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DRAFT REPORT OF SESSIONAL COMMITTEE II

Rapporteur: Mr. Kim Yong Ho (Democratic People's Republic of Korea)

Speakers:

Chairperson	Brazil
Secretary-General of UNCTAD	Zambia
Special Coordinator for Africa	Guinea
Egypt	Morocco
China	Economic Commission for Africa

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
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UNCTAD Editorial Section, Room E.8102, Fax No. 907 0056, Tel. No. 907 5654/1066.

UNCTAD'S CONTRIBUTION TO THE FINAL REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: ECONOMIC DEVELOPMENT IN AFRICA: PERFORMANCE, PROSPECTS AND POLICY ISSUES

(Agenda item 4 - continued)

1. The **Chairperson** said that most African countries had implemented wide-ranging structural adjustment programmes, including trade liberalization and privatization, and had launched ambitious social and political reforms. This had led to more favourable conditions for investors and private sector activities, a consolidation of democratic processes, better governance and more efficient public administrations, as well as a stronger role for civil society.

2. However, these reforms had not brought about the expected results. Most of the factors at the root of many African countries' problems were beyond their control. Under the UN-NADAF, the international community should have provided remedies. But despite the HIPC Initiative, Africa's debt burden remained unsustainable, and ODA commitments had not been fulfilled. Support by the international community for the diversification of African economies had been insufficient, so that most economies remained dependent on a small number of export products, and efforts for diversification continued to face trade barriers in the developed countries.

3. The objectives of UN-NADAF had not been attained; however, the reasons for its creation in 1991 were still valid today. African leaders had decided to take ownership of their development under the New African Initiative, which implied a new type of partnership with the international community, based on mutual interest and responsibilities. This new partnership should entail a substantial increase in ODA, enhanced debt relief, more foreign direct investment, sustained support for diversification for African economies, better market access and more technology transfer.

4. The **Secretary-General of UNCTAD** said that the New African Initiative, adopted last July in Lusaka by African Heads of State and Government, demonstrated the political will of the African nations to take the region's destiny into their own hands. The Initiative deserved the resolute support of the entire international community. The decision taken on the same occasion to create an African Union which would eventually replace the Organization of African Unity (OAU) required efforts and commitments by all African countries to end conflict, enhance governance and build a true spirit of partnership and cooperation.

5. The situation in Africa called for nothing less than the equivalent of a Marshall Plan. The economic slowdown in that continent had been exacerbated by the tragic events of 11 September and their aftermath. African countries were much more sensitive than others to external shocks, and because of their low income base the poverty effects of a recession would be much greater than elsewhere. Half of the African population was already living in

absolute poverty and the economic and social toll of the HIV/AIDS pandemic was incalculable.

6. Major policy shifts with regard to debt relief and the provision of official finance were necessary in order to place Africa on a path of sustained growth and poverty reduction. But action was also required in the trade area, above all effective action to deal with tariff peaks and escalation as well as various non-tariff barriers restricting African exports. Furthermore, there was a need for effective implementation of article 4 of the General Agreement on Trade in Services; transitional periods in the context of the Agreement on Trade-related Intellectual Property Rights and the Agreement on Trade-related Investment Measures; and a review of the Agreement on Subsidies and Countervailing Measures and other measures in order to take account of the specific requirements of African countries. This action should be complemented by improved market access for African agricultural products.

7. The **Special Coordinator for Africa** said that the secretariat's report entitled *Economic Development in Africa: Performance, Prospects and Policy Issues* was a contribution to the final review and appraisal of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF). In its resolution 55/182, the General Assembly had requested analytical work from UNCTAD, focusing on market access, supply capacity, resource flows and debt, foreign direct investment (FDI), and access to technology with special emphasis on trade issues. The effects of the AIDS pandemic, the problems associated with desertification, and issues such as conflict resolution and governance fell outside the scope of the request made by the General Assembly.

