

**STATEMENT BY ITALY**

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*CHECK AGAINST DELIVERY*

*STATEMENT BY*

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*A T UNCTAD XI*

*(SAO PAOLO 13 -18 JUNE 2004)*

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**Mr. President, Mr. Secretary General, Excellencies, Distinguished Delegates, Ladies and Gentleman,**

**It is for me an honour and a great pleasure to address you on behalf of the Italian Delegation. Italy fully shares the statement made by Ireland on behalf of the EU. I would like, however, to use this opportunity to make some general remarks.**

*But let me first of all warmly thank the Government of Brazil and UNCTAD for their excellent hospitality and for the great efforts made in organizing this Conference.*

**Four years after the Millennium Declaration and while a number of Summits and World Conferences have been centred on ways to reduce or even to eradicate poverty, we still lack the genuine determination to put development at the heart of international political agenda. Unfortunately terrorism and related events have taken central stage. Let us hope that this sort of negative priority will be quickly overcome and the international community will be able to concentrate on positive issues.**

**The new starting point for the international community as a whole should be the recognition that poverty, in the words of the World Commission on the Social Dimension of Globalisation, is "ethically unacceptable and politically unsustainable".**

**Indeed poverty, injustice and despair are a recipe for conflict, insecurity and further economic decline.**

**On the contrary, the globalisation that we cherish is synonymous with interdependence: as we are reminded in the overview by Secretary General Ricupero in quoting the Final Act of the first Conference it is essential to understand that "a modified international division of labour, which is more rational and equitable ..... and the resulting increase in productivity and purchasing power of the developing countries will contribute to the economic growth of industrialized countries as well and thus become a mean to worldwide prosperity".**

*In this respect let me mention the role of global economic engine that China is already playing and the role that countries like India, Brazil and South Africa could soon play globally or at least for the near future, regionally. On a similar vein let us welcome the faster than average increase of South-South trade.*

**The overall theme of this Conference is coherence between diverse national development strategies and international processes and negotiations. It is a timely issue since at the moment there is no doubt that coherence between these two factors is insufficient.**

**The problems of coherence between national and international factors are above all problems of what we all now call "governance": local and national as well as global governance.**

**Let me start with local governance. Allow me to say that Italy was deceived to see that so many countries have consistently tried during the preparation of this Conference to deny the relevance of good national governance, a concept that seemed to have been unanimously agreed and accepted as a basic prerequisite for economic growth and development. We should all be convinced by now that no amount of trade or aid can benefit countries whose governance is poor.**

**The history of the last 30 years with a number of countries recording exceptional economic growth and integrating successfully in the world economy is there to prove that countries that have improved their governance - starting from sound macroeconomic approach and improving democracy, transparency, accountability and the rule of law - have dramatically improved the well being of their citizens while, on the contrary, other economic and political systems and approaches have proved fundamentally not capable of producing development and welfare. The suggestion that no lessons can be learned from those positive experiences due to enormous differences in history, geography or else only shows the lack of commitment to promoting progress and democratic and human rights values. Marginalisation or decay is often the result of lack of good governance.**

**I would like to stress as well the importance of good global governance. On one side, there are countries that have been caught in a situation that UNCTAD calls "poverty trap" (low income, low savings, low investment, low education and health standards and environmental degradation) and desperately need outside help and support to overcome their problems; on the other side, it is evident that globalisation has increased the need to govern issues that have an international impact, correct unbalances and failures of the market mechanisms and introduce elements of solidarity similar to those taking place at local or national level. We are convinced that the current process of globalisation is positive and can benefit the great majority of mankind if it is more centred around the rights and needs of people and brings about a multilateral system stronger and more efficient, based on democracy, legitimacy, coherence and promoting freedom, equity, security and solidarity.**

**An open, non-discriminatory, rule based, predictable and equitable trading system is the most urgent issue on the international economic agenda. In Doha WTO member countries recognized that while the multilateral trading system contributed significantly to economic growth, development and employment throughout the world, there was the necessity to place the need and interests of developing countries at the heart of the World Program to be implemented. This meant above all granting developing countries better access to market in the industrialized countries, eliminating the distortions of markets through subsidies, refraining from adopting unilateral protecting measures, facilitating the transfer of technology and allowing developing countries to adopt policies measures in line with their lower level of development through special and differential treatment.**

