

Statement by Mr. Mohammad Ali Zarie Zare (Islamic Republic of Iran), on behalf of the Group of 77 at the Second Session of the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development: Trade

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Mr. Chairman,

As we begin our discussions on this theme in our agenda let me stress that, as emphasized in the Group's general statement last week, trade is the most important and multidimensional mechanism for almost all developing countries to mobilize and expand the resource base, both domestic and external, for financing for development. Trade is also the major instrument for integration in the international economy which can have very positive spill-over effects, including in the areas of foreign exchange earnings, expansion of domestic savings, expansion of tradable sectors, increase in competition, facilitation of transfer of technology, increase in productivity, promotion of economic growth, and eradication of poverty. The Group of 77 and China believes that an open, rule-based, transparent and non-discriminatory and predictable multilateral trading system is an essential component for the global economic system and would contribute profoundly to the world economic growth and smooth integration of developing countries into the world economy. Since the 1980s many developing countries have made major progress in liberalizing their trade regimes, reduced their average nominal tariffs, which has, as a result, led to expansion in their exports and growth in income. I should underline here that developing countries remain fully convinced of the merits of a genuinely multilateral trading system. Generally, they have complied with their commitments. But, they seek fair agreements to continue making progress in the further improvement and development of their trade regimes. However, the Group deems it necessary to caution that trade liberalization should be sequential in order to limit the heavy social and economic costs associated with adjustment policies. To this end, technical and financial assistance are necessary to assist developing countries in the field of capacity building, which could facilitate their gradual trade liberalization consistent with development and poverty reduction strategies.

Market access. Developing countries continue to face an external environment that substantially constrains their export growth in their most relevant and competitive economic sectors. Market access protection by their developed trade partners imposes costs on developing countries that far outweigh aid flows. Almost all developing countries suffer, although to varying degrees, from lack of market access, especially in such sectors as textiles, clothing, footwear, foodstuffs, metal, plastic, agriculture and service sectors. It should be quite sobering that even after the full implementation of the Uruguay Round, the average tariff on exports from developing to developed countries will exceed 12% and tariff peaks for some important products will reach 350 percent. We in the developing world are fully cognizant that liberalization of any economic sector is a painful process. With this in mind, let me add, however, that market access for textile, clothing and agriculture should simply not remain hostage to the slow pace of their liberalization in the developed countries. They certainly possess the capacity to expedite the process. The Group of 77 and China strongly believes that liberalization and expansion of commercially meaningful market access for goods and services of interest to developing countries, removal of trade barriers and tariff peaks in agriculture and expansion of GSP schemes are among the priority areas requiring will, determination and practical policy and action on the part of the developed community. Provision by developed countries of duty-free, quota-free market access to all exports of Least Developed Countries and HIPC countries should be accorded the urgency and priority it requires. Moreover, every endeavor should be made to extend the same to other developing countries, particularly African countries, small Island developing states and other small and vulnerable developing countries which are facing serious economic challenges, among them, low levels of income and poverty, inherent economic problems, poor resource base, remoteness and isolation from the world markets, low productivity, high transport costs, weak transit infrastructure, commodity based exports, and poor foreign

trade performance. The Group of 77 and China welcomes the " All Goods but Arms " initiative of the European Union as well as other similar initiatives in this area and would like to encourage their extension to other developing countries. The Group also supports, in fact, encourages, all endeavors towards undertaking of commitments by all of open, secure and predictable market access including through avoiding discretionary and unilateral trade measures, better transparency, prohibition of the use of technical, social, labor, environmental and phytosanitary standards for protectionist purposes, improving multilateral discipline, avoiding discriminatory or stringent rules of origin; and promoting multilateral discipline on antidumping and countervailing duties and safeguard measures. Moreover, a new overall approach to the special and differential treatment for developing countries is needed, including through introducing bound provisions, which allow longer period for compliance with WTO Agreements and enlarged technical assistance for institutional and human capacity building. Similarly, necessary space should be created for appropriate measures to enhance supply-side capacity to meet market access opportunities.

Supply-side capacity, price-risk management and vulnerability. Supply-side constraints, as in such areas as infrastructure, human development, export expansion and economic diversification, are other major challenges before the developing countries. Given the advanced state of economic thinking as well as decades of experience in a wide range of countries, they can be addressed and overcome only through a comprehensive and integrated approach and then only with the participation of both public and private sectors as well as of the civil society at large. As in other fields, provision of financial and technical assistance by the international community has an important role to play here as well.

Many developing countries are highly dependent on commodity exports, which makes them vulnerable, in fact, highly vulnerable, to the short and long-term decline of real and nominal prices of commodities and deterioration in their terms of trade. Fluctuations in commodity prices cause significant damages to the exporting developing economies; they can, among others, jeopardize budgetary planning, adversely affect the activities of farmers and other producers, and increase cash flow uncertainty for processing companies. Despite the positive steps taken in this regard by the IMF and the European Union compensatory mechanisms to address short-term fluctuations in export earnings, there is still a lot more that needs to be done by international financial institutions to devise more flexible mechanisms for supporting balance of payment difficulties. The Group of 77 would like to underscore that the long-term solution to these challenges is to be found in a comprehensive and integrated approach and policy which calls for a series of concrete measures, including meaningful market access, removal of supply-side constraints, adequate support for capacity-building as well as specific concessions on transfer of technology and enhancement of current technical assistance programs. Simultaneously, we support any initiative, including market-based initiatives by relevant international organizations, towards establishing a new global facility to help promote developing countries' access to commodity price risk management through various mechanisms and instruments.

Diversification of the productive and export base can certainly help reduce the vulnerability of developing countries to domestic and external shocks. It is rather common knowledge that developing economies are facing rigid and concentrated structures domestically, which generate special risks, and protectionist pressures and arbitrary action in the developed economies. Developing countries have made advances in enhancing multilateral trading system; yet, they are facing these pressures and challenges. And it is ironic that there seems to be a trend of disproportionate use of anti dumping measures and other similar measures at a time of unprecedented economic growth in the developed North. The Group of 77 and China supports programs and initiatives by international and multilateral financial and development institutions to assist developing countries towards diversifying their export base as well as to closely monitor the use of anti dumping measures or other restrictive measures used against developing countries. In this regard, let me underline the importance of capacity building in developing countries for the formulation, negotiation and implementation of trade policy as well as of the necessity of analytical and policy framework for mainstreaming trade into the national development strategy of these countries. To this end, the existing Trust Fund needs to receive generous contributions from the donor community.

Finally, Mr. Chairman, let me also add that trade cannot, and in fact, should not, be seen and treated in isolation. As all of us know, it has very strong inter-linkages with financial and monetary issues. A well functioning international monetary system should provide liquidity, stability and predictability in trade transactions. This is equally true for the international financial system. An effective and efficient financing system would be able to create an orderly global payments system with sufficient liquidity and ensure that trade is not disrupted. As such, enhancing the coherence among international monetary, financial and trading systems is imperative.

Thank you very much, Mr. Chairman.