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

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Speakers:

Outgoing President
Newly-elected President
Secretary-General of UNCTAD
Islamic Republic of Iran (for G77
and China)
Belgium (for European Union)

United States of America
Bangladesh (for LDCs)
Croatia (for Group D)
Jamaica (for Latin American
and Caribbean Group)
Republic of Korea

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements of individual delegations should be communicated by
Wednesday, 25 October 2000 at the latest to:

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INTRODUCTION

1. The outgoing **President of the Board at its forty-sixth session** said that, during his term of office, he had felt involved in the struggle for development and had had the impression of participating in an in-depth dialogue on development. UNCTAD X had provided an opportunity to give that dialogue form and had made it possible to leave behind the pessimism generated by Seattle. The Conference had helped “allow a convergence of views on development” and thus provide the basis for actions aimed at promoting development and reducing poverty. Useful work had been done, and it was to be hoped that others would benefit from it.
2. The **Secretary-General of UNCTAD** paid tribute to the contribution made by the outgoing President of the Board, without whom no convergence of views would have been possible at UNCTAD X. The President’s words would help others in the continuing struggle for greater justice.
3. The incoming **President** said UNCTAD X had clearly demonstrated that, when the political will was there, consensus could be achieved on complex issues. UNCTAD had emerged stronger from the Conference, and the multilateral system had regained its confidence and respectability. The Bangkok Plan of Action must now be implemented quickly and fully, and concrete results obtained. In that connection, he would in particular be seeking to ensure the implementation of the capacity-building activities provided for in paragraph 166 of the Plan of Action (TD/386). The Conference had also allowed an in-depth examination of globalization and the asymmetries that it created, and it was important to recognize the scale of the challenges ahead and the need to place the human being at the centre of economic development.
4. UNCTAD had already demonstrated its vision by warning against exaggerated expectations with regard to the benefits of globalization, liberalization and privatization, and it had produced important reports drawing lessons from the recent financial crises. Its innovative programmes in the field of sustainable development, for example the BIOTRADE initiative and the greenhouse gas emission trading rights programme, could sow the seeds of a future development model featuring economic growth compatible with life, human values and nature.
5. One particular challenge that lay ahead was the Third United Nations Conference on the Least Developed Countries, and he urged all members of the Board to contribute actively and generously to the success of that Conference.
6. UNCTAD was a profoundly democratic international forum, and it should be further strengthened as a place of open dialogue that would help countries achieve “quality” integration into the global economy. Every effort should be made to transform the institution into a truly knowledge-based organization.
7. In its ongoing dialogue, UNCTAD should tackle such questions as the contribution it could make to eliminating the disequilibria in the international system, its role in eradicating poverty and the gaps between North and South, the best national policies in the current economic situation, and the role of regional integration. Concerning the role of the state, UNCTAD could contribute greatly in terms of helping countries to resolve the

apparent paradox between the need for a small but strong and effective state and to determine the necessary links between the public and private sectors.

8. Finally, UNCTAD X had referred to the need for policy coherence, cooperation and coordination, and those concepts should also apply within UNCTAD.

9. The **Secretary-General of UNCTAD** said that, in 1999, the world economy had made a welcome turnaround, but today's world economy seemed to have two faces, with on the one hand the promise of a new Golden Age of more rapid growth and on the other the phantoms of unsolved problems inherited from the past. Such problems included macroeconomic imbalances among the three major economies, stock market fluctuations and fears about what sort of landing the United States economy would make, and developments in the oil markets.

10. The unexpected rise of oil prices has created serious concerns about the prospects of the world economy. Everybody had consistently underrated the still strategic potential of oil to disrupt everyday life. There was little doubt that a decade of depressed prices had helped stoke demand for oil, and it had discouraged new investment in production and refining and delayed moves to alternative sources of energy and more environment-friendly technologies. At the same time, crude prices were having a much smaller influence on the cost of oil to the final consumer, with a corresponding increase in the influence of fiscal considerations. The volatile market meant that the terms of the debate on oil were shifting to the need for stability in the interest of producers and consumers alike. Commodities in general, unfortunately, had not attracted the same reaction, despite the fact that their prices had been depressed for many years now. The immediate responsibility lay with policy makers in the stronger economies, and appropriate policy responses should include fiscal measures, when necessary. For oil-importing developing countries, compensatory financing from multilateral institutions on soft terms should be considered, and the World Bank's willingness to make structural loans and other forms of emergency funding available to oil-importing countries was welcome. Such funding should in fact be offered to all developing countries according to their payments position. Over the longer term, the challenge remained to create a truly global and participatory approach to managing the world's non-renewable resources.

