

STATEMENT BY AMBASSADOR S.R. INSANALLY CHAIRMAN OF THE GROUP OF 77, NEW YORK AT THE NINTH MINISTERIAL MEETING OF THE ASIAN GROUP OF 77 PREPARATORY TO UNCTAD-X

Beirut, Lebanon, August 11 – 12 1999

Mr. Chairman, Honourable Ministers, Mr. Secretary General,
Distinguished delegates, Ladies & Gentlemen,

As current Chairman of the Group of 77, I am delighted to be here in Lebanon – host country of this regional preparatory meeting for UNCTAD X.

At the outset, I would wish to convey my greetings and good wishes to all and particularly to you Mr. Chairman, our co-host the Executive Secretary of ESCWA, and the distinguished Secretary General of UNCTAD, Mr. Rubens Ricupero.

There can hardly be a more inspiring venue for your deliberations. As part of ancient Phoenicia, Lebanon has long been an important centre of international trade. Its capital city Beirut is not only a beautiful haven but a strategic gateway between the Middle East and the rest of the world.

Yet like all countries, Lebanon is not impervious to the winds of globalisation now blowing around the globe. Globalisation has had and continues to have a profound impact on most developing economies. However, although the consequences of globalisation are universal the key decision makers are concentrated in a few major industrialised countries – indeed often in the hands of a few corporations and individuals. National governments often feel increasingly marginalised as economic sovereignty is redefined and market forces become ascendant.

Admittedly, however, not all transformations are products of conscious policy. Some result from real changes in technology and the structure of global investment, production, consumption and trade. The strength of these forces should not be underestimated. Nor should we ignore the fact that new actors have emerged along with new technologies and new ways of wealth accumulation creating different patterns in the global economy.

We have seen for example, the rise of TNCs, the deepening links between trade, investment and production by the same firm; and the rapid growth of intra company trade as against “arms length” trade. Similarly we have witnessed the formation of new economic groupings and cooperation arrangements among states for example in the expansion of the EU and the comparatively recent establishment of groupings such as APEC and NAFTA. The implications of all these changes for developing countries require careful study.

Already however, the East Asian crisis has taught us that in the absence of appropriate institutional arrangements to manage the process of globalisation, rapid financial liberalisation can result in dangerous instability within the international system. As observed in the 1998 Trade and Development Report the spread of the financial crisis across the Asian economies during the second half of 1997 had a varying impact on countries in the region and was greatest in South-East Asia, where growth rates fell by almost half from 1996 levels. Growth in South Asia also declined, but for the first time in this decade exceeded that in South East Asia.

Notwithstanding their difficulties the Asian member states of the Group of 77 developing countries have a major role to play in multilateral development diplomacy. This meeting offers, I believe a timely opportunity to reflect further on that role by addressing three important tasks; first the preparation of an Asian platform on the technical and substantive issues which could be taken forward at UNCTAD X; second, to consolidate and further invigorate cooperation among the Asian nations and third, to identify a broad programme of work for UNCTAD in support of these efforts for the next four years.

Such however is the complexity of the problems facing the global economy that only a concerted effort by all actors at the international, regional and national levels can find appropriate solutions. No country - nor for that matter group of countries - can afford to stand apart and assume that others will resolve these global problems. All states – particularly small ones which are likely to face the greatest challenges from the new liberal trade order must cooperate in the search for answers. A massive programme of trade related technical cooperation could certainly help to strengthen the position of G-77 countries.

Mr. Chairman, as we set out on the road to Bangkok it is necessary, as a first step to firmly establish the link between trade and development. Trade in and of itself is not an end, but rather a means of promoting economic prosperity among nations. Accordingly, it must form part of a wider and more “positive” agenda that has been called for by UNCTAD to achieve globalization with development.

Persuaded of the need for such a link the Group of 77 and China during the deliberations of the Ad Hoc Working Group on the Financing for Development held earlier this year in New York advocated, coherence must be assured between the international trade, monetary and financial regimes. Trade depends on a properly functioning international monetary system that provides liquidity, stability and predictability in trade transactions. Stability in trade flows cannot be maintained without some measure of stability in the price of currencies of exporting countries as well as the major currencies used in international trade.

The same can be said for the relationship between the trade system and the financial system. A well functioning system of trade financing and an orderly global payments system with sufficient liquidity are needed to ensure the free flow of trade. As we have come to realise the distinction between “trade” and financial or capital transactions is increasingly becoming blurred with the increasing integration of trade and capital markets.

Since the financing, and development needs of developing countries will require access to markets for their products the “unfinished business” of the Tokyo and Uruguay Rounds must be addressed. A priority objective should be the removal of restraints in those areas in which developing countries have become successful exporters. Much more will have to be done by the international community to assist multilateral, regional and country efforts aimed at stabilising developing country incomes from their commodity exports.

Similarly, there is need to redefine the concept of reciprocity in light of the disparities in economic capacities among countries, following the principles outlined in Part IV of the GATT agreement, and the GATT “habilitation clause” of 1971. To this end, we must re-invigorate the Special and Differential Treatment for developing countries with new initiatives in their favour.

Equally important will be the provision of measures to integrate developing countries into the WTO and to enhance their capacity to participate actively in trade negotiations. In the process, special consideration needs to be given to the developing countries and to structurally weak economies, in particular the LDCs, which are dependent on a few commodities for trade.

Mr. Chairman, developing countries must be assured that trade liberalisation holds some benefit for them. Certainly within the WTO where the issues at stake are complex and difficult it has not been easy for them to assert and protect their interests. As a result trade negotiations have tended to become a zero sum game in which the principles of mutual benefit are forgotten and developed partners always have the upper hand. The time has come for developing countries to be more meaningfully involved in the WTO, so that the world trading system might function in a fair and equitable manner.

Finally, I may make mention of the proposal that has been put forward for a new Millennium Round of Trade Negotiations. While the jury seems to be still out on this, there is an obvious danger that developing countries may be seduced by the promise of new and more comprehensive agreements into relieving the developed countries from obligations which they should have already fulfilled within the WTO. Given the number and range of issues involved, it would seem that an overriding priority for developing countries is to ensure that existing difficulties in the working of the present agreement are resolved before embarking on new liberalisation initiatives.

Given its mandate, UNCTAD has an important role to play in assisting developing countries to participate in, and benefit to the maximum extent possible from the increasing integration of the international economy. UNCTAD, under the intellectual leadership of Mr. Rubens Ricupero, has been remarkable for its research and analytical work, its technical assistance programmes and its efforts aimed at building international consensus on emerging issues. We should therefore continue to look to it for support.

However, since the challenges of globalisation and trade liberalisation require a comprehensive approach in order to ensure the promotion of development the process must be conducted under the watchful eye of the United Nations. The world organisation alone can provide

a forum where these linkages can be addressed in a holistic manner and where broad political guidance can be given to guarantee the successful outcome of UNCTAD X.

Mr. Chairman, these are some of the considerations which I believe should be borne in mind as we approach the upcoming negotiations. From Beirut to Marrakesh to Seattle and on to Bangkok, we must ensure that we have a clear consensus on what our goals are and how best we may achieve them.

Coming as it does early next year UNCTAD X can provide an important stimulus for the success of the first ever South Summit to be held in Havana, Cuba from April 10 – 14, 2000 and indeed of the UN Millennium Summit. I have no doubt that the deliberations of this Asian Regional meeting will help the Group of 77, to develop a clear vision and strategy for achieving a more balanced and just world trading system.

I thank you.