

**Plenary Session of the High Level Dialogue**  
**Statement by Mr. Rubens Ricupero, Secretary-General of UNCTAD**  
**New York, 30 October 2003**

Excellencies, Mr. Secretary General, Distinguished Delegates,

The Monterrey Consensus was a holistic approach to the problems of financing development. It provided a catalogue of the necessary factors to ensure financial support for sustained and sustainable growth. However, the Consensus did not provide a blueprint that guarantees economic growth and development. It was not a point of arrival, but a point of departure for an ongoing process, a work in progress that must keep abreast of the rapid changes in the global economy. UNCTAD is pleased to have participated in the process that produced the Secretary-General's Report that we are considering and we stand ready to continue our participation in areas where our contributions may prove useful. The challenge that faces us today is first to make a clear distinction between the implementation of the commitments made in Monterrey and the follow-up of such changes in the areas in which the Consensus needs to be extended and amplified.

In assessing our progress we should bear in mind that the impetus for a Conference on Financing for Development originated in the negative net transfers of real resources sustained by many Latin American countries in the aftermath of the 1980s debt crisis – what has come to be called the "lost decade" of development. As the Secretary General has noted in his remarks, the net financial flows in the recent period are still from the developing to the developed world. Indeed, this year we will in all likelihood experience the seventh year of negative net flows of financial resources from developing to developed countries. This suggests that we may be in another "lost decade". Unfortunately some countries, such as Argentina and Bolivia, that were early in implementing the measures that were eventually included in the Consensus are now experiencing living standards far below those of the lost decade – not of course because, but in spite of the indispensable reforms then adopted – and find themselves excluded from external financing possibilities. It is encouraging that the International Monetary Fund has been able to agree to extend its existing support programme to the new Argentine government, contributing to the programme for economic recovery. It is even more important for the international community to make a concerted and rapid effort in support of Bolivia in its current dire economic and political crisis if it is to avoid the decline in domestic stability that Argentina and other Latin American countries have experienced and that could easily spread to further areas if this trend is not reversed.

The one relatively bright spot in financial flows for development is that FDI flows have remained positive despite the downturn in other flows. Nonetheless, they have declined substantially despite steps taken by developing countries in the aftermath of Monterrey to attract and absorb increased FDI flows. This brings back the holistic nature of our discussions, for the decline in FDI flows appears in large part to be the result of the decline in global growth, particularly in the developed countries, and suggests a direct inter-relationship between global demand and global financial flows. When investors are retrenching at home, their interest in foreign adventures tends to be reduced, irrespective of the domestic policies undertaken to attract foreign investment flows.

The same process appears to be at work in the factors determining the growth of global trade, which has for some years surpassed the growth of global incomes. As a result of the slowdown of global expansion, the growth in global trade has fallen more or less in step with the decline in capital flows. The relation is especially important for the prices of the major export commodities of the most vulnerable least developed countries, as well as for a majority of land locked economies and Small Island Developing States. In this regard I would like to draw your attention to the Summary of the recent General Assembly Panel discussion on commodities that the President will transmit to the Second Committee.

Although it is true that it is global growth that will drive trade expansion and not the other way around, it is indispensable to resume the WTO trade negotiations from the point where they were interrupted in Cancun in order to deliver in time and at the right level of ambition, the development promises made in the Doha declaration.

There is a very clear inter-relationship between global growth and the growth of trade and finance that the Consensus considers as the basis for increased financial resources for developing countries. It is an area in which greater policy coordination and consistency could produce more general benefits. This would mean not only analysing national policies for their compatibility with goals of domestic economic stability, but also in terms of their contribution to the stability of global growth. UNCTAD has been persistent in pointing out the necessity of better economic policy coordination among the major industrialized countries in order to eliminate the large macroeconomic imbalances that are a major cause of volatility in exchange rates and international capital flows impeding sustained financial flows to developing countries. As part of the partnership between developed and developing countries that produced the Monterrey Consensus, we all need to work harder to develop policies that are consistent with the dual goals of domestic and global stability.

The monitoring of the consistency of national policies with respect to employment growth was a mandate that was to be given to the Economic and Social Council under the Havana Charter. But the Charter was never implemented and the Article IV surveillance provided for in the IMF Articles of Agreement has tended to concentrate on the appropriateness of national policies for domestic stability, rather than on their compatibility with sustained high levels of global growth. Given the greater participatory and universal character of the United Nations process, this is an area in which the Economic and Social Council, with the support of the Financing for Development Office, could provide an appropriate forum for the discussion of increased policy coherence that could produce a global growth environment conducive to the attainment of the domestic policy objectives set for developing countries. Now that the international community is reflecting about the profound reforms called for by the Secretary-General, this could indeed represent a useful building block of the new international architecture that we all wish to see in the future.