**In the debate on commodity dependence Italy has often highlighted the role of diversification. Diversification can be achieved in particular through the valorization of the specific heritage which belongs to every country. Italy, which has a vast experience on quality food products especially those labelled with geographic indication, is ready to share such experience and to provide assistance to developing countries to design and implement programs aimed at improving and promoting their local specialty products. GI's are among IPRs tools the easiest to implement and protect. They represent a "bridge" between industrialized and developing countries because both have the same possibility to protect and sell their own traditional products.**

**The mobilization of resources and the functioning of the financial system for development are also of utmost importance. At the Monterrey Conference in 2002 the International Community agreed to a new global partnership for development in which developing countries committed themselves to good governance and developed countries undertook to provide effective and adequate support, including though more financing and higher quality aid. The World Bank has estimated that a doubling of financial transfers would be needed over the medium term and substantially more in the longer term in order to achieve the Millennium Development Goals.**

**Especially for LDCs and countries caught in the "poverty trap" the availability of ODA in the form of grants or concessional credits remains crucial.**

**Similarly essential for the poorest countries is the issue of external debt, its sustainability and the improvement of the HIPC initiative. Let me underline that Italy, which was a strong promoter of the "enhanced HIPC Initiative" in 1999, decided in 2001 to provide unilaterally additional debt relief beyond the provisions of the HIPC Initiative, also to encourage other bilateral creditors, both members and non-members of the Paris-Club, to follow suit. Italy is committed to effectively complete the process of cancellation of foreign debt of HIPC countries, without restrictions to "eligible" debt, at the same time increasing the financial resources released from debt cancellation to be used in the fight against poverty in all its aspects (beginning with healthcare and education). Italy has therefore decided to add the cancellation of 100% of "post-cut-off-date" trade credits (not considered eligible for cancellation) to the 100% "post-cut-off-date" aid credits decided by the G7/8.**

**Italy is now ready to cancel another US\$ 2.5 billion of HIPC debt on top of the US\$ 2 billion already cancelled to date, up to a total amount of US\$ 4.5 billion), 67% of which are commercial credits and 33 % aid loans (ODA). About USD 1 billion of this amount will be additional debt relief cancelled beyond the "enhanced HIPC Initiative".**

**The "enhanced HIPC Initiative" contains provisions that allow for the provision of additional debt relief under exceptional circumstances (i.e. exogenous shocks) to countries reaching their "completion point". Italy supports a methodology for calculating "topping up" that maximizes the additional relief to the countries with a persistently unsustainable external debt.**

**Apart for the confirmed commitment to the Monterrey aid targets and the HIPC initiative, Italy is convinced of the need to improve the world financial architecture in order to reduce instability and financial shocks that are the result of the imperfections of the financial market in the form of asymmetries and lack of transparency.**

**It is important, in this respect, that Developing Countries are recognised a larger say in the shaping of new financial system which should provide more stability, greater coherence, surveillance of national macroeconomic policies, support for economic growth through better access to financial resources and less capital volatility in emerging markets.**

**Let me now refer to three other issues to which Italy attaches particular importance.**

**The first is the need to implement the commitments taken by the donor community with the "Rome Declaration" concerning the harmonisation of procedures and the effectiveness of aid. International Organisation with different mandates do not work together sufficiently and state agencies as well as non-state organisations operate independently making the system fragmented and often incoherent. It is therefore urgent that the donor community increases its policy coordination in order to avoid unbalances. We are particularly happy to see that this aspect is referred to in the draft of the Conference Declaration. We attach great value to the strengthening of the cooperation between UNCTAD, other UN competent organs, IMF, World Bank, WTO and ILO.**