8. The report showed that the objectives of the UN-NADAF in terms of growth and poverty alleviation had not been met. African development continued to be constrained by a lack of financial resources, adverse terms-of-trade movements, and – despite the HIPC initiative – a debt overhang. The report reiterated the proposal for the establishment of an independent body to assess the debt sustainability of African countries. Earlier calculations by the secretariat that official development assistance (ODA) must be raised to some $20 billion for a decade to enable sufficient growth to be achieved had been confirmed by recent studies by the World Bank and the Economic Commission for Africa, as well as in a technical report of the High-level Panel on Financing for Development. The export earnings of many African countries could be significantly increased if trade barriers were lifted for products that had strong export potential. It was necessary to review the impact of current trade agreements and practices on African development, and to take action to broaden and extend existing provisions for special and differential treatment.

9. The representative of **Egypt** said that despite the increased attention which the African continent had been receiving from the international community, its performance continued to be disappointing. Although a decade had passed since the United Nations had adopted the New Agenda for the Development of Africa in the 1990s, the region still illustrated the uneven nature of the present development process and the fast-growing gap between the developed and the developing countries.

10. The donor community had not met the internationally agreed targets for official development assistance, and so far only one country had fully benefited from the HIPC Initiative. The current situation in Africa required immediate and targeted efforts to redress existing imbalances, close the resource gap, and halt further deterioration in living conditions. Egypt supported the policy measures proposed by UNCTAD in its report on economic development in Africa, including the proposal for a comprehensive assessment of the sustainability of African debt by an independent body with a commitment by creditors to implement fully and swiftly any recommendations that might be made.

11. While national efforts were essential for achieving sustainable development in Africa, the international community's involvement was critical for the success of those efforts. The role of UNCTAD as a contributor to the design of development policies should be further strengthened. The secretariat's future reports should reflect the similarities in the problems of countries and regions as well as the differences.

12. The representative of **China** said that the report on economic development in Africa by the secretariat provided an objective analysis of the economic situation in Africa over the past decade and offered significant guidance for Africa’s future development. In accordance with the UN-NADAF, adopted by the United Nations General Assembly in 1991, African countries had agreed to carry out economic reforms, strengthen the process of democratization, enhance regional cooperation and integration, promote agricultural development and achieve sustainable development. Development partners had made commitments to supporting projects in priority areas, contributing to a solution of the external debt problem, increasing resource flows progress and improving market access opportunities. Although many African countries had made in economic reforms, their economic and social problems remained serious. On the other hand, many promises by the international community had not been fulfilled.

13. The overall economic situation in Africa remained grim. Debt, poverty, conflicts and diseases continued to seriously hamper economic development. The unjust international economic order and the negative impact of globalization had further worsened the continent’s already fragile economic conditions, and the economic gap between Africa and the rest of the world had widened. While African countries had to increase their efforts to meet the challenge, it was almost impossible for them to succeed by themselves. The region needed the support of the international community. The decline in ODA flows had to be reversed and the debt overhang eliminated. In order to allow African countries to better integrate into the world economy and to increase their export earnings the developed countries had to open up their markets. The Beijing Declaration and the Programme of Cooperation in the economic and social fields adopted by the Sino-African Forum in Beijing in 2000 provided a blueprint for intensified development cooperation between China and Africa.

14. The representative of **Brazil** said that the economic and social indicators of African countries were worse now than ten years ago. The region’s poor growth performance was the result of a combination of internal constraints and a mostly unfavourable international environment during the 1990s. These problems should be adequately addressed by a proper review and appraisal of the UN-NADAF and by the full implementation of the Programme of

Action for the Least Developed Countries. Brazil could bring a unique perspective to economic development in Africa because of its close links with that continent and because it could share its experience as both recipient and partner in technical cooperation. It had strengthened its ties with several African countries in the fields of technical and technological cooperation, education and health, and had also contributed to debt relief operations.

