

STATEMENT BY H.E. MR. ALI ALATAS, MINISTER FOR FOREIGN AFFAIRS OF THE REPUBLIC OF INDONESIA, CHAIRMAN OF THE GROUP OF 77 AND CHINA, AT THE HIGH LEVEL MEETING OF THE DIALOGUE ON STRENGTHENING INTERNATIONAL ECONOMIC COOPERATION FOR DEVELOPMENT THROUGH PARTNERSHIP

New York, 17 September 1998

Mr. President,

1. It is a distinct pleasure for me, in my capacity as Chairman of the Group of 77 and China, to extend sincere congratulations to you, Mr. President, on your election to preside over the Fifty-third Session of the General Assembly. I am confident that under your able leadership, this Session of the General Assembly and this high-level Meeting will be crowned with success. Let me also express our appreciation to the Deputy Secretary-General for gracing this Meeting with her presence and participation.

2. We meet at a time when surging globalization, driven by technological change, and the rapid liberalization of trade and investment, are changing economic processes all over the world. Unfortunately, globalization's promise of greater prosperity and widespread benefits for humankind is increasingly beclouded by uncertainties and the exposure of vulnerable economies to risks of devastation. The convening of this Dialogue is therefore both timely and essential: we cannot afford to ignore the formidable challenges and implications of globalization and their social and economic impact. We must address these challenges and in doing so, it would serve us well to be guided by the General Assembly Resolutions on the Renewal of the Dialogue on Strengthening International Economic Cooperation for Development through Partnership. This means that the Dialogue needs to be based on mutual interest and benefits and equitably shared responsibility--which form the essence of true partnership in genuine interdependence.

3. For five decades now, both the United Nations and our Group have endeavoured to promote development and to combat the problem of poverty. During that period the cause of development moved forward through multilateral cooperation with the vigorous assistance of the United Nations and its agencies. Because of its near-universal membership that gives it a global reach, and its comprehensive mandate that enables it to engage in a broad range of activities, the United Nations has been particularly effective in promoting international cooperation for development, in containing poverty and in working for a general improvement of the human condition.

4. It has also succeeded in broadening the concept of development, making it basically a process for raising the quality of life of all peoples and, as such, more relevant to the challenges of our time. Indeed, the common message of all the major United Nations conferences and Summits in the early 1990s was that development, to have any meaning at all, must be people-centered and people-driven. Moreover, its economic, social and environmental dimensions must be integrated with one another in such a way that not any one of them can be sacrificed in favour of any other. On the basis of this concept, the international community negotiated and adopted an Agenda for Development that restored the core issues of development to the heart of the United Nations' activities. On the same basis, we are working to revitalize the United Nations in the social and economic fields so that it would remain a vital and effective instrument of international cooperation for development as we move into the new millennium.

5. Yet, in spite of these constructive steps, notwithstanding the new consensus on development and the re-orientation of international cooperation, the cause of development has not moved substantially forward in recent times. There are still hundreds of millions of human beings languishing in poverty in the developing world. The basic interests of the developing countries are being increasingly sidelined, especially in the core areas of development such as access to trade, financial flows and technology transfers, as the agenda and

purposes of the powerful economies continue to dominate international economic decision-making. The concept of development as a special part of a multilateral support system has been replaced by the laissez-faire approach to the globalized economy.

Mr. President,

6. Globalization has opened up tremendous opportunities for creating wealth but its rewards seem reserved for the strongest of economies, those that are the best equipped to avail themselves of the opportunities. On the other hand, it could lash out with awesome ferocity at vulnerable developing economies. Even the more dynamic developing economies, those that have managed to integrate themselves with the global economy through judicious macro-economic policies and painstaking structural adjustments, have seen the development gains that they earned over the decades crumble in the span of a few weeks.

7. If this trend continues, then globalization will further widen the economic gap between the developed and developing countries, between the haves and the have nots, further impoverishing the poor. For instance, the developing world loses enormous amounts of foreign exchange every year because of outflows resulting from terms-of-trade losses, the external debt burden, payments for imported technology and the repatriation of the profits of multinationals.

8. The fact that the Asian crisis has been particularly harsh on those economies that have been liberalizing financial flows and investment for a good number of years should therefore teach a valuable lesson to all of us in the developing world. In those severely affected countries, various economic activities have slowed down or ground to a halt and millions of jobs have been lost, raising unemployment rates to unprecedented levels. Millions of children have dropped out of school, adding to the social problems of the affected countries. Soaring inflation has brought the prices of household commodities, including basic food items, beyond the reach of many of the poor.

9. And yet I firmly believe that even the most severely affected economies are capable of an early recovery, given an environment that is conducive to the rigorous reform measures that they are instituting as well as access to development finance, to export markets for their products and to technology appropriate to their development requirements. Their early recovery is to the interest of all countries, developed and developing alike, for it will certainly restore their once considerable contributions to world production. In the ultimate analysis, no country is safe from the hazards of globalization. The contagion effect of every financial and economic crisis in every country and in every region will always threaten the financial and economic stability of every other country and region. The threat of a world-wide recession, even possibly a global depression, is real. And the most practical way to forestall such a dreadful eventuality is to grapple with the crisis where it now occurs and overcome it there before its tentacles can get a hold on other regions.

10. The central challenge for the international community is therefore to ferret out the root causes of this crisis and to institute measures to ensure that these will not recur. To start with, all who are involved in this Dialogue are called upon to contribute to the development of reasonable but effective regulation of international money markets so that they would become more open and transparent. It may also be the dictate of prudence that we all consider establishing a mechanism to mitigate the unpredictability and dire effects of globalization and to ensure that the opportunities it occasions are equitably available to all countries. Such a mechanism should be able to monitor and carry out surveillance of capital markets and international financial operations. We already have a mechanism of this nature in the field of international trade: the World Trade Organization. There is no reason we cannot have a similar mechanism in the field of financial and monetary flows if it means the difference between order and chaos in the global economy. For this purpose, an in-depth study of the world monetary and financial system from the perspective of the requirements of development is of crucial importance.

11. In the face of the adverse impact of globalization, a number of serious questions must be asked: How can it be harnessed to promote the industrialization of the developing countries and improve the linkages between industry, development and trade? How can it be utilized to create employment opportunities for the millions of young people in the developing world who are about to join the labour force? How can it be enlisted in the fight against poverty? And above all, how can its pernicious aspects be tamed so that it will wreak no injury on the vulnerable and so that the enjoyment of its benefits will not mean the erosion of our precious cultural values and traditions?

12. The only adequate answer I can think of is for us to work for the establishment of a global governance that will match the potency and the scope of globalization. In such a global governance, the collective powers of all peoples to shape our common future is mobilized. It will be a constant process wherein individuals and institutions in the public and private sectors and in all nations accommodate and take cooperative action on their diverse and even conflicting interests. Thus all who are involved in the decision-making process are able to take their destiny in their own hands. That global governance, however, is possible only through the central instrumentality of a reformed, democratized and fully empowered United Nations.

Mr. President,

13. Globalization is by no means an evil force but it is a blind one. Like the winds of change in the ocean of history, it can shipwreck us or carry us to our intended destination. The developed and developing countries are all in the same boat. Our fate depends on how well we work as a team in trimming the sails. Teamwork means partnership. But we can only form that envisioned global partnership for development when we are able to accommodate one another's anxieties and aspirations as a result of a mutual understanding born of sincere dialogue--such as the Dialogue we are holding today. Through this Dialogue let us begin to tame the winds of globalization.