

STATEMENT BY H.E. MR. ALI ALATAS, MINISTER FOR FOREIGN AFFAIRS OF THE REPUBLIC OF INDONESIA, ON THE OCCASION OF INDONESIA'S ASSUMPTION OF CHAIRMANSHIP OF THE GROUP OF 77

New York, 12 January 1998

Mr. Secretary-General,
Mr. Minister of Foreign Affairs and International Cooperation of the United Republic of Tanzania,
Excellencies,
Distinguished Delegates,

1. Let me begin by wishing all of you a very happy and prosperous New Year. It is indeed a great honour and privilege for Indonesia to assume the chairmanship of this distinguished body that has for many years stood for the solidarity of the developing countries in coming to grips with the fundamental problems of our time. It is my fervent hope that during Indonesia's tenure as Chairman of our Group, with the cooperation and commitment of all Members to the cause of development, we will be able to build on what we have accomplished so far and thus help bring about a world that is more just and equitably prosperous.

2. May I take this opportunity to pay tribute to H.E. Mr. Jakaya Mrisho Kikwete, Minister of Foreign Affairs and International Cooperation of the United Republic of Tanzania and his able Ambassador and staff in New York for their effective leadership of the work of our Group during the past year.

3. I should also like to thank H. E. Mr. Kofi Annan, Secretary-General of the United Nations, for gracing this occasion with his presence. We are indebted to him for his dedicated and untiring efforts to strengthen the pivotal role of the UN in the promotion of international cooperation for development. I wish also to express our sincere appreciation to Mr. Gustav Speth, UNDP Administrator, for his constant and valuable support for the endeavours of our Group. I would like to take this opportunity as well to congratulate Mr. Chakravarthi Raghavan of South-North Development Monitor for his well deserved UNDP/G77 award for TCDC/ECDC.

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4. As we chart the course of our work this year, we are mindful that since the demise of the Cold War era, fundamental changes have taken place on the international economic scene. Impelled by the technological revolution in transportation and communication and by countries liberalizing their policies as they strive to integrate with the global economy, globalization has become so pervasive that no country can escape its impact. And though it has considerably benefited some countries that have managed to avail themselves of its broadened opportunities, many developing countries are facing enormous challenges, risks and uncertainties as a result of globalization. Indeed, its impact has threatened the weakest and most vulnerable economies with disaster.

5. Even those developing economies that have managed to integrate themselves with the global economy and thereby achieved a certain level of dynamism, have found themselves susceptible to severe currency fluctuations and the rigours inflicted by international financial markets moving large amounts of capital in and out of countries, often with staggering speed. Recent events in East and Southeast Asia have demonstrated that, given such volatility, economic structures painstakingly built over decades through painful adjustments and sound fiscal and monetary policies could crumble in the span of a few weeks. Through its contagion effect, this upheaval in one region could spill over to other parts of the world where even the developed countries are bound to feel its shock. We are pleased, therefore, that the International Monetary Fund and the World Bank are heeding our call to examine closely recent developments in currency markets with a view to

their appropriate regulation so that their operations would be rendered more open and transparent.

6. This is not to say that globalization is an altogether negative force for it does have positive growth and trade-promoting impulses that could be harnessed to benefit all nations. But it should be managed wisely and with an eye to equitable sharing of responsibilities and benefits. We must therefore ensure that globalization is given the highest priority on our agenda.

7. In doing so, let us faithfully adhere to the approach and orientation that our Group has so effectively utilized since it was born at UNCTAD I in 1964. The profound changes wrought by globalization and economic liberalization make it all the more necessary that we continue working for the achievement of an international climate conducive to development and to a more equitable and effective functioning of the global economy. We should strive to define our work this year and in the years ahead in such a way as to cover the common interests of all developing countries, whatever may be their levels of development, and at the same time contribute to an overall improvement of the global economy from which all countries, developed and developing, will benefit. Our advocacy for the developing world should also provide a sound basis for constructive dialogue with our negotiating partners in the developed world.

8. We believe that such a constructive dialogue would prosper only within the processes of a United Nations that has been reformed and thus rendered more capable of fulfilling its mandate in the social and economic spheres. We are therefore heartened that the UN Secretary-General has initiated a UN Reform Package designed to transform the leadership and management structure of the Organization so that it can address the challenges of the new millennium with a greater sense of purpose, effectiveness and efficiency. It is in the interest of both the developed and developing countries that this Reform Package should lead to the enhancement of the role of the United Nations in the promotion of international cooperation for development. For at the global level, we are convinced that only the United Nations has the universal mandate and the democratic orientation to assume a primary role in the management of globalization and economic liberalization with a view to ensuring justice and equity. At the same time, the issue of international cooperation for development should be returned to centre stage in the reformed Organization and, along with *An Agenda for Development* and the right of all peoples to development, be accorded the emphasis and attention that it deserves. In this regard, the Regional Commissions play an essential role in articulating the concerns and needs of regions in their striving for sustainable development and should therefore be strengthened in the course of UN reform.

