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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FIFTIETH SESSION

Held at the Palais des Nations
from 6 to 17 October 2003

Rapporteur: Mr. François Leger (France)

Speakers:

Officer-in-charge of GDS	Ethiopia
Thailand for the G77 & China	Nicaragua
Italy for the EU and acceding countries	Cuba
Argentina for GRULAC	China
Oman for the Asian Group and China	India
Zimbabwe for the African Group	United States of America
Islamic Republic of Iran	Republic of Korea
Norway	Bangladesh
Indonesia	Belarus
Algeria	Russian Federation

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
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UNCTAD Editorial Section, Room E.8108, Fax No. 907 0056, Tel. No. 907 5656/1066.

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: CAPITAL ACCUMULATION, ECONOMIC GROWTH AND STRUCTURAL CHANGE

(Agenda item 2)

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

Trade and Development Report 2003, and *Overview* (UNCTAD/TDR/2003).

2. The **Officer-in-charge of the Division on Globalization and Development Strategies**, introducing the item, said that recent experience had shown that development was a cyclical process, but that economic policy could have an important influence on the intensity of the cycle in different countries. The *Trade and Development Report* provided an analysis of how developing economies in Asia, unlike countries in other regions in the developing world, had managed to reduce the intensity of these cycles and succeeded in narrowing the income gap with the developed countries. One of the reasons had been the higher level and greater stability of productive investment, which in turn had been strongly influenced by a more favourable environment for investment in the most dynamic industrial sectors, in particular more favourable monetary conditions. Many countries in Latin America and Africa had been facing premature de-industrialization as a result of insufficient capital accumulation and an inadequate structure of investment.

3. The representative of **Thailand**, speaking on behalf of the **Group of 77 and China**, said that, given the uneven pace of economic recovery in the industrialized economies, the existing macroeconomic and financial imbalances could result in a continued period of erratic and sluggish growth of the world economy. The lack of effective policy coordination to deal with these imbalances had triggered large currency movements that could lead to competitive devaluations with potentially adverse effects on international monetary stability. The recent calls by the IMF for more expansionary and collaborative responses from the leading industrial economies to counter these trends highlighted the need for effective multilateral surveillance and discipline in respect of all its members in the interest of global economic stability.

4. Over the past two years, economic performance had varied considerably across developing regions, reflecting both vulnerability to different types of shocks and different degrees of preparedness to deal with those shocks. In Africa, the continued weakness of many commodity prices, the lack of domestic growth dynamics, and the low level of official development assistance added to the region's structural weaknesses. It was therefore impossible for many African countries to meet the Millennium Development Goals. In East Asia, the weakness of global demand had had only a limited impact so far, despite the region's export dependence. The strength of macroeconomic fundamentals and the balance-of-payments positions of countries in the region had allowed considerable room for domestic demand expansion to support growth, which was also reinforced by strong intra-regional trade linkages. By contrast, policy space had not been available to most economies in Latin

America, where the global downturn had resulted in external financial difficulties. The current situation in some Latin American countries was reminiscent of the conditions prevailing during the debt crisis of the 1980s.

5. An important lesson from recent experience was that developing countries required sufficient policy space to manage their integration into the world economy in a more balanced manner. The policy advice of the past decade, which had given priority to external resource flows over a more strategic use of domestic resources, had to be revised. While policy makers now had a better understanding of the determinants of volatility of capital flows and exchange rates, efforts at reforming the international financial architecture had unfortunately stalled. The international policy agenda also required reconsideration in light of the events at the WTO Conference in Cancún. Further trade liberalization would not be viable unless developing countries experienced sustained economic growth. The solidarity shown by a large group of developing countries, at different levels of development and facing different challenges in the trading system, meant that "development-friendly" arrangements and policies highlighted the need to fully take into account the particular needs of different regions and countries. In this regard, the assessment in the *Trade and Development Report 2003* of the impact of economic reform programmes on investment, structural change and trade was an important contribution to the international development policy debate. UNCTAD remained the natural home for discussing the challenges of global economic interdependence from a development perspective. These challenges were more complex and interrelated today than at any time in its forty-year history, and UNCTAD XI provided a welcome opportunity to reinforce UNCTAD's role.