15. Brazil suggested a triangular scheme under which developing countries with medium capacity could transfer technology and know-how in projects to be financed by developed countries or international organizations. As for HIV/AIDS treatment and prevention, Brazil owned a programme that was internationally acknowledged as one of the best in the world. Brazil was ready to share its experience with the policy of fee, universal distribution of retroviral medicines, as had already been done with Mozambique. The initiatives to open developed country markets to the poorest economies in Africa deserved support. However, the UNCTAD secretariat should analyse trade diversions and possible burdens on other developing countries resulting from those initiatives. There must be a joint effort involving all actors, including the private sector, to contribute to overcoming the challenges faced by Africa.

16. The representative of **Zambia** said that it was frustrating to discuss Africa's problems each year without an adequate response. In the area of trade the international community should not be constrained politically from taking bold decisions and implementing commitments in favour of Africa. The key deterrents to progress in trade were declining prices for primary commodities and unfavourable terms-of-trade developments over the past 20 years, due to which per capita GDP was 50 per cent lower than it could be; dependence on only a few export commodities; obstacles to market access in the developed countries; the low technology content of African products; and low FDI flows.

17. The report on economic development in Africa presented by the secretariat reinforced the African position on trade issues. African countries were calling for market access free of bound quotas and tariffs, but did not receive satisfactory responses. They were also insisting on the implementation of provisions in the WTO agreements, particularly Article 66.2 of the TRIPs Agreement, which dealt with the transfer of technology. If Africa's development partners wanted to remain credible, they had to implement the international commitments made in the last Trade Round before entering into a new one. Regarding a new Round, it was to be hoped that African countries would not come under pressure from other countries, and would thus be able to make their own independent decisions.

18. The representative of **Guinea** said that despite several years of reform efforts in Africa, only two countries had attained the growth objective of 6 per cent. Given the recent slowdown in the world economy, it was unlikely that other countries could reach this target in the near future. In addition to adopting an economic reform programme and long-term development objectives, Guinea had initiated democratic reforms and created an anti-corruption framework. The country’s mixed growth performance was due to a decline in primary commodity prices, the lack of export opportunities, the high debt burden and the large number of refugees from neighbouring countries.

19. Africa's experience demonstrated that trade liberalization alone was not sufficient for improved economic performance. Tackling structural and institutional difficulties, improving market access conditions, increasing ODA and achieving debt forgiveness needed careful consideration. The Integrated Framework for Trade-Related Technical Assistance deserved particular attention because trade integration had to be part of poverty reduction and sustainable development strategies. Trade preferences could often not be utilized because of tariff peaks, quota regulations, anti-dumping measures, sanitary and phytosanitary measures, or technical barriers to trade. African exports would greatly benefit if developed countries were to abolish export subsidies and domestic support measures. The New African Initiative was an important step forward, but given Africa's precarious economic situation, the international community had to support the new African initiatives in order to allow the African economies to better integrate into the global economy.

20. The representative of **Morocco** said that Africa had always been at the margin of the world economy. While representing 10 per cent of the world's population, the region accounted for only 1 per cent of global output and 2 per cent of world trade. The fact that almost 300 million Africans lived in poverty clearly showed that the African economies were unable to generate sufficient growth to satisfy the needs of their population. Although the debt situation was alarming, official development financing from bilateral and multilateral sources had fallen. But the situation in Africa was not just a financial problem. The solution required a broader approach, including improvement of market access, strengthening of productive capacities, better access to information technology and well-targeted technical assistance, particularly in connection with the implementation of WTO Agreements.

21. The representative of the **Economic Commission for Africa** (ECA) said that the report provided by the secretariat covered a number of crucial African development issues that were also the subject of ECA's work. The main one was that of trade and commodities. African countries had to be given an opportunity to produce and to earn a proper price for their products. Also, it was a fundamental problem that none of the large commodity-trading companies was from an African country. If Africa's problems were to be resolved the issue of trade and commodities needed to be dealt with very seriously in the context of the WTO. Moreover, more efforts were necessary in order to enhance the HIPC Initiative, and the debt issue needed to be part of the process of review and appraisal of the UN-NADAF.