

# STATEMENT BY H.E. AMBASSADOR JUNE PERSAUD OF GUYANA ON BEHALF OF THE G77 AND CHINA ON FINANCING FOR DEVELOPMENT AND INTERNATIONAL TRADE BEFORE THE AD HOC OPEN-ENDED WORKING GROUP ON FINANCING FOR DEVELOPMENT

New York, 5 April 1999

Mr. Chairman,

As we begin this second round of informal discussions on financing for development, the G-77 and China hopes that the spirit of constructive dialogue which prevailed during the first round will continue to inform our discussions this week.

It need hardly be said that international trade is fundamental to growth and development, in particular in developing countries. In fact, trade has long been an important engine of economic growth and much of the financing required for development derives from export earnings. At a time when official concessional flows are declining and countries are constrained to depend increasingly on domestic resources for development, resources generated through international trade have become all the more crucial for developing countries.

It must be underscored, however, that to harness the potential of trade in promoting of development there is a need to assure coherence between the international trade, monetary and financial regimes. Trade is not an autonomous force acting in a vacuum: it depends on a well functioning international monetary system that provides liquidity, stability and predictability in trade transactions. Stability in trade flows therefore cannot be maintained without some measure of stability in the price of currencies: both those of exporting countries as well as the major currencies used in international trade. This was demonstrated during the great depression when international trade - and consequently world growth - contracted sharply as a result of the high degree of uncertainty surrounding the value of currencies. We need only to remind ourselves that the IMF was originally set up to facilitate trade by creating a framework for stable and predictable valuation of currencies and to provide for an orderly world payments system.

The same can be said for the relationship between the trade system and the financial system. A well functioning system of trade financing and an orderly global payments system with sufficient liquidity are needed to ensure that trade is not disrupted. Therefore, for export and import trade it is fundamental to consider the relationship between the financial sector transactions and the international trade in good and services. Moreover the distinction between "trade" and financial or capital transactions is increasingly becoming blurred as trade and capital markets are increasingly integrated.

It is the view of the Group of 77 and China that among the major issues to be considered under this theme are the following:

## Access to markets for developing country goods and services

In order to finance their development needs developing countries need access to markets for their products. It is therefore necessary to address the "unfinished business" of the Tokyo and Uruguay Rounds: the removal of restraints on and liberalization of those areas in which developing countries have become successful exporters, Among other issues, liberalization of trade in agriculture; the removal of tariff peaks and tariff escalation in the food, textile and clothing industries; ending the abuse of anti-dumping procedures; addressing the problems of rules of origin, phito-sanitary measures, technical standards and environmental barriers, in those areas of interest for developing countries,

## "Positive actions" for developing countries as regards "reciprocity" in international trade

A fundamental principle in international trade is "reciprocity" (as well as "non-discrimination" and "national treatment"). There is a need for a redefining of the concept of reciprocity in light of the disparities in economic capacities among countries, following the principles outlined in Part IV of the GATT agreement, and the GATT "habilitation clause" of 1971. To this end, we must re-invigorate the Special and Differential Treatment for developing countries with new initiatives in their favor. Positive actions are needed to enhance the capacity of developing countries to participate in the trade system in accordance with their development needs. In this connection, the following could be considered:

- Supporting productive investment which generates additional export capacity
- Revitalizing the generalized system of preferences (expanding product coverage, deepening the margins of preferences, and avoiding conditionalities)
- Addressing the problem of erosion of trade preferences
- Helping developing countries in dispute settlement, which has proved to be an important vehicle for gaining and preserving market access

#### Ensuring stabilization of trade in commodities

Trade in commodities remains one of the most important areas of interest for developing countries. In fact, the financial requirements of many developing countries are met by their export of commodities. Therefore, to support the development process in developing countries the international community needs to do much more to assist multilateral, regional and country efforts aimed at stabilizing developing country incomes from exports in commodities.

#### Facilitating the integration of developing countries into the international trade system

The realization of the objectives of the multilateral, rule based, trading system is of fundamental importance to all countries, particularly developing countries. Their integration to the WTO and their capacity to become active protagonist in trade negotiations needs to be facilitated. UNCTAD and WTO should help developing countries to develop a constructive and affirmative strategy in all issues under negotiations. In this regard, a massive programme of trade-related technical co-operation would be required.

#### Special consideration to specific country groups

There is a need to consider the special situation of Africa and the least developing countries, and of structurally weak economies, in particular SIDs, as regards the rules and regulations of international trade, in particular in relation to their dependence of some few commodities for their financial needs for development purposes.

A high level consideration of finance for development needs to examine international trade issues in particular regard to their relation to development needs, especially of developing countries. In the event foreseen on Financing for Development to be held in 2001, we believe that in the consideration of International Trade and Development the following issues need to be addressed: a) the role of international trade as a crucial generator of financial resources for development; b) its linkage to the resolution of external debt issues, enhancing the capacity of countries to generate their own resources for development; c) the need for coherence between and among the international trade, financial and monetary systems; d) the importance of international cooperation for strengthening the export supply capacity of countries and for their effective participation in and integration into the international trading system; e) the linkages of trade with finance and investment, including resolution of external debt issues and enhancing the capacity of countries to upgrade their production base, thereby enhancing their ability to generate their own resources; and f) the impact of trade on the realization of the agreed commitments of the major UN conferences and summits in the context of human development.

While trade issues are certainly being addressed in the relevant competent fora, particularly WTO and UNCTAD, the G77 and China believe that the challenges of globalization and increased interdependence as well as the imperatives of coherence between the international trade, financial and monetary regimes demand a comprehensive approach in order to ensure that development is preserved and nurtured. The UN can and should play a role in providing a forum where these linkages can be addressed in a holistic manner and where broad political guidance can be provided on matters of finance for development and international trade.

Thank you, Mr. Chairman.