6. The representative of **Italy**, speaking on behalf of the **European Union and the acceding countries (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia**), said that although the EU did not agree with all the views expressed in it, the *Trade and Development Report 2003 (TDR)* could be useful tool for policy makers. While the financial excesses and global economic imbalances of the 1990s were proving more difficult to overcome than expected, there were some signs that should allow for a more positive outlook than that given in the *TDR*. NEPAD in Africa and new leaders in Latin America gave rise to optimism, and the importance of indicators pointing to a recovery of corporate profits in the United States should not be underestimated. An increase in investment and aggregate demand could follow relatively soon, improving the economic prospects for the United States and the rest of the world. In Europe, major structural reforms were under way that should help invigorate the economy. It would be highly unfortunate if global trade talks stalled indefinitely, because progress in the multilateral trade negotiations would lead to income growth everywhere and contribute to reducing poverty.

7. Regarding measures to respond to financial crises, a single recipe was neither feasible nor desirable. Strengthened prudential regulation and supervision of the financial system could contribute to greater financial stability, but regulation and control over financial flows should not be used to sustain inappropriate policies. Domestic policies needed to be tailored to the specific circumstances of each country and designed to restore confidence and ensure an orderly return to financial stability. The analysis in the *TDR* did not pay sufficient

attention to different stages of development and good governance. It was necessary to highlight the relevance of education for appropriate decisions on investment and development strategies. Forming cultural and business elites and avoiding a "brain drain" appeared central to a successful ignition of a virtuous growth pattern. While the *TDR* made a number of important points on the relations between investment and growth, its assessment of foreign direct investment (FDI) was more critical than usual. In the long-term, success in development would depend also on a better utilization of FDI. The experience of East Asia had shown that efforts directed at political and economic integration offered many benefits, not least in terms of increased trade and investment. There were substantial gains involved in South-South co-operation. The Monterrey Consensus and the Doha Development Agenda, which the EU would fully support, were the result of a wider perspective and of broader interaction among all stakeholders.

8. The representative of **Argentina,** speaking on behalf of the **Latin American and Caribbean Group**, said that the countries of Latin America and the Caribbean had probably been the most affected by the recent global economic slowdown. The region had been hit through different channels: some countries had experienced a reduction in exports and tourism, while others were particularly affected by the fall in the prices for their commodity exports. Some countries had been facing tight conditions in international financial markets. Per capita income in the region had fallen in 2001 and 2002, and projections for 2003 indicated stagnation. This situation partly reflected the vulnerability of many countries in the region to external shocks, but growth had already been weak since 1998, well before the slowdown in the major industrialized countries and despite intensification of economic reforms during the 1990s. These reforms had been considered essential for accelerating growth and reducing inequalities among and within countries, but the results had been disappointing. There was now a need to rethink the design of reform programmes and development strategies in the region.

9. The deterioration of the external environment had revealed some structural problems that had to be addressed in order to return to a higher growth path. Between 1991 and 1997 Latin America and the Caribbean had grown at an annual average rate of 3.5 per cent without laying the foundations for a development process that could be sustained without a permanent inflow of foreign resources. As a consequence, productive investment in new plants had been insufficient during those years. While the exchange-rate-based stabilization policies of the 1990s had been successful in bringing down inflation, they had also led to currency misalignments, a loss of international competitiveness and an increase in external debt. After the Asian and Russian crises of 1997 and 1998, the net transfer of resources had turned negative. Moreover, high public and private indebtedness had limited the space available for expansionary economic policies. In 2003 Latin American GDP per capita was estimated to be 2 per cent lower than in 1997. The share of investment in GDP had fallen to its lowest level in decades, while the unemployment rate had gone up during the 1990s. Inequality and social exclusion had negatively affected the social and political climate in several countries, which in turn had also hampered economic growth. In order to restore growth, a revised development strategy was needed, with a role for both market forces and the state. Such a strategy would have to rely not only on exports but also on domestic demand. It was also

necessary to seek a durable solution to balance-of-payments constraints and external debt problems. The failure of the trade negotiations in Cancún was of great concern for the region, particularly with regard to the lack of progress in the area of agriculture. The negotiations should be resumed as soon as possible in the interest of the entire international community.

