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on the
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Statement by

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**Statement by Mr. Rubens Ricupero,
Secretary-General of UNCTAD
to the
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Even in times when the geopolitical and economic landscape is reasonably stable, forecasters have learnt to hedge their predictions about economic events in the not too distant future. But today is not such a time. We are looking at the world economy through a glass darkly, arguably one too dark to contemplate sensible projections based on reasoned and professional debate and judgement.

What we do know is that hopes that the European Union and Japanese economies could keep the global economy on track even as the United States slowed have been dashed. Instead there has been a growing unease about the persistence of sluggish growth and the lingering threat of deflationary forces. While economic activity in the United States continues to be hampered by the financial excesses of the high-tech boom, including excess capacity, excessive corporate and household debt and accounting scandals, elsewhere in the industrial world, macroeconomic policy action came too little, too late.

We also know that dealing with these problems has been complicated by trade imbalances and currency misalignments, which have become endemic features of the global landscape, and that under such conditions, the traditional tools of economic policy may prove to be ineffective. And with corporate and household balance sheets still fragile almost everywhere, any weakening signs of their confidence can quickly raise the specter of a global recession.

Not surprisingly, under such conditions trade and financial flows had already pulled back, damaging immediate prospects in those developing countries that had come to rely on such flows to bolster growth in the 1990s. It is hardly surprising then to find economic projections being downgraded even prior to the start of the military conflict in the Middle East.

But quite apart from current uncertainties, economic security has eluded many developing countries in the current era of globalisation: a growing reliance on exports has all too often been faced with price volatility and trade barriers, greater dependence on private capital flows has brought with it vulnerability to speculative behaviour of international capital, and for those poorest countries still reliant on aid flows, donor fungibility has compounded falling levels of assistance. Along with weak budget positions and generally high levels of indebtedness, policy makers across much of the developing world appear less able to take independent action to ensure the minimum well-being of their populations. Indeed, many developing countries now appear to have less control over their economic destinies than at any time since the ending of colonial rule. Such a loss of control at a time when many are beginning to build or strengthen democratic institutions can itself be a further source of anxiety and instability.

The challenge of finding a multilateral response to the problems of economic want and insecurity in the current theater of war will understandably be on the minds of many of us in the coming months. We can be certain that the economic impact of the war in Iraq will extend well beyond any immediate devastation to the human and physical capital of that country, requiring a truly regional level of participation in the rebuilding efforts. But with the wider movement of goods, people and capital all likely to be further impeded at such times of extreme uncertainty and insecurity, all the more so when that insecurity is rooted just as much in political and even physical threats as in economic problems, we know from experience that the impact of current events will be felt hardest by the poorest communities and countries amongst us.

It is, consequently, incumbent on us to act together to make sure that there is a multilateral response to the growing threat of rising economic insecurity. This will require the cooperation of all member states, as well as the coordination of economic policies across major industrial countries. The Bretton Woods Institutions, as specialized agencies within the UN system, are uniquely placed to organize and implement measures to provide minimum global safety nets and security, and to help poor countries to weather the current difficulties in the world economy. The discussion of representation and governance of these bodies in order to strengthen the multilateral basis of decision-making is thus to be welcomed. But consideration of financial support must be joined by support from all areas of the global economy. The success of the Doha round in delivering on its promise to place the interests of developing countries at the centre of its agenda is also dependent on continued faith in multilateralism.

Finding ways to bolster economic multilateralism is even more of a priority at this moment with political nerves in such an edgy state. But making progress on this front will have to address, frankly, an erosion of trust and the absence of benign leadership both of which have helped weaken the multilateral economic system in recent years. In large part, the deficit in trust has arisen because the stronger economic powers have adopted a mercantilist perspective and positions towards economic issues, even as they have professed their liberal credentials. However, there are some hopeful signs on which to build. Policy actions from a global perspective, of a kind we in UNCTAD have long been calling for, is back in favour to correct the deep imbalances that have been holding back growth prospects across the global economy. Attention, in this respect, has been focussed on European policy makers, with many voices, on both sides of the Atlantic, calling for a dose of an older European medicine to give an expansionary boost to the global economy. We would not hesitate in adding our own voice to those calls.

If all this sounds like a prelude to a return to first principles, it is intended to be just that. The founders of the United Nations system hoped to ensure peace by guaranteeing both political and economic security everywhere. Indeed, the latter was, after years of economic chaos and the horrors of two world wars, precious enough to be considered a basic human right. Although the conflicts that arise in the economic realm are often complex, they are also divisible; they are conflicts over "more or less" and there is often room in negotiations for a good deal of "give and take". With the right political vision and leadership and a healthy dose of enlightened self-interest, pragmatism rather than fundamentalism can help shape outcomes in a desirable direction. These were the ingredients that made for a Golden Age of growth and development in the three decades after 1945. They have lost none of their relevance in today's global economy

where negotiations and exchanges still take place between very unequal partners facing very different economic problems. Accordingly, the values of generosity and compromise must again be allowed to shape our common economic destiny. And as after the Second World War, the political will must come from those at the top of the economic ladder who have already gained so much from the growing interdependence of nations.