9. Since our Group is one of the main deliberative forums within the United Nations, we should endeavour to adapt to the reforms that the Organization must undergo so that we, too, could judiciously respond to the challenges of the new millennium and play a constructive role within the framework of the United Nations. For that purpose, our Group may find it advisable to convene an experts group meeting that would contribute to the articulation of the vision of the South on the future role of the United Nations. Such an experts group meeting could also formulate inputs towards a possible South-South Summit as called for in the San Jose Declaration on South-South Cooperation which was subsequently endorsed by the 21st Annual Ministerial Meeting of the Group last September.

10. Among the most urgent concerns of our Group today is the steady decline in financial flows for development. As we are all aware, financial flows, even more than trade, have become the engine of economic growth and development. Today financial flows are largely in the form of FDI and large private capital flows to finance international production. The few developing economies with infrastructures and productivity levels adequate enough to attract such flows risk being devastated by a sudden change in the direction of these flows. On the other hand, most developing countries must depend on ODA which has been declining. This has led in many cases to economic stagnation. We are therefore heartened that the 52nd Session of the General Assembly has adopted a resolution on "*High-level Intergovernmental Consideration of Financing for Development*," which is a significant first step in squarely addressing this critical issue.

Indeed it is imperative that this complex, multidimensional issue be resolved in a systematic, comprehensive and constructive manner.

11. Compounding the challenge of a dearth of financial flows for development is the burden of external debt servicing that has severely hampered the development efforts of many developing countries. Many initiatives have been launched to resolve the external debt crisis but these have at best resulted in some measure of temporary relief as they addressed the various sources of indebtedness one after another instead of comprehensively covering bilateral and multilateral debts as a whole. Let us therefore continue to work for an effective "once-and-for-all" solution to the debt problem that would not only bring lasting relief to debt-burdened developing countries but also bring them back on the road to development. The growing problem of private sector indebtedness that has wreaked havoc on exchange rates and stock markets in some developing countries must also be addressed decisively.

12. To many developing countries, economic growth requires expansion of trade—for which there should be enlarged opportunities in this era of globalization. Unfortunately, in spite of the establishment of the WTO, some developed countries have found new and insidious ways of undermining the comparative advantage of our exports, such as the introduction of extraneous issues like the environment, labour laws, human rights and other social issues in trade and economic cooperation arrangements. It is indeed ironic that while an agreement on financial services has been reached, the major exports of developing countries, notably agricultural products and textiles, are being subjected to arbitrary protectionist measures. It is therefore essential that we developing countries become full and equal partners in the common endeavour to nurture a free as well as a just multilateral trading system within the framework of the WTO.

13. In this era of globalization, the issue of the environment and its linkage with development has become increasingly pertinent. We hold that these two issues should be dealt with in accordance with the agreements reached at the Earth Summit of 1992. This means a balanced approach in which development should not be sacrificed in the name of environmental protection. Developed countries should therefore be held to their commitment to provide the necessary financial resources and transfer of technology that will enable developing countries to implement sustainable development programmes.

14. The challenges of this era of globalization and economic liberalization demand from all of us a high degree of competitiveness and a tremendous capacity for self-reliance. This means a commensurate enlargement and strengthening of South-South cooperation as a way of solving many of our problems of national development as well as a strategy for global economic growth. When South-South cooperation takes place between regional economic groupings, it could serve as a way of softening the negative aspects of globalization, including the marginalization of developing countries from international economic decision-making. We should therefore build on the consensus embodied in the resolution on TCDC/ECDC adopted at the 52nd Session of the General Assembly, on the need for increased dialogue and cooperation among regional economic groupings. In this context, I am pleased to announce that the Indonesian Government is prepared to convene an experts group meeting on strengthening economic cooperation among the regional economic groupings of the developing countries. I am also glad to invite members of our Group to participate in the projects and activities of the Centre for South-South Technical Cooperation which will be launched in a few weeks in Jakarta.

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Distinguished Delegates,

15. As I scan the fundamental economic issues of our time, I am all the more convinced that their solution depends on our capability to form, together with the industrially advanced countries, a global partnership for development. The rigours and vagaries of globalization demand that our Group strive even harder in pursuing that goal. In doing so, we face formidable tasks but we shall not be fazed for we can draw commensurate

strength from our sense of solidarity and unity of purpose. Impelled by the aspirations of our people and guided by our shared vision, let us dare to build a new and more equitable and just world.

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