11. Underlying the immediate concern over oil prices were the global macroeconomic imbalances and systemic weaknesses exposed by the Asian crisis, and failure to resolve economic imbalances in an orderly manner would be most damaging to growth in developing countries. The recent call by industrial countries for coordinated international policy action in the face of rising oil prices was to be welcomed, but it contrasted sharply with the indifference to similar calls from the developing world when faced with the devastating consequences of falling commodity prices. Developing countries got the worst of both worlds: they paid more for imported oil, but were still getting low prices for their commodity exports.

12. In past weeks coordinated action had been employed to correct currency misalignments. However, if intervention in support of the euro proved inadequate, the credibility of the pan-European monetary framework might be damaged. If, on the other hand, such intervention proved excessive, then a stronger-than-expected

impact on the dollar could precipitate renewed instability in the dollar-based economies, particularly the United States. The European Central Bank had recently acted to raise interest rates in Europe, and there had also been 20-to-25 per cent fluctuations in the relative value of the euro and the dollar over a one-year period. It was thus clear that major imbalances remained among the three largest industrial economies, and that these imbalances were still threatening the world economy.

13. The vulnerability of developing countries to any abrupt policy shifts in the major industrial countries would depend on their current state of economic health. The picture since the beginning of 1999 offered a measure of hope, but biases and asymmetries persisted in the trading system, and structural uncertainty and volatility continued to characterize the financial system. This meant that growth in many countries remained dependent on unstable capital flows.

14. Despite a heavy-handed response to the threat of financial contagion which had tipped some Latin American economies into recession in 1999, the region as a whole had registered positive growth, in large part thanks to the unexpectedly strong performance of Brazil. Recovery was now under way, and strong growth was again expected for Central America, Mexico and the Caribbean. Nonetheless, the situation in some countries remained quite fragile, and the main policy issue remained how to break free from an excessive dependence on external resources.

15. The problems facing much of Africa were of a different order. The continent's savings and investment levels were too low to allow for sustained robust growth, and the basic policy challenge was to find a way to overcome savings and foreign-exchange constraints and raise investment to the minimum necessary for an annual growth rate of at least 6 per cent, as identified by UN-NADAF. The current level of private capital inflows was too low to fill the resource gap but still high enough to make many African economies vulnerable to the arbitrage arithmetic of short-term capital flows. This also meant a steadily growing dependence on official flows. But in recent years these had barely compensated for resource losses, due to unfavourable trading conditions. There was only one way to end Africa's aid dependence, namely to launch a massive aid programme and to sustain rapid growth for long enough to allow domestic savings and external private flows gradually to replace official flows.

16. The pace of recovery of East Asia over the past year had been encouraging. However, there were reasons for concern. First, recovery had been accompanied by only limited corporate restructuring, and the health of the financial system continued to rely on public intervention in the credit mechanism. Second, exports were unlikely to continue at their recent pace, and public deficits and debt had been on the rise in most countries seriously hit by the crisis. Finally, the recovery has so far been supported by highly favourable conditions in the world economy, and those conditions could change.

17. The least developed countries were facing the greatest challenge of the present times – eradicating poverty through sustained development. That challenge by its very nature must also be addressed by the international community. In the last decade, long-term capital flows to LDCs had declined by about 40 per cent

in real per capita terms, and the majority of LDCs were currently exposed to a double squeeze of high oil prices on the one hand and low and volatile primary commodity prices on the other. The deterioration of the terms of trade had further exacerbated the liquidity shortage, and this in turn discouraged much-needed investments in the economic and social infrastructure. Moreover, almost two-thirds of the LDCs had an unsustainable external debt burden that was undermining aid effectiveness and creating a kind of “aid-and-debt trap”. The HIPC Initiative was important, but current expectations regarding the benefits of the Initiative were unrealistic, since the magnitude of assistance was quite simply too little. A bolder approach was therefore required.

