Statement by Rubens Ricupero
Secretary-General of UNCTAD
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The period since July 1997, when the collapse of the Thai baht opened the financial flood gates across much of East Asia, has been a troubled one for the world economy. True, the crises in the developing world have been contained thanks to efforts at the national and international level. However, even as the flood water has subsided and recovery begun, higher unemployment and poverty levels persist in the countries hit by the crisis. Moreover, it would be foolhardy of policy makers not to recognise the pervasive influence that financial volatility still holds over the economic prospects of developing countries, or their vulnerability if the richest parts of the world economy begin to stumble.

From a longer-term perspective asymmetries and systemic biases in the world economy continue to stymie growth prospects in the developing world. The unbalanced nature of the globalization process is clearly visible in its selective nature, with finance moving much further and, indeed, faster than trade or real investment, and the movement of labour almost entirely excluded. But, even more significantly, the architects of integration have, all too often, ignored or downplayed the concerns of developing countries. In light of these, UNCTAD has for some time been questioning conventional wisdom that following a swift dose of liberalization, deregulation and privatization, free markets would unleash the kind of growth performance which is needed to address the deep-seated problems of poverty and underdevelopment. This analysis and policy advice has often fallen on deaf ears. But such concerns have become much more difficult to ignore since the Asian financial crisis and the debacle in Seattle.

In this context, the deliberations at UNCTAD’s Tenth Conference held in Bangkok in February, the first global meeting of the new millennium, merit further attention from a wider audience. Throughout the debate in Bangkok, involving governments, civil society and multilateral organizations, there was a general recognition that the globalization process should not be dictated by the interests of the rich and powerful. Implicit in much of the deliberations was a rejection of the idea that globalization is some unstoppable force sweeping inexorably across the face of the world.

Participants in Bangkok did not question the potential benefits from greater integration into the world economy. But there was a widely shared belief, particularly among
developing countries, that leaving integration exclusively to markets and to competition among structurally unequal countries has not helped to produce these benefits, and has at times actually been a hindrance. So far the balance sheet of the market-driven globalization points to widening divisions within and across countries. It is also no exaggeration to say that we have entered a new century with a world economy more unstable than at any time since the inter-war years, and in which developing countries remain the most vulnerable to external shocks and disruptions.

Three sources of unevenness and vulnerability received particular attention in Bangkok. In the first place, the large and mercurial movements in financial flows have come to symbolize the dangers of operating in a global economy, some features of which resemble a casino. For many countries, policy-making has become hostage to financial markets, and the kind of discipline that these markets impose on governments is not always conducive to sustained growth and development. Since the Asian crisis, it is increasingly clear that when policies falter in managing integration and regulating capital flows, the damage that international finance can inflict on an economy can be enormous, and this applies even to economies with sound track records of macroeconomic management and social development. As a consequence, the need to overhaul the existing financial architecture is an urgent one.

Secondly, developing countries have been exposed to serious asymmetries in the trading system. Many of the predicted gains for these countries from the Uruguay Round have proved illusory. Indeed, a combination of declining terms of trade, uneven growth and persistent protectionism in industrial countries, and a rapid liberalization of trade and capital accounts in developing countries has resulted in serious payment disorders. The situation is particularly precarious for commodity producers.

Finally, many developing countries, amongst them some of the world’s poorest, are still struggling with the burden of official debt. There is now ample evidence of the adverse effects of debt on investment and growth in these countries. This is particularly true of the LDCs where adequate external support remains a prerequisite for kick-starting the development process.
None of these obstacles to sustained growth and development can be effectively solved at the national level. Rather, collective energies and bold leadership at the global level are required if genuine progress is to be made. UNCTAD has called for appropriate action on all these issues and in a much more integrated manner than has been true of past approaches.

Volatile financial flows need to be tamed. Political constraints and conflicting interests, rather than conceptual and technical problems, appear to be the main reason why the international community has made little headway in setting up effective global arrangement for the prevention and management of financial crises. This is particularly true in recognizing debtor rights and burden-sharing. With bailouts on the scale recently seen in emerging markets becoming increasingly problematic, principles of orderly debt workouts need to be written into the rules of the international monetary and financial system. Exchange-rate coordination, including target zones for G3 currencies, along with more effective provision of liquidity to preempt currency crises in developing countries, could help bring a much needed degree of stability to foreign exchange markets. There is also much that could be done at the regional level, particularly among like-minded governments which are prepared to establish collective regional defence mechanisms against systemic instability and contagion. Premature financial liberalization must be avoided, and greater tolerance must be shown for capital controls, when countries need to use them.

Resource availability for developing countries, particularly the LDCs and those in Africa, needs to be improved. Although the 1990s saw a return of financial flows to developing economies, these were concentrated in a handful of emerging markets, a substantial share of them were either unavailable for productive investment or proved too hot to handle. Official financing and efforts to help the least advantaged through debt relief will be needed for many countries. Indeed, it is now time to heed the consensus proposal of the Meltzer Commission and place a full debt write-off squarely on the agenda of multilateral and bilateral lenders.

Over the longer term additional foreign borrowing makes sense only if higher export earnings are sufficient to finance the additional debt service. This means improved access to
advanced country markets for producers from developing countries. Some of the most glaring imbalances in the trading system, such as the freedom of developed countries to massively subsidize their agricultural exports and place their industrial subsidies in the non-actionable category, must be removed. Unrestricted market access ought to be granted to the exports of LDCs and to products of export interest to developing countries such as agricultural goods, textiles and clothing. Trade negotiations must now give priority to the concerns of developing countries in general and LDCs in particular. In other words, a new round of negotiations must be development oriented. Flexibility also needs to be extended to developing countries regarding the design and implementation of their policies. In some areas of trade policy, the full impact on competitiveness of limiting the policy options of developing countries is already proving detrimental and needs to be reconsidered.

The end of sharp political rivalries at the international level has neither silenced the cries of the poor nor hidden the complexities of development policy. Extremism on policy issues cannot provide the route to a more prosperous world economy. To redress the imbalances and correct the malfunctioning of the world economy, a more inclusive and participatory decision-making process is needed at the international level. New international standards, under which globalization is fostered and managed, will have to be negotiated, in a democratic and transparent manner, by all parties concerned. Those standards cannot be set exclusively by a small number of rich countries.

More than a decade after the cold war ended, a truly international community that respects the aspirations of all its members - a new international economic order - is still in its infancy. The past decade has left us with a greater sense of realism about the difficulties we can expect to face and a more pragmatic frame of mind for moving forward. In both respects, the spirit of Bangkok provides a real sense of hope that the scourge of poverty and underdevelopment will finally be lifted in the new century.