

Statement by Ambassador Bagher Asadi, Chairman of the Group of 77 (Islamic Republic of Iran), on General Debate at the Second Committee of the General Assembly

New York, 1 October 2001

Mr. Chairman,

It is truly a great honour and distinct pleasure for the Chairman of the Group of 77 to appear before the Second Committee, particularly at the beginning of the General Assembly Session. This is the Committee, among all the Main Committees, that is intimately related to the very *raison d'être* of the Group of 77 and whose agenda items revolve, one way or another, around our central strategic concern; that is, development. This is our home, our refuge and our fortress. And it should be reassuring to have a seasoned diplomat of your caliber to preside over its work this year. I have already had the opportunity, in a bilateral exchange, to congratulate you for the high office you have assumed and wished you luck for the heavy task ahead of you. Let me renew that and extend it as well to your other distinguished colleagues in the Bureau. All of you can rest assured of the full cooperation of the Group of 77 and China in the course of our collective work here this session.

It is quite befitting for the work of the Second Committee to begin with the presentation by Under Secretary-General Desai on the global economic outlook and the overall state of development. I thank him for a very lucid and comprehensive expose – congenial as it always is. In fact, his survey of the world economic situation, its performance during the past year as well what can be expected – hopefully - during the year 2001 and beyond, makes my job somehow easier. I am not going to read the part of the statement addressing this situation, thus saving a couple of minutes in an inevitably long statement by the spokesman of a very, very large and extended family – the developing community.

First, on the state of the world economy. The pace of global economic growth was moderated in late 2000 and early 2001 and the world economy is facing a setback with significant decline in the growth of global output and trade, led by a slowdown and retrenchment of economic activities in the developed economies. There is anticipation of slowdown of growth of gross world product and deceleration of expansion of international trade to half in 2001. Sharp decline in the major equity markets in developed countries and financial problems in two major emerging markets, which have also adversely impacted the growth of world economy, are the other major developments during the past year and early 2001. It is also widely feared that the horrible terrorist attacks in the United States will have serious effects on the U.S. economy as well as on the global economy. The adverse impact of the slowdown of global economic growth and economic activities in the industrialized economies on developing countries is quite discernible; in fact, the outlook for many developing countries deteriorated in the first half of 2001. Commodity prices are declining, exports reduced, capital inflows have become stagnant and credit conditions are becoming tighter, and for the developing countries as a whole, GDP growth rate is expected to drop from 5.7 per cent in the year 2000 to 4.1 per cent in the year 2001.

Although developing countries grew by 5.7 percent in the year 2000 as a result of external demand as a major source of growth, nonetheless, the external financing conditions facing this group of countries did not improve and premium charged on their sovereign debt increased during the last year. The financial flows to developing countries declined in the year 2000 and the terms and conditions of external financing for developing countries in the global capital markets worsened last year as well as early this year, thus further constraining their efforts to finance their development. Simultaneously, there has been a sharp rise in the outflow of financial resources from developing countries, itself due to a variety of reasons, and both private and official flows to developing countries declined in aggregate for the fourth consecutive year in 2000. Foreign Direct Investment (FDI), as the most important mid-term and long-term flow to the developing

countries, has been declining and stagnation in investment in “green field” continued. Moreover, while mergers and acquisitions leveled off, the share of global direct investment flows going to developing countries continued to decline from 37 percent in 1997 to 17 percent in 2000. Worse still, its distribution is very much skewed towards a small number of developing countries.

Mr. Chairman,

Placing the above situation – not a quite rosy one, as I suppose everybody agrees- in the bigger context of the still unfolding globalization process makes the overall picture even murkier for the developing world, or at least for the bulk of it. As we all have seen the impact of globalization has been, and is being felt in different forms, to different degrees and in different arenas of the national life of all societies; nowhere more pronounced as in the area of development policies in the developing world. Recent global developments in the fields of international monetary, financial and trade clearly indicate how this process is affecting our national economies and how interdependence has become a vital fact of our collective life. What is important, though, is that globalization, to a large extent, should be seen an interactive process and the result of policy choices and decisions; a process that needs to be harnessed and even directed. Cooperation across the board, particularly between and within North and South, is an absolute necessity in order to utilize the tremendous potentials of this phenomenon and process for development, especially through strengthening interdependence and multilateralism. The international community in its entirety, and we the intergovernmental body here at the United Nations, should make every endeavor for optimal use of the on-going multilateral processes and upcoming major events towards building stronger consensus and partnership in the service of development.