18. The new Programme of Action for the LDCs must aim for concrete and action-oriented solutions. The *Least Developed Countries 2000 Report* raised a central question: the diagnosis of poverty-related problems was changing, but was the new diagnosis correct? A courageous and innovative approach would be required in the preparations for the Third United Nations Conference on the LDCs.

19. On the secretariat side, much progress had been made in those preparations. A new management team had been fully operational for some time, and the post of Special Coordinator for the LDCs was in the process of being filled. Every effort was being made not only to ensure the best programme of action in the negotiations, but also to obtain voluntary non-“negotiated” contributions in trade, investment, ODA and the improvement of transportation infrastructure. The Conference should create a powerful momentum in terms of encouraging the LDCs in their own development efforts. The secretariat’s efforts were all geared towards achieving an outcome commensurate with the ethical imperative of greater solidarity with the weakest and most vulnerable countries of our planet — the LDCs.

20. Concerning the Bangkok Plan of Action, the secretariat would spare no effort to implement the Plan’s provisions in full and ensure that the main areas of UNCTAD’s activities were better integrated and contributed even more to the understanding and promotion of development dynamics. To this end, UNCTAD should integrate its work in two ways: by integrating its analysis, research, deliberations and consensus-building with practical applications in the field; and by integrating the different subjects it dealt with among themselves. It must therefore redouble its efforts on the positive agenda; commercial diplomacy; and investment capacity-building, including negotiations on bilateral and regional agreements. There were also new initiatives requiring effort, such as dispute settlement procedures and work on trade negotiations and public policy. Above all, work on trade policies and initiatives in investment, enterprise development, technology and services infrastructure must be made mutually reinforcing, in an integrated and harmonious way.

21. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, said that the implementation of the mandate provided at UNCTAD X was of the utmost importance. The Heads of State and Government of the Group, at their first ever summit in Havana in April 2000, had given their full support to that mandate and had requested all countries to support UNCTAD in its efforts to contribute to the promotion of the developmental dimensions of the world economy. It was hoped that the Board’s session would serve as an opportunity to reinforce the momentum created at Bangkok.

22. The discussions on regional integration at the high-level segment would undoubtedly shed more light on its different aspects. Concerning agenda item 3, the world had become more interdependent than ever before, and the Board's discussions would enable States to examine interdependence from a development perspective. With regard to item 4, his Group attached great importance to the Third United Nations Conference on the Least Developed Countries, and it expected the Board's discussions to have a direct bearing on the preparatory process and the Conference itself. With respect to item 5, his Group regarded UNCTAD's work on Africa as an invaluable contribution to global efforts to help Africa achieve viable and sustainable development. Finally, on technical cooperation, his Group expected the Board to arrive at concrete outcomes that would expedite the full implementation of the Bangkok Plan of Action as it related to technical cooperation and capacity building.

23. The representative of **Belgium**, speaking on behalf of the **European Union**, emphasized the importance that the European Union attached to the Board's session. One of the main tasks ahead would be to build on what had been achieved at Bangkok and to help the secretariat implement the Bangkok Plan of Action.

24. The representative of the **United States of America** said that the most important task ahead was the reduction of poverty in LDCs. The Third LDC Conference and the preparations for it should focus on how LDCs could implement appropriate policies to achieve sustainable development and how the international community could complement the LDCs' efforts. The business community and NGOs should be involved as much as possible, since private sector trade and investment were the driving forces behind global economic growth. While international efforts could create conducive conditions for economic development, the primary responsibility for a nation's development lay with its Government and people, and discussions on financing growth the development should focus on how to help LDCs mobilize domestic financial resources and attract external resources.