10. The representative of **Oman,** speaking on behalf of the **Asian Group and China,** noted that, despite some variation in economic growth between the different subregions and countries, Asia was a bright spot in the world economy and had been the fastest-growing region in the world in 2002. The outbreak of SARS at the beginning of 2003 had slowed down growth in several economies in the region. Although its after-effects could still be felt, the quick containment of the disease and the rebound of economic activities had restored confidence, so that the overall impact on growth should be relatively small, another proof of the resilience of the Asian economies. The region had become an increasingly important element in the global economy**.** In 2003, Asia would probably be once again the fastest growing region in the world, at a projected rate of around 6 per cent, and a further strengthening of growth could be expected in 2004. Major factors contributing to the fast economic growth in 2002 in the region had been the timely macroeconomic stimulus and policy response by Governments across the region. Strengthened domestic demand was becoming increasingly important in driving growth, and macroeconomic stability and favourable balance-of-payments positions had allowed room for domestic demand expansion. Moreover, the strong expansion of intra-regional trade had boosted trade dynamism in the region in 2002. China was the most rapidly growing export market within the region.

11. As discussed in the *Trade and Development Report 2003*, the resilience of Asian economies and its fast growth were the result of successful policies fostering capital accumulation, growth and structural change. For the East Asian economies, the share of investment in GDP had risen throughout the 1970s and had been interrupted only briefly during the debt crisis. This process had been accompanied by significant and continuous improvement in productivity across a broad range of industrial sectors, in most cases significantly narrowing the gap on the technological leaders. It has also been accompanied by structural changes during which a handful of "mature industrializers" had shifted to a more technology- and service-intensive development pattern, leaving neighbouring countries more room to use their natural resources and labour reserves in support of rapid industrialization.

12. Nevertheless, a number of Asian economies were also facing daunting challenges, including fiscal deficits and public debt, heavy dependence on exports, uncompleted reform in the financial and corporate sectors, very weak economic performance in the low-income countries, and exchange rate instability. The accumulation of foreign exchange reserves enabled countries to cope better with the problem of financial market volatility, and it was now important to ensure a smooth and orderly rebalancing of global imbalances in order to avoid any disruption of world economic growth. In order to put the Doha round back on track, it was necessary to give serious consideration of the interests of developing countries, in particular in the area of agriculture. In addition, systematic efforts were needed to achieve greater coherence between world trade and international financial systems.

13. The representative of **Zimbabwe,** speaking on behalf of the **African Group,** said that the recent slowdown in world output growth had had adverse effects on Africa's economic performance. Given that short-term growth prospects for Africa suggested no significant divergence from recent growth trends, it would be impossible to meet the Millennium Development Goals for the region. Improving growth prospects for Africa required a continuation or adoption of pro-growth policies in Africa, but above all a solid and supportive recovery in the world economy. It also required increased financial cooperation, as agreed in the Monterrey Consensus, and a world trading and financial system that was more supportive of development. The initiative taken by the United Kingdom and supported by France with regard to international finance facilities was highly welcome, and it was hoped that it would soon be followed by concrete action. Many countries had been suffering from their debt burden, and even some countries that had reached the completion point under the Heavily Indebted Poor Countries Initiative still had unsustainable debt positions. The Initiative regarding debt restructuring for non-HIPC low- and middle-income countries with unsustainable debt ought to be taken forward.

14. The analysis of the UNCTAD secretariat showed that Africa's problems were of a long-term nature. After the lost decade of the 1980s, the 1990s had brought only a weak recovery, reflecting, in large part, persistently tight external constraints. Weak commodity prices, stagnant or declining official development assistance, and, for most African economies, an absence of private capital inflows had caused a decline in gross capital formation and a weakening in the link between investment and output growth in the 1990s, compared to the 1960s and 1970s. Even rigorous implementation of adjustment policies and economic reforms had failed to establish a dynamic process of capital accumulation and growth. A broad domestic industrial base was crucial to achieving economic development because of its potential for strong productivity and income growth, but both manufacturing employment as a share of total employment and manufacturing output as a share of GDP had been falling in sub-Saharan Africa over the past 20 years. This "de-industrialization" could reflect a desirable return to the comparative advantage of most African economies in resource-based sectors, following their shift from import-substitution policies to more outward-oriented development strategies. However, in sub-Saharan Africa this trend had not been a benign product of differential productivity growth in the context of a steady economic expansion but had coincided with a widespread slowdown in output growth. This meant that the new policy orientation had not been helpful in creating a macroeconomic environment appropriate for encouraging investors and firms to support the creation and expansion of productive capacity and the improvement of productivity. Thus, development strategies needed rethinking. Poverty reduction strategies had to be based on a wider range of more strategic and more activist trade and investment policies than in the past. These strategies had to be more growth-oriented and take account of the realities of the African economies as well as the international environment.

