

UNCTAD

High-level Policy Dialogue of the Economic and Social Council Statement High-level Policy Dialogue of the Economic and Social Council

New York - 1^o July 2002

Mr. Secretary-General,
Mr. President,
Distinguished Delegates,
Ladies and Gentlemen:

The fantastic image of people demolishing the Berlin Wall with their bare hands or makeshift tools was to become the visual symbol of the exhilarating promises of the 90's. It was an era to abolish all barriers - barriers dividing people, by ending apartheid and the ideological confrontation of the Cold War, and barriers dividing economies, through globalization and liberalization. But 12 years later, the barriers are returning, with statesmen discussing how to erect legal and political walls against economic refugees and poor immigrants, Governments planning fences against suicide terrorists and rich countries raising new barriers to steel, agricultural and other sensitive imports.

Of course, not all walls are alike. They can form a prison or a cage, as in Berlin, or they can provide necessary defence or protection. But whether justified or not, they are almost always an admission of failure to find lasting solutions to the problems at hand.

One of the most insidious types of walls are the barriers we build inside our minds against unpleasant realities and immovable problems. Some of us in Monterrey last March tried to draw the world's attention to the despair and suffering of the millions of innocent Argentines who are being punished by the misdeeds of their Governments. Many of us urged prompt action to avoid the contagion. But now, more than three months later, the disease has spread, to Uruguay; Paraguay; my own country, Brazil; and other Latin American countries. In Argentina, the sense of hopelessness and abandon is fast evolving into dark and chaotic agony. I know there are no simplistic, miraculous cures, and I am not playing the blame game. But in the face of such manmade catastrophes, our first and most urgent action should be to relieve the suffering and contain the damage.

Even after several episodes of painful crises in emerging markets, the international community still lacks a realistic strategy for dealing with financial instability and the debt problem. Just "muddling through" cost Latin America a lost decade in the 1980s; and a similar lack of orderly procedures for handling international debt has now been exposed in Argentina. Uncertainty continues to surround the modalities of official intervention in the financial crises, adding to volatility in market sentiment. Current arrangements appear to encourage pro-cyclical policy responses, which risks only deepening the crises. It is time to end such ad hoc approaches and to get on with a genuine reform of the international financial architecture. Only multilateral action under IMF leadership can effectively deal with the debt problem; only cooperation among the major

economic powers can deliver the degree of currency stability needed by developing countries to ensure that trade and financial flows complement their domestic efforts.

Mr. President,

Trade has always been one of the channels for transmitting recessions in the industrial countries to the developing countries. We saw a recurrence of this phenomenon just last year, when the United States economic slowdown was the central reason for the sharpest contraction in trade performance worldwide since 1982. The loss in value was three times higher than the reduction in volume, hitting the commodity-exporting developing countries particularly hard. More than ever, the international community as a whole, and not least the developing countries, needs a strong multilateral trading system and the successful delivery of the Doha promises to inject as much growth and development potential as possible into the negotiations. This is why we were dismayed by recent threats to those promises arising from a disturbing sequence of protectionist measures. I once wrote in a book edited by Professor Jagdish Bhagwati in honour of Arthur Dunkel that, after the Uruguay Round, we were living in a paradoxical situation. Developing countries had finally persuaded themselves that they should be among the staunchest defenders of multilateralism, because they needed it more than the others. But the same reason why they needed the system - their vulnerability and lack of power - was also why they could do little to save it on their own. This is as true today as it was then. We must all resist protectionism everywhere, but it is only the major trading powers, which account for the largest share of world trade, that can really make a difference, by exercising responsible leadership.

Among the main victims of the shortcomings of the trading system are the commodity-dependent LDCs. These are the nations caught in a poverty trap in which pervasive poverty ends up perpetuating itself. UNCTAD's recent LDC Report 2002, the first comprehensive analysis of poverty in the least developed countries, has shown that the proportion of the population living on less than a dollar a day has been underestimated in the poorest countries, particularly in Africa, and that the number of people living in extreme poverty has actually doubled in the past 30 years. But the Report also demonstrates that there is a golden opportunity to radically change the situation because at very low levels of income per capita, a doubling of average household incomes can rapidly slash \$1-a-day poverty rates. The way forward is with national policies that are development-oriented and outward-looking, in that they seek to manage integration with the world economy through trade and investment. But to be successful, these policies need to be complemented by increased debt relief; more, and more effective, aid; a renewal and recasting of international commodity policy; and greater South-South cooperation.

In each of these three challenges - financial crises in Argentina and Latin America, the negotiation of a more development-friendly trading system, and achieving the Millennium Development Goal of slashing extreme poverty in the poorest countries - we need the decisive and responsible leadership of those who have the power to create a tolerant, pluralistic and generous multilateral agenda. It is much better to take this road than to put up more walls and fences, however strong and invulnerable they may look, for, as Gildor the elf tells Frodo in *The*

Lord of the Rings: "The wide world is all about you: You can fence yourselves in, but you cannot for ever fence it out".

Thank you, Mr. President.