTNERSHIPS IN THE
NEW MILLENNIUM**

President's summary

1. Recent publications on development issues have shown that economic reform in the 1990s had very mixed results and in most developing countries did not lead to sustained growth at rates sufficient to reduce poverty significantly. Focusing particularly on country experiences in the reform process of the 1990s, the High-level Segment:
 - (a) Reviewed the growth and poverty reduction record of the 1990s, including the development strategies of the most successful countries and the consequences of the key pillars of the economic reforms – macroeconomic stability, trade liberalization, financial liberalization, and privatization and deregulation;
 - (b) Considered the latest thinking on development strategies for accelerated growth and poverty reduction, based on an assessment of experience;
 - (c) Highlighted the implications for effective global partnerships in the areas of trade, finance, investment and technology.
2. The High-level Segment was addressed by H.E. Mr. Alan Kyerematen, Minister of Trade and Industry of Ghana, Mr. Leiv Lunde, Vice Minister for International Development of Norway, and Mr. Arturo O'Connell, member of the Board of the Central Bank of Argentina, who spoke in his personal capacity.

3. The Minister of Trade and Industry of Ghana described the economic reform and liberalization measures taken by his country. The process caused hardship, but it was possible to restore economic stability, external credibility and sustained growth. That experience points to the importance of mobilizing investment resources, promoting regional integration among developing countries, and enhancing South-South cooperation. The Vice Minister for International Development of Norway emphasized the importance not of short-lived development paradigms but of a common understanding of sustained growth. Different situations require different approaches. Developing countries should build an enabling environment in order to attract investment and enhance domestic resource mobilization. Mr. Arturo O'Connell, speaking in his personal capacity, emphasized that financial globalization is not necessarily beneficial to economic growth and can bring about crises and macro-economic instability. Both creditors and debtors should manage capital flows better, and international cooperation can help developing countries identify the liberalization measures and development strategies best suited to their national circumstances.

4. The ensuing discussion was extremely rich and diverse, yet focused on key problems of development and lessons learned from past experiences. Its main elements are summarized below.

Development paradigms and experiences of the 1990s

5. Many delegations highlighted the profound economic reform and liberalization measures undertaken by developing countries from the mid-1980s to the end of the 1990s. The reform process was often inspired by international financial institutions. However, in several developing countries, policy reforms were also launched as a result of commitments made in multilateral trade negotiations, as well as in response to both a deteriorating domestic economy and external shocks, or in reaction to a combination of these factors.

6. One delegation also stressed the importance of the transformation process in Central and Eastern Europe and the Commonwealth of Independent States (CIS) during the same period and the lessons that could be learnt from these experiences. Another country from the region in question pointed to its progress towards the achievement of the Millennium Development Goals due to gradual economic adjustment, which made it possible to systemically move forward on the way to building a socially oriented market economy.

7. In assessing the reform process and its results, light was shed on the social and economic hardship that the structural adjustment process caused among large parts of the populations in developing countries and transition economies. Several delegations emphasized that the expectations associated with the reform strategies of the 1990s have not been fully realized. Many developing countries continue to face severe obstacles to economic growth, which particularly affect smaller economies dependent on commodity exports, as is the case of many African countries. There are even country experiences where progress has been made in achieving economic growth and overall poverty reduction, but where income distribution has nonetheless worsened.

8. However, there have also been experiences of policy changes that helped reverse economic decline and restore macroeconomic stability, external credibility and sustained growth. The availability of investment resources at national and global levels was considered a critical prerequisite, without which the achievement of social objectives, including poverty reduction, and other development goals remains elusive. It was also stressed that better regional integration among developing countries and a better utilization of the tremendous growth opportunities of South-South cooperation could facilitate the economic reform process.

9. Both donor and beneficiary countries emphasized the importance of assistance from bilateral and multilateral donors for economic reforms. In this context, the positive aspects of various recent international development initiatives were highlighted.

10. The critical role of the state in economic reform and liberalization was also raised. One delegation emphasized that development policies should give priority to the basic needs of the society. The state should therefore be able to regulate markets, as well as technological and financial competition, and create a domestic environment designed to enhance the competitiveness of local enterprises vis-à-vis transnational companies.

11. Regarding key development theories and paradigms in the 1990s, reference was made to the transient nature of development paradigms and the difficulties that can arise when these paradigms are applied as doctrines. There was general agreement on the need to get away from a 'one-size-fits-all approach' in policy making. Several delegations stressed that development policies should be more country-specific and more flexible. Instead of designing new general development policies and theories, it would be worthwhile to pay more attention to national specificities in the application of economic reform measures. Furthermore, the need for more policy coherence at the national and international levels, in particular during periods of economic crisis and instability, was emphasized.

12. However, one delegation also pointed out that economic evidence suggests that a number of common key factors are needed in promoting economic growth and development, such as an enabling domestic environment, robust competition policies, and measures to promote enterprise development. Another delegation referred to the need to set up risk management systems, so as to prevent the spread of financial crisis and economic instability.

Policy space

13. Delegations expressed diverse views on the issue of policy space. Several delegations recognized that developing countries have limited policy space in financial, monetary and trade issues and that they are still striving for meaningful participation in the decision-making and norm-setting processes of various international economic bodies and institutions. Many delegations called for developing countries to be granted adequate policy space and the flexibility to adapt policies to specific national circumstances. One delegation, referring to lessons learnt from successful countries, stressed that policy makers need both time and space to explore, experiment and learn. Another delegation pointed to experiences that have shown that countries using their policy space flexibly achieve more balanced and stable development. In addition, the discussion on policy space should not be understood as an attempt to get around commitments and obligations.

14. However, one delegation expressed doubt about the usefulness of the concept of policy space for analytical work at UNCTAD and for intergovernmental debate. Referring to the critique of economic policies promoted by international financial institutions in the 1990s, the delegation said that it is up to each Government to do a cost-benefit analysis before undertaking any international obligation, so as to determine whether the obligation is in the interest of the country. The idea that developing countries are struggling to retain economic sovereignty was therefore considered specious. It is not policy space that will contribute positively to development, but good economic policy, and it is good policy, not policy space, that should be the focus of UNCTAD's work.

International trade and the modernization of productive sectors

15. Several delegations highlighted the increasing role of developing countries in the international trading system. Trade liberalization was considered a foundational requirement

that will enable countries to exploit their comparative advantages, rather than restricting them to sectors and industries in which they may not be competitive. However, several delegations also stressed that various trade barriers continue to prevent developing countries from moving away from commodity exports.

16. Delegations called for the speedy conclusion of ongoing multilateral processes and the consequent implementation of commitments made in this context. Unfair conditions for countries acceding to the WTO should be avoided.

17. Stressing the need to strengthen the capacities of developing countries to trade and to generate economic growth, one delegation called for more investment, particularly in priority areas such as transport and communications infrastructure, research and development, and human capital.

18. Delegations underlined the importance of building productive capacities that will allow developing countries to participate in international trade and achieve sustained economic growth. However, projects should respond to local situations and promote local entrepreneurial skills to make them work. Reference was also made to the need to modernize the agricultural sector in developing countries, particularly in Africa.

UNCTAD XII

19. Several delegations welcomed the decision by Ghana to host UNCTAD XII and expressed their hope that member States and the UNCTAD secretariat will all work together to ensure a successful Conference in 2008. Holding the Conference in Ghana was seen as an opportunity to discuss both the great challenges and the even greater potential of Africa. One delegation expressed the wish to have a simple and straightforward theme for the next Conference. It should also be pragmatic, positive and relevant to Africa.

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