15. The failure of the recent WTO Ministerial Conference in Cancún to deal with issues of vital importance to developing countries was a major source of concern for Africa. It was now time for developed countries to liberalize their trade regimes. It was particularly disappointing that no agreement had been reached in Cancún on the removal of agricultural

subsidies in developed countries. Special initiatives such as African Growth and Opportunities Act by the United States and the Everything-but-Arms Initiative by the EU were welcome but ought not to undermine the conclusion of more comprehensive and sustainable development-oriented trade agreements under the multilateral framework of WTO.

16. The representative of the **Islamic Republic of Iran** said that recent conflicts in the Middle East, the downturn in the world economy and the breakdown of the trade negotiating process in Cancún had worsened expectations for stable economic development. There were now serious doubts about the possibility of achieving the Millennium Development Goals. While faced with numerous obstacles to achieving economic growth and development, the majority of developing countries were suffering from insufficient access to international capital markets. Without adequate levels of investment, growth would not be sustainable, but such levels could only be realized with appropriate access to world financial markets. The experience of many developing countries that had tried, without success, to strengthen capital accumulation and growth by increasing foreign direct investment, reducing public investment and relaxing government intervention indicated that the prescription of a single and predetermined set of policies for all developing countries was not appropriate. A new development strategy should be formulated, taking into account each country’s specific structures and capacity for social and economic change. The need to rethink development strategies was now widely recognized, even by those institutions that were responsible for the previous strategy. UNCTAD was the best forum to deal with these issues, to explore better ways for enhancing the economic development of developing countries, and to forge consensus for world development.

17. The representative of **Norway** said that development required global partnership and shared responsibilities, and Norway regretted the negative outcome of the WTO Ministerial Conference in Cancún. All WTO members should now engage constructively in finding solutions to the outstanding issues in order to advance towards a successful and timely conclusion of the negotiations. Renewed protectionism and unilateral action were not the way forward. However, further trade liberalization would be most effective when combined with policies assuring social security, poverty reduction, environmental responsibility, peace, security and the rule of law. Market access for products from developing countries should be significantly improved. Industrialized countries were obviously the most important markets, but developing countries could also make important contributions to their own economic development by improving access to each other's markets. Official development assistance (ODA) was of crucial importance for many developing countries. All developed countries should live up to the agreed ODA target of 0.7 per cent of GDP. If the United Nations was to succeed in implementing the cross-cutting global plans of action and the time-bound Millennium Development Goals, it would have to apply a more collective and coordinated approach and better working methods than in the past. The ultimate objective must be to contribute to national development by ensuring that United Nations development activities were integrated into national poverty reduction strategies. Norway strongly supported the aim of ensuring that UNCTAD functioned within a more unified, cooperative and coherent framework as a member of the United Nations family, providing results at the country level.

18. The representative of **Indonesia** said that import substitution and outward-oriented development strategies had both failed to address the basic problems of development, i.e. poverty reduction, unemployment and sustainable growth. Expectations were widespread that the multilateral trading system could become the engine for recovery and development. However, trade liberalization alone could not be expected to boost economic development and prosperity. The failure of the Cancún Ministerial Conference provided an opportunity for the international community to renew its efforts to create a more enabling environment for growth and development. It was time for the international community to strengthen the development dimension in global economic governance, which had so far been lacking. The major industrialized countries should assist developing countries more actively in their efforts to accelerate industrialization and technological progress, and to strengthen public infrastructures. The relevant international organizations, including UNCTAD, should orient their expertise to assisting developing countries in the formulation and application of development policies commensurate with their endowments and special circumstances. The challenge now was to reinvigorate efforts to strengthen multilateral cooperation. Open-minded, tolerant and pragmatic approaches to the development challenge were urgently needed to place economic policy once again at the service of social justice and stability.