Mr. Chairman,

The agenda of the Second Committee is quite a rich one, covering a wide range of issues and major events. No wonder, then, that the general statement at the beginning of the Committee’s work becomes a challenge in itself, particularly for our Group. That is exactly why the present statement will address only some of the major issues and some of the processes we are currently seized with. And, of course, there will be the opportunity to address each issue separately under relevant items or sub-items, some of which were also addressed by the Distinguished President of ECOSOC.

The external debt of developing countries is another major challenge for almost all developing countries to achieve sustained economic growth and development. Although by the end of the year 2000, 22 countries out of 41 reached “decision point” under HIPC initiative, so far, Uganda is the only LDC to have reached the “completion point”, whereby it is entitled to enjoy the full benefits of the initiative. While welcoming the launch of “floating” completion point in the enhanced HIPC initiative and the commitment of an increasing number of creditor countries to grant full cancellation of bilateral debt, The Group of 77 and China believes that the scope of the initiative should be expanded to give the opportunity to all low-income countries to benefit from that initiative. The resources provided to this initiative should not be at the expense of other ODA flows, and new financing for HIPC countries should also be in the form of grant or at highly concessional terms. Although the volume of total debt of middle-income developing countries as the lion’s share of debt of developing countries has almost remained at the same level during the last year, nonetheless, its combination has been changing during the recent years and the component of private debt has been increasing in the bulk of debt of those countries. Although the middle-income developing countries’ debt has many components and aspects that need to be addressed, here I merely suffice to highlight only one major element, that is, the involvement of private creditors in their debt workouts. There is a growing consensus in the international community that private creditors should participate in the resolution of debt crisis of emerging markets for orderly restructuring of debt obligations and preventing moral hazard.

Another major concern for developing countries is the declining global ODA flows. We all have to bear in

mind that ODA still continues to have a significant impact in complementing the developmental endeavours of developing countries, particularly LDCs, African countries, Small Island Developing States (SIDS) and Land-Locked Developing Countries. Much to the chagrin of the developing world, the volume of ODA has been declining almost steadily during the last decade and prospects for those flows remains uncertain. ODA from the DAC member countries fell from \$56.4 Billion in 1999 to \$53.1 billion in 2000 - a decline of 6% in nominal terms. There has been a fallback of ODA as a share of the DAC members' combined GNP to 0.22 percent in 2000 from 0.24 percent in 1999, which is far below the target of 0.7% of GNP called for in various United Nations forums.

Mr. Chairman,

The International Conference on Financing of Development, to be held next March in Monterrey, Mexico, is an important event for the international community as a whole and particularly for all developing countries. The Chair of G-77 is on record to have stated, on various occasions, that this is the most important multilateral process ahead of us. Furthermore, all of us, both developed and developing, are acutely aware of the historical standing of the event, as well as of the rather long, winding and tortuous process that we have collectively followed for convening this international gathering. The expectations for this conference are very high and its impact on the major developmental issues has also been acknowledged by the millennium declaration. The important items in the agenda of the conference including, mobilization of resources, trade, financial flows and external debt, and systemic issues including the reform of international financial architecture, make it a historical and unique turning point for a bold, innovative and yet a continuing process. The Mexico conference can set the stage for basic and major parameters as well as a conducive environment leading to a new consensus in which the international community strives to define collective objectives and goals for financing for development and take the necessary measures to achieve them. We have stated in very clear terms on previous occasions, and most certainly we will continue to do so in the weeks and months ahead, that the overriding approach in this conference should be directed towards finding innovative measures to address the major challenges in the field of financing of development. Furthermore, while having emphasized the importance of the inclusivity and the participatory nature of the process, equally we have underlined the imperative and historical significance of ensuring a real, substantive final outcome for this conference and process.