25. Conflicts and the HIV epidemic were the most serious threats to Africa's economic future. Recent United States initiatives for Africa were designed to help African countries that were addressing policy reforms and to take advantage of the new global economic environment. UNCTAD had an important role to play in this connection by providing realistic advice on how to reshape domestic policies and institutions that hampered the private sector and foreign investment. The African Growth and Opportunities Act was the cornerstone of the United States' commitment to partnership with Africa.

26. The Board's discussion on recovery in emerging markets was timely. The United States and the international community as a whole were taking measures to strengthen the international financial architecture in order to ensure a strong and stable flow of capital throughout the global economy. Finally, with regard to UNCTAD institutional matters, it was hoped that high-level vacancies would be filled with experienced managers, and also that future *Trade and Development Reports* would better reflect the priorities set at UNCTAD X.

27. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, said that events in Seattle and Prague had shown that support for the unfettered march of the market without a human face was

over. The Washington consensus had been good for many, but a Geneva consensus was now emerging with a view to mainstreaming those who had been marginalized and making sure trade was seen not as an end in itself but as a means of improving the quality of life for everyone. It was increasingly recognized that too much state or too much market led to disequilibrium, and what was needed was an intricate balance between the two.

28. The targets set by the development conferences of the 1990s had not been met, but the Bangkok Plan of Action had set new objectives that could be attained. The poor and vulnerable must be empowered, and richer States must accept that the sorrows of some were the responsibility of all, while the poorer States must enhance their governance, transparency and democracy. Civil society and the private sector must join in the common endeavour.

29. Preparations for the Third LDC Conference had begun, and the early harvest concept was exciting. Proposals to improve market access for LDCs were encouraging, but what was needed was a comprehensive solution to the LDCs' problems. The Conference should seek to achieve concrete and action-oriented conclusions with a view to enabling the LDCs to participate fully in the global economy.

30. The representative of **Croatia**, speaking on behalf of **Group D**, said that the Plan of Action adopted at UNCTAD X had taken the interests of the countries with economies in transition genuinely into account for the first time. It was hoped that the Plan of Action would be properly implemented, including paragraph 166.

31. The representative of **Jamaica**, speaking on behalf of the **Latin American and Caribbean Group**, underscored the importance that his Group attached to the central role of UNCTAD as the United Nations body responsible for addressing the interrelated issues of trade, finance, investment, technology and development from a developmental perspective. The role of the organization was more relevant than ever before given the many uncertainties and apprehensions surrounding globalization and the concern of many developing countries that they might not be able to successfully take advantage of the opportunities that globalization afforded or effectively deal with its threats. The recent financial crisis and the stand-off in Seattle had highlighted the complexities of the process of globalization and demonstrated how crucially important it was for developing countries to understand its implications.

32. With regard to the Bangkok Plan of Action, his Group attached considerable importance to building capacity and improving competitiveness in order to take advantage of opportunities in the global economy. The Plan of Action, including such important elements as paragraph 166, must be implemented with a due sense of urgency.

33. His Group attached special importance to the issue of regional cooperation and to the Board's discussion on crisis and recovery. Concerning the question of the timing of the cycles of UNCTAD Conferences and the UN programme budget, it would be important to ensure the shortest possible delay between the adoption of decisions at an UNCTAD Conference and the reflection of those decisions in the programme budget.

34. The representative of the **Republic of Korea** said that UNCTAD had a strong comparative advantage in addressing trade and development issues relating to LDCs, and it should continue to focus its resources and efforts on those issues. UNCTAD should also generate more active discussion on how developing countries should continue to carry out market-friendly reform, since developing countries had limited resources for conducting research into best practices and implementing reform. With regard to technical cooperation, UNCTAD should emphasize activities addressing specific needs of certain developing countries with structurally weak and vulnerable economies.

35. Concerning paragraph 166 of the Bangkok Plan of Action, his country supported the establishment of the advisory body referred to therein, while emphasizing the importance of avoiding any overlap between the body and the secretariat. With regard to the timing of UNCTAD conferences and the UN programme budget, detailed information should be provided as soon as possible.

36. His country had improved its market access for least developed countries and had been implementing training programmes on international trade for officials from developing countries. It had increased its ODA for LDCs, and it had contributed to the Poverty Reduction and Growth Facility of the World Bank. Its commitment to development remained strong.