19. The representative of **Algeria** said that the recent difficulties facing the United States economy had had a negative impact on most countries. Prospects for developing countries, particularly the most vulnerable among them, had worsened considerably. Sluggish economic performance had been accompanied by worsened social and humanitarian conditions. While this situation was partly due to fragile economic structures, sustained economic growth could not be achieved without a sufficient level of domestic and foreign capital. The decline in foreign direct investment in Africa in 2002 was worrying. Most African countries had not succeeded in raising capital formation, fostering technological progress and accelerating structural change in favour of more dynamic activities. Their export earnings continued to depend on primary commodities whose prices had declined further over the past few years. Even under the most optimistic growth scenario for the world economy, it was now very difficult to meet the Millennium Development Goals. The failure of the WTO Conference in Cancún illustrated the difficulty for the current multilateral trading system to take better account of developing country concerns. Unilateralist tendencies could break the only institutional framework in which developing countries could defend their economic and trading interests. Developing countries did not have the means to adapt to increasing instability and would be the first to be hit by unilateralist trading practices. The global challenge of economic development required a global policy approach. Globalization had unfortunately worsened poverty and accentuated global disparities and thus had been a source of tensions that jeopardized peace and stability in the world.

20. The representative of **Ethiopia** said that the decline in global growth in 2002 had affected nearly all regions of the world, albeit to varying degrees. The phenomenal growth of the East Asian economies over the past four decades had made them relatively resilient to such downturns. These economies, in contrast to Africa and Latin America, had maintained high levels of investment in the 1990s. Their experience showed that the quality of investment mattered, and that public investment could engender capital accumulation,

productivity growth and structural change. In Africa, growth in 2002 had again been much lower than the 7 per cent required to meet the goal of halving poverty by 2015. The HIV/AIDS pandemic, political instability and armed conflict were major reasons for the development crisis in Africa. The HIPC Initiative had failed to ensure long-term debt sustainability, and debt servicing was still competing for scarce resources. ODA flows had significantly declined since the 1980s, and foreign direct investment inflows remained small in absolute terms and were concentrated in a few countries and a few economic activities. Africa's share in world trade had also fallen dramatically between 1980 and 2002. Exports from the region were concentrated on a few primary commodities, which suffered from a secular decline in prices. The responsibility for addressing the problems of the continent lay mainly with the Africans themselves. Essential ingredients for reversing the situation included sound economic management, improved governance, poverty reduction, and a partnership based on mutual accountability. But Africa also depended on international measures to increase financial flows to the region, and on technical assistance for capacity building. With regard to enhanced market access, the Board should endorse the recommendations of the Meeting of Eminent Persons on Commodities (TD/B/50/11) and forward it to the fifty-eighth session of the General Assembly for consideration.

21. The representative of **Nicaragua** emphasized the importance of coherence between international processes and negotiations, on the one hand, and national development strategies on the other. The opening of economies in most Latin American countries over the past decade had increased interdependence, and there was also a multitude of trade agreements under negotiation in the region. However, these liberalization efforts had to be accompanied by measures to compensate for the negative impact that liberalization could also have in poorer developing countries. Developed countries should help in different ways to fill the financing gap in developing countries, particularly by increased efforts to reach the ODA target of 0.7 per cent of GDP. Nicaragua had recently launched its National Development Plan, which included a development strategy based on the potentials and needs of the country. But its development continued to be constrained by the high level of public external debt, which was also a problem for many other developing countries. In order to solve this problem, new measures were necessary for countries to meet the conditions for debt relief. The failure of the trade negotiations at the Cancún Ministerial Conference was another reason for concern. For developing countries, better market access, especially for products of strategic importance, and special and differential treatment were crucial. It was therefore essential to accelerate the multilateral trade negotiations. The recent international conferences in Doha, Monterrey and Johannesburg had shown the importance of addressing the issue of interdependence in the context of the International Economic Agenda for Sustainable Development.

22. The representative of **Cuba** said that globalization was a product of neo-liberalism that had contributed to increased poverty and continued underdevelopment in many countries of the world, and its economic benefits were concentrated in a few countries, to the detriment of many developing countries. This was due to a dichotomy between trade liberalization aimed at fostering development, on the one hand, and discriminatory policies affecting trade relations between developed and developing countries, on the other. The *Trade and*

Development Report 2003 reflected these circumstances appropriately. The participation of developing countries in world trade had fallen since 1980. Almost two-thirds of world trade was concentrated in Western countries, whereas the share of Latin America and Africa was minimal. The fall of many commodity prices had caused a reduction of national income in many developing countries. All this suggested that free trade was not sufficient for income convergence between the developed and the developing world. As a consequence, there was a need to transfer resources to developing countries, eliminate trade discrimination, and improve export capabilities of developing countries.

23. The representative of **China** said that a number of uncertainties and the impact of the war in Iraq and the SARS pandemic troubled the outlook for the world economy. Global trade had developed only slowly, and the multilateral trade negotiations were at a deadlock. The failure of Cancún highlighted the imbalances in the multilateral trading system, which had contributed to the widening gap between the rich and the poor. Many developing countries were suffering from a shortage of financial resources and a deteriorating trading environment. It was essential to improve the governance of the world economy and to pursue the development of new technologies and industries with a view to distributing the benefits from growth and globalization in a balanced manner. Growth could not be sustained without an adequate level of capital accumulation, but the solution to development challenges also depended on a favourable external environment. In setting international economic and trade rules, priority should be given to the interests of the developing countries. The international community should enhance its efforts to coordinate development policies, to facilitate development financing and to provide developing countries with technical and financial assistance. It was of particular importance to enhance capacity building in developing countries, improve their ability to strengthen capital accumulation and achieve structural change, and create mechanisms to protect them against the impact of volatile international markets. Developing countries themselves should engage actively in market-oriented reforms, develop proactive monetary, financial and industrial policies, open gradually to the world economy, and reduce their dependence on primary commodities. UNCTAD should continue to play its positive role in promoting consensus between North and South and to enhance international cooperation.

24. The representative of **India** said that capital accumulation and productive investment were essential for growth and reducing poverty. In order to accumulate capital, developing countries had to increase their exports to the developed countries significantly. Advocating free trade and erecting trade barriers in developed countries led to cynicism in the developing countries, which had not reaped much benefit from the Uruguay round. The participation of developing countries in the global trading system must ensure improved market access and price stabilization for their exports, and allow for greater policy space to develop local industries. Many developing countries did not have the administrative capacity needed to ensure adequate competition. The absence of regulation did not necessarily ensure market efficiency, and the consequences of liberalization also had to be socially acceptable. Trade liberalization in the presence of market imperfections could very well leave everyone worse off, privatization was not a panacea, and government non-intervention did not guarantee economic stability. For the term "global community" to have a real meaning, there was need

for an integrated approach to global economic governance and for concrete and sufficiently funded programmes to protect its less advantaged members against the impact of external shocks and to bridge the widening gap that separated them from those who were better off. UNCTAD, with its unique role and responsibility in the area of trade and development, should continue to remind the international community that the global economic system must ensure the delivery of welfare gains to all.

25. The representative of the **United States** said that not everyone agreed with the analysis contained in the *Trade and Development Report 2003.* The recent poor performance of some countries in Latin America contrasted with the situation in East Asia, whose economies had powered ahead. Eastern Europe had also done well, and even Africa had been relatively insulated from the downturn in the world economy. The Washington Consensus was not wrong as such, but incomplete. It focused on fiscal discipline, public expenditure and tax reform, market-determined interest rates, competitive exchange rates, trade liberalization, the promotion of foreign investment, privatization of public enterprises, deregulation, and the protection of property rights. It was an agenda focused on good public financial management and the establishment of working markets. Over time, it had become clearer that establishing strong, consistent, equitable and sustained growth also required good governance, transparency and broad-based institutional development, and flexible exchange rates and counter-cyclical fiscal policies were needed to make economies more crisis-proof. Some policy latitude for developing countries was also necessary to enable them to react when the international economic environment turned unfavourable. With a view to maintaining social and political consensus in favour of reform, more attention also had to be paid to income distribution, social programmes, land reform, education and efforts to title informal enterprises. Although the Latin American crisis showed that the Washington Consensus was not the whole story, any country attempting to stabilize, liberalize and grow in the current world economy would have to pay attention to its precepts. But more had to be done than thought necessary at the beginning of the 1990s to ensure that the benefits of reform were enduring and widespread.

26. The representative of the **Republic of Korea** said that the global economy was facing a widening deflationary gap. So far, the recovery from the slowdown since 2001 had been weak, and there were still downside risks. The ability to deal with the increasing volatility in the global economy varied considerably among developing countries, and it was increasingly uncertain whether the internationally agreed development goals could be met. UNCTAD XI was an important opportunity to explore better ways of dealing with the challenges of development. The *Trade and Development Report 2003* referred to his country as a model of successful industrialization. While intensive export-led industrialization, initiated by strong government leadership, had initially been the driving force behind the country's fast development, the 1997 financial crisis had also revealed some weaknesses. Structural reforms had been undertaken in order to overcome the crisis quickly and to move further ahead in development. Domestic demand had been stimulated by low interest rates, a sizeable increase in public expenditure and tax cuts, and priority had been given to revitalizing investment, technological upgrading and productivity growth. An advanced market system for companies to invest and operate in a transparent environment was to be created. The Republic of Korea

was committed to the successful conclusion of the Doha round of multilateral trade negotiations, which should aim at striking the right balance among the different interests of developing and developed countries. A successful conclusion of the negotiations was key to revitalizing momentum in the sluggish world economy and closing the gap in global development. Since the recent Cancún Ministerial Meeting had ended without substantial results, it was now a matter of urgency to put the trade negotiations process back on track

27. The representative of **Bangladesh** said that, whereas previously many countries had limited the openness of their economies, in recent years privatization, liberalization, and a reduction of state intervention had become central orientations of policy making. The new multilateral rules had considerably narrowed the policy space available to Governments. Many developing countries depended increasingly on foreign capital, particularly in the form of foreign direct investment that was also expected to enhance the acquisition of managerial expertise and technology and integration with the world economy. Rapid trade liberalization, often undertaken as part of structural adjustment programmes, had not produced the desired results in all cases, and structural weaknesses remained in a number of countries, as highlighted in the *Trade and Development Report 2003.* Without an appropriate and effective regulatory framework, financial liberalization could be damaging in underdeveloped national capital markets. In the absence of international arrangements to ensure greater financial stability, it was important for developing countries to retain policy autonomy to limit their exposure to volatile international capital markets. Sustainable growth required an adequate level of investment, and the creation of viable industrial sectors in developing countries depended critically on favourable global market access for their export products. Globalization had the potential to accelerate growth, create jobs and raise incomes, but so far developing countries had gained less from trade than the industrial countries, partly due to falling commodity prices and specialization in areas of industrial production with low domestic value added. Appropriate trade and macroeconomic policies at the national level had to be accompanied by coherent and complementary policies at the international level.

28. The representative of **Belarus** said that, after the unsuccessful WTO Ministerial Meeting in Cancún, it had become evident that a solution to the existing contradictions in world trade would be possible only within the framework of an open, impartial and predictable trading system. UNCTAD could make an important contribution in the process towards such a system. The considerable slowdown of growth, primarily in the developed countries, was another reason for concern. There was need not only for an in-depth analysis of the causes of the crisis, but also for firm action on the part of the Governments of the developed countries to stimulate growth. This should be accompanied by specific measures supporting developing and, in particular, the least developed countries. Despite the difficult world economic situation, Belarus had been able to achieve an average GDP growth of around 5 per cent over the past three years, and both industrial production and capital investment had also grown satisfactorily in the first half of 2003. The country had developed a concept of socially oriented market economy, which ensured private initiative and ownership. It had entered into the group of countries with a high Human Development Index. UNCTAD had an important role to play in helping developing and transition economies with their successful integration into the world economy.

29. The representative of the **Russian Federation** said that, during the last three years, the countries with economies in transition had been able to maintain relatively high growth rates. In the countries members of the Commonwealth of Independent States, where exports were largely oriented to the Russian market, GDP growth had reached 4.6 per cent, and developments in the Russian Federation in 2003 were again rather favourable. The stock market in the Russian Federation was growing intensively, and the country's international credit rating might soon reach investment grade level. Domestic economic activity was stimulated by the fact that the Government was giving priority to the full integration of its economy into the world economy and accession to WTO. The Russian Federation supported the mandate of UNCTAD as the central body for dealing with trade and development issues within the United Nations system. The analytical work of the secretariat was an important element in the international discussion of better mechanisms to anticipate and avoid crisis situations or to manage them when they occurred. The international community should aim at a world economic system that made globalization beneficial for all countries. UNCTAD, using its experience in both analytical work and technical co-operation, could contribute to overcoming the crisis in the multilateral negotiations after Cancún. The secretariat had provided a pragmatic and balanced assessment of the globalization process and its possible consequences for the developing countries and countries with economies in transition, which should lead to concrete recommendations on how to avoid or overcome the possible negative consequences of globalization.