

Eleventh session of the United Nations Conference on Trade and Development

São Paulo, Brazil 13-18 June 2004

GENERAL DEBATE

Sri Lanka

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Statement by Hon. Jeyaraj Fernandopulle, Minister of Trade, Commerce & Consumer Affairs of Sri Lanka, on 15th June 2004 (General Debate) UNCTAD XI, Sao Paulo, Brazil

Mr. Chairman
Distinguished Delegates
Ladies and Gentlemen

At the outset let me express my profound gratitude and sincere thanks for the people and the Government of Brazil – the host nation – for the excellent arrangement and warm hospitality extended to me and my delegation making our stay in this beautiful city of Sao Paulo a comfortable and pleasant one. My delegation is pleased that this important event is being held in a historic region where a number of world renowned and eminent economists have originated from including Dr. Raul Prebisch – the founder father of UNCTAD and Mr. Rubens Ricupero, Secretary-General of UNCTAD.

Sri Lanka has been a pioneering member of UNCTAD, established in 1964 with the broader objective of maximising trade, investment and development opportunities for developing countries and assisting them in their effort to integrate into the world economy on an equal basis. This august body is very dear to Sri Lanka partly due to the fact that a top retired Sri Lankan Economist, Dr. Gamani Corea, steered the UNCTAD as Secretary-General during 1974 to 1984. He played a key role in accomplishing the earlier stated goals, which are as relevant today as they ever were during his time.

Ladies and Gentlemen,

First let me convey the greetings and good wishes to the UNCTAD XI conference from Her Excellency Chandrika Bandaranaike Kumaratunge, the President of Sri Lanka. A new government was formed just two months ago in Sri Lanka and we are fully committed to the on-going peace process and finding a solution to the long-standing ethnic issue in the

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country. Moreover, we are committed to a market economy with a human face and making advantage of our geographical location in the Indian Ocean to make the country a regional hub, in particular, in services. We will continue to pursue the goals of multilateral trade expansion - the achievement of which is obstructed by the protectionism of some developed countries. At the same time, we are of the view, that trade liberalization is not the panacea in addressing our socio economic and development problems. Trade should not be enthroned as an end, but it is only a means to growth and development. Small developing countries like Sri Lanka are vulnerable to external shocks and since we are in the early stages of development, we require sufficient flexibility when pursuing open market policies. We have to fine tune our opening up to minimize adverse consequences both economically and socially.

We believe that private sector should play a pivotal role to gear and sustain our economy at a competitive level. Nonetheless, the Government has to intervene (where necessary) to strike a balance between efficiency in allocation of resources and meeting the societal needs and reducing social disparities. This is because in all developing countries particularly in small economies than in developed market economies, market failures, imperfect markets and incomplete markets are more pervasive. It will be a serious policy mistake to leave all developmental issues to be resolved by market forces alone. We believe that the degree of intervention needed, varies depending on the level of development of different countries.

Mr. Chairman,

We are meeting here at a crucial juncture and also at an anxious time. On the one hand at the WTO, there have been encouraging movements after a temporary set back in Cancun towards making a deal in key areas of trade negotiations related to the Doha Development Agenda. One of our primary responsibilities here would be to avoid sending any negative impulse to this progress. On the other hand, the world economic recovery is underway with the rebound of international trade. For example, international trade increased from 3 per cent in 2002 to 4.7 per cent in 2003 and is expected to grow at 7 per cent in 2004 according to UNCTAD

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sources. Apart from identifying concrete actions to ensