

Statement by Mr. Mohammad Reza Salamat (Islamic Republic of Iran), on behalf of Group of 77 and China, on agenda item 4: International Cooperation for an Enabling Environment, at the Inter-sessional Ad-Hoc Working Group on information for Decision Making and Participation and on International Cooperation for an Enabling Environment

New York , 13 March 2001

Madam Chair,

I'm delighted to see you chairing the discussions in this Inter-sessional Ad-Hoc working group. You may rest assured of our full preparedness for cooperating constructively with you as well as with other delegations during this meeting. I wish to commend the Division on Sustainable Development for the preparation and introduction of the report of the Secretary-General on this Agenda item for our consideration. It is very informative, concise and focused.

We trust that with the mutual cooperation of our negotiating partners, we would be able to produce an enabling environment during these inter-sessional meetings as well as during CSD-9 through promoting a spirit of understanding and accommodation so that we could achieve consensus on all CSD-9 issues, including on international cooperation for an enabling environment.

As the Secretary General notes in his report, the term "enabling environment for sustainable development" is not clearly defined either in Agenda 21 or in the Programme for the further Implementation of Agenda 21. Therefore, the report focuses on the impact on sustainable development of major changes in the world economy due to globalization, as well as national conditions affecting sustainable development. In other words, as we draw upon the report of the Secretary General, the framework for our discussions on enabling environment would tend to be globalization and its impacts on sustainable development objectives of countries.

Some thinkers and politicians have described globalization as the defining process of the present age. While the benefits of this process have been stressed and highlighted by its proponents, there is now an increasing disillusionment among many thinkers as well as policy makers, particularly in the developing world. There are a number of reasons for this change in perception of globalization, including: The lack of tangible benefits to most developing countries from opening their economies; the economic losses and social dislocation that are being caused to many developing countries by rapid financial and trade liberalization; the increasing inequalities of wealth and opportunities arising from globalization; and the exacerbation of the global environmental situation.

It is widely acknowledged that economic globalization is an uneven process. Trade and investment as two major aspects of economic globalization is being focused only in a few countries. Yet, all countries are affected, though with varied degrees, by globalization process.

We note that there is a steady growth in liberalization of FDI. However, much of the FDI and its increase is due to flows among the developed countries. As the Secretary General reminds us, although net foreign direct investment (FDI) flows to developing countries grew steadily through the 1990s to reach \$ 126 billion in 1999, up from about \$ 20 billion in 1990, FDI flows remained highly concentrated only in a few developing countries. Ten developing countries received 80 per cent of total FDI flows to the developing world, and there is no indication that this concentration is declining.

Moreover, while FDI flows to developing countries have grown steadily during 1990s, portfolio investment flows and bank flows have shown great volatility. Net portfolio investment in developing countries reached a peak of \$ 90 billion in 1994 and then fell to almost nothing in 1998 before recovering somewhat in 1999.

Other private flows to developing countries, primarily bank lending, have fluctuated from net inflows of about \$ 70 billion in 1991 to net outflows of \$ 36 billion in 1994, then again to inflows of \$ 80 billion in 1995 and finally to outflows of \$ 77 billion in 1999. We concur with the Secretary General that this volatility of financial flows is clearly an obstacle to sustainable development in developing countries.

The current picture with trade as another aspect of economic globalization is not less gloomy. Despite the expanding of the international trade at almost twice the pace of total economic activity, the problem of marginalization is exacerbating as globalization process is going on. We agree with the Secretary General's assessment that the increased emphasis on the role of trade in development makes trade and the multilateral trading system a critical element of the enabling environment for sustainable development. The multilateral trading system is yet far from being a truly global system. Market access for products from developing countries as well as the access of developing countries seeking integration into the world trade system, notably the WTO are the two major challenges to making the benefits of globalization available to all developing countries.

The spread of information and communication technology has been described by the Secretariat report as the most important catalyst for increasing globalization. However, the digital divide again adds to the unevenness of this feature of globalization.

The exacerbation of the global environmental situation, manifested in the increased environmental degradation of our oceans, atmosphere and biological diversity, and caused partly by the expansion of the unsustainable patterns of production and consumption and increased poverty, is another consequence of rapid globalization.

In a nutshell, in the absence of fair global rules, globalization has increased the ability of the rich to advance their interests to the detriment of the poor, especially in the areas of trade, finance and technology. There is nothing inherent in globalization that automatically reduces poverty and inequality.

Nevertheless, we concur with the Secretary General that globalization has created a new impetus for international cooperation and policy dialogue to facilitate the transition to sustainable development. What is needed is commitment on the part of governments, the private sector and other segments of civil society to the effective integration of all nations, particularly the developing countries, into the global economy. This requires the recognition of global interdependence in respect of production and demand, the environmental base that sustains the planet, a global financial architecture that rewards good socio-economic management, and global governance that promotes partnership among all nations and peoples.

The Group of 77 and China considers the following elements, among others, significant and necessary for enhancing international cooperation for an enabling environment that could be supportive to sustainable development objectives.

1. Accelerating debt reduction for heavily indebted poor countries, in conjunction with effective poverty eradication programmes. The enhanced HIPC Initiative should be funded through new and additional resources and implemented as soon as possible;
2. Reversing the decline in ODA flows to developing countries and meeting the UN target level of 0.7 % of GNP of each developed country as ODA within an agreed period;
3. Assisting developing countries seeking integration into the world trade system;
4. Enhancing access for developing countries into markets of the developed countries through appropriate preferential treatments;
5. Eliminating trade obstacles, and discriminatory trade practices and non-tariff trade barriers to trade which may hinder the export of developing countries' products to developed countries
6. Removing barriers to and encouraging investment by the private sector of developed countries in developing countries, including through the establishment of insurance mechanisms and financial instruments that would help lower risk premia;

- 7. Providing capacity building for developing countries for enhancing their efforts for technological development, institutional and human resources strengthening;
- 8. Enhancing the transfer of environmentally sound technologies to developing countries;
- 9. Ensuring that international assistance for technology transfer to developing countries is demand-driven
- 10. Promoting the involvement of civil society in economic planning, and the formulation and implementation of national sustainable development strategies;
- 11. Supporting governance reforms of multilateral financial institutions to better cater for the needs and concerns of developing countries, by, inter alia, ensuring that mechanisms exist for meaningful participation and greater transparency in decision making;
- 12. Envisaging more flexibility for developing countries so that they could keep the necessary controls on capital and investment flows within their countries for the purpose of maintaining financial stability and achieving sustainable development objectives
- 13. Providing support to developing countries by the international community for the development and implementation of sustainable development strategies.
- 14. Promoting regional and sub-regional cooperation, including South-South cooperation.

In conclusion, Madam Chair, I would like to express the deep enthusiasm of the G-77 and China in the issue of enabling environment and their sincere desire for an active participation in the discussions and a close interaction with our negotiating partners, with a view to achieving satisfactory outcome on this agenda item.

Thank you Madam Chair.