**The second relates to the role of private sector can play in the development strategy. Italy has been associated for long time with the Empretec program of UNCTAD and has recently promoted the "Bologna process", the OECD initiative towards the internationalisation of SMEs which organized at the beginning of this month a second World Conference in Istanbul with the participation of about 80 Ministers. Another Italian initiative worth mentioning is the network INSME that connects SMEs supporting agencies with the objective of promoting the transfer of technology and know-how to developing countries. We all should fully recognize the role that the private sector can play in development and the importance of creating an enabling environment capable of fostering the growth of FDI in order to strengthen productive and export capacity in developing countries.**

**In this context it is also worth noticing the growing attention being devoted to the issue of facilitating the flow of remittances (nearly \$100 billion per year) which can play a key role in private-sector development efforts and in strengthening financial systems in developing countries while reducing the risk of remittances being diverted for illicit purposes.**

**Moreover the recent Report of the Commission on Private Sector and Development rightly stresses, in addition to FDI, the great potential of local entrepreneurship in promoting growth (10-12% of GNP in relation to 7% of public investment and 2-5% of FDI) and the responsibility of Governments in creating the necessary enabling investment, through a stable political system, the creation of the necessary infrastructure, a legal and judicial system that is efficient and worth of trust, a correct system of incentives and the possibility to have access to financing and improved information on the working of the markets.**

**The third concerns the role of Science and Technology. Italy is offering the Trieste System, a network of 75 international institutions operating in the field of S&T, in order to contribute to launch a South-South scientific cooperation which should intensify policies for disseminating and sharing knowledge. In this spirit Italy has decided to present the candidature of Trieste for the International Expo of 2008 on the theme "Mobility of Knowledge".**

**Let me now stress that while Italy considers that improved governance at national and international level can solve the problems of most developing countries, an extraordinary effort is needed in relation to LDCs.**

**Italy fully supports a renewed commitment by the EU in addressing the challenges posed by the dependence of LDCs on commodities and, in particular, cotton.**

**Italy supports the following strategy:**

- 1. The international community must help all LDCs that are dependent on the export of a few commodities, independent on the region or continent they belong to.**
- 2. It is critical to help LDCs to diversify their patterns of production.**
- 3. Fuller integration of the envisioned measures and actions in Poverty Reduction Strategy Papers (PRSPs).**
- 4. Help LDCs to make a fuller use of preferential trade regimes granted by developed Countries.**
- 5. Convince more advanced developing Countries, such as the G-20, to grant trade preferences to Least Developed Countries given the erosion of preferential margins that will ensue from the conclusion of the Doha Round.**
- 6. Promote market - oriented measures (insurances, better access to bank loans, etc.) that can help producers to overcome price instability in the short- and medium - term.**
- 7. Promote, through trade negotiations and technical assistance, a deeper regional integration of these Countries to exploit internal and external economies of scale.**

**Italy is also firmly engaged in supporting LDCs to enhance their capacity to participate to world trade through technical assistance. Italy is a financial contributor to the Integrated Framework and to the Doha Development Fund as well as the Afritac initiative of the IMF.**

**Finally I would like to mention that Italy firmly believes that UNCTAD has a very important role to play towards the achievement of the MDG. The more so since the preparation of this Conference has amply shown that it fully enjoys the trust of developing countries who rely a great deal on its analysis and advise in tackling international issues. UNCTAD mandate and areas of activity (consensus building, research and analysis, technical assistance) are wide and allow the organization to have a unique perspective in looking at the coherence and functioning of the overall international economic system.**

**But this is all the more a reason to improve its performance by joining in the reform process of the UN System initiated by Secretary General Kofi Annan and by participating in an increased mutually beneficial cooperation with other international agencies. While it is of utmost importance that UNCTAD remains a source of independent research and analysis, there can be no doubt that it needs to better interact with other international agencies and adopt a style of management more in line with modern management techniques and more responsive to all of its membership.**

**Moreover, as a knowledge institution UNCTAD can only benefit from increased credibility, prestige and effectiveness that comes from a multi stakeholder approach that allows various members of society (academia, private sector, ONGs) to take their appropriate roles and from an effort to facilitate and improve dialogue between developed and developing countries.**