We in the Group of 77 and China stress the critical need for an equitable, secure, non-discriminatory and predictable multilateral trading system, which should enhance trade and development opportunities of developing countries and facilitate an increased share for these countries in international trade. The fact that trade is not an end but a means towards development is, now, a commonplace. In our view, trade is critical to development via its impact on growth, which is fundamental in overcoming poverty and vulnerability. We consider the liberalization of international trade under WTO rules as a powerful and dynamic force for accelerating growth and development. Our Group notes with great concern, however, that the benefits of the existing multilateral trading system continue to elude most developing countries. Progress towards full liberalization in sectors of particular interest to us is lagging behind, and significant imbalances between rights and obligations exist in multilateral trade agreements (MTAs), as well as in conditions of market access. The persistence of these anomalies could erode the confidence of developing countries in the multilateral trading system and strengthen the hand of those who would wish to retreat into misguided protectionist policies and approaches. Therefore, we stress the need to restore confidence in the multilateral trading system through full participation of all developing countries, full and faithful implementation of the Uruguay Round Agreements in their true spirit, and effective attention to the concerns of developing countries. The world trading system needs an activist trade agenda to ensure transparency as well as to avoid placing issues on the World Trade Organization agenda, that are not, first and foremost, trade-related. The challenge for the WTO Fourth Ministerial Conference, to be held in Doha, Qatar, just over a month away, is to make resolute progress in this regard.

Mr. Chairman,

Now, allow me to call your attention to the concerns and interests of the LDCs – an important part of the developing community which, for obvious reasons, needs particular attention and care. The Programme of Action for the Least Developed Countries for the decade 2001-2010, as adopted in Brussels in mid-May, contains a wide range of measures and actions in various areas, which, in our view, are modest and achievable. Let me repeat here what I said in Brussels; that the problem has not been due to lack of adopted measures and decisions, rather, it has been active follow-up and implementation of the agreed decisions and measures that has failed the LDCs. Taking into account the noble goal of halving extreme poverty by 2015, full implementation of the commitments undertaken at the Third United Nations Conference on the Least Developed Countries, particularly in the areas of trade and mobilization of financial resources, should be a key priority. As for the role of developing world, we in the Group of 77 stand ready to advance the objectives of the Programme of Action with a view to accelerating growth and development and eradication of poverty in the LDCs. We pledge, within the framework of South-South cooperation, to work in partnership with all the stakeholders to contribute to the implementation of the Programme of Action. We emphasize that the commitments under the Programme of Action need new resources, over and above what is already available and on the table. It is within this framework that we call on the developed community as well as the United Nations system and other multilateral organizations to undertake what is needed to live up to their commitments. And as far as the follow-up to paragraph 116 of the Programme of Action is concerned, we look forward to a report of the Secretary-General that would ensure a constructive discussion and smooth consideration of the relevant agenda item in the General Assembly.

Mr. Chairman,

The Group of 77 and China attaches great importance to the World Summit on Sustainable Development (WSSD) and its preparatory process. We have made it clear since CSD-9 that we are fully convinced and equally committed to engage actively and constructively in the WSSD process. This Summit should provide a unique and exceptional opportunity for the international community to undertake a comprehensive assessment of the achievements, constraints and shortcomings in the implementation of Agenda 21, a decade after UNCED. We firmly believe that this Summit should aim at the removal of the obstacles impeding the implementation of the RIO commitments and provide, in particular, the developing world with adequate financial and technological support. For us, WSSD should arrive at concrete measures with specific timetable for their implementation. In our view, the principle of common but differentiated responsibilities, which is as relevant now as when it was enunciated at Rio, should continue to be the guiding principle for the deliberations of WSSD.

Within the framework of the preparatory process for WSSD, I would like to draw attention to the on-going discussions on the International Environmental Governance (IEG), where the Group of 77 has been deeply engaged. From our point of view – quite known to all the colleagues here as well as to all the stakeholders – the proper, overall context for the IEG is sustainable development. It is only within this broad conceptual framework that the rather delicate balance among the three pillars of sustainable development could be ensured. While we agree with the necessity of strengthening UNEP in accordance with the provisions of the GA resolution 242, we, however, believe that the Commission on Sustainable Development, as a unique forum for high-level policy dialogue on sustainable development, should also be strengthened. Moreover, the views of other relevant Conference of the Parties, agencies and institutions could as well help to enrich the on-going discussions on IEG and contribute to the final outcome of the process.

Mr. Chairman,

In less than a month we will find ourselves around the negotiating table in COP-7 of the Climate Change Convention in Marrakesh, where the international community will be trying to further consolidate the great

achievement made in Bonn back in late July. Now, it is incumbent upon all of us, all those who made the overall political agreement in Bonn possible, to persevere in their commitment, preserve the dynamism and translate the political agreement into solid legal language.

While addressing environment and sustainable development, let me also say a brief word on the United Nations Forum on Forests (UNFF). We in the Group of 77 are indeed very pleased with the outcome of the first substantive session of the Forum, where the Multi-Year Programme of Work (MYPOW) and Plan Of Action (POA) were successfully adopted. The next session of UNFF, to be held at Ministerial level in Costa Rica in March 2002, will have the task of formally endorsing MYPOW and POA. We look forward with great hope to the success of the UNFF in its work and the active involvement of CPF member organizations in supporting the work of this new innovative UN body.

This statement of the Group of 77 cannot fail to draw attention to yet another area of sustainable development; that is, the fifth session of the Conference of the Parties of the Convention to Combat Desertification, which as a matter of sheer coincidence with our work here, started today in Geneva. This Convention which addresses one of the root causes of environmental degradation in a large number of countries, deserves particular attention, more than ever before. The Convention, as everybody knows, needs to be provided with adequate, predictable and stable financial resources. While we warmly welcome the recent decision of the GEF Council in opening a window for financing land degradation projects, we look forward to have the GEF as the standing financial mechanism of the CCD. Having said that, the Group of 77 and China believes that the Global Mechanism (GM) should also make every effort to fulfill its role as defined in the Convention, which is mobilization of financial resources. As in the case of other Rio Conventions, we believe there is a need to establish a body to monitor the implementation of the Convention on a regular basis.

Mr. Chairman,

Aside from the events and processes I just addressed, let me now turn to the operational activities of the United Nations system, which have always been viewed as the actual manifestation of the UN's mission and mandate in the field of development and we have pursued their formulation and execution with keen interest. As we all have witnessed, the overall environment for the United Nations development cooperation has changed substantially in recent years, to some large measure as a result of the globalization process. In this new environment, the needs of programme countries have changed and increased while, as I said earlier, the Official Development Assistance (ODA) have been either stagnant or declining in spite of fiscal health of many donor countries. The Group of 77 and China continues to believe that poverty eradication in its broad interpretation should continue to be the major pillar of operational activities and the United Nations system can play an outstanding role in the design and implementation of relevant programmes and projects for achieving that major objective. Provision of financial resources for the operational activities can enhance the role of the United Nations system in those activities as well as in ensuring efficiency and impact of such activities for development. Funding for these activities should be sufficient, secure and stable on a predictable, continuous and assured basis, and equally important, commensurate with the increasing needs of developing countries. Promoting a country-driven collaborative and coherence response by the United Nations system under the leadership of national governments will make a greater impact at the country level while addressing and fully supporting the national priorities of those countries. Country ownership should always be ensured and programme countries should fully participate in all phases of designing, implementation, monitoring and evaluation of development programmes and projects. There are other important issues involved in this area which we will address in our statement on the agenda item on comprehensive triennial policy review.

Mr. Chairman,

Almost two decades ago, late Raul Prebisch, the first Secretary-General of UNCTAD, while reflecting on the state of the international economic policy and the national development of developing countries, said that “our paths remain obscure”, and that we “we need some illumination”. Well, it appears that it applies to our current situation. We are living in very uncertain times, which, I have to admit, makes debate on development much more difficult, and the achievement of development itself more illusive. But, to be very frank with you, the Chair of the Group of 77 will be the last person in the world to end his statement in the general debate of the Second Committee on a point of gloom. Quite to the contrary, that may exactly be the situation out there in the real world. But, here, within the confines of this universal intergovernmental house - the United Nations, the General Assembly, and the Second Committee of the General Assembly – which I alluded to earlier as our refuge and our fortress, we have recourse. Discussion, consensus, partnership and cooperation. They will deliver us from the state of uncertainty and bring us development, long-term, comprehensive development. Let it be so.

Thank you very much, Mr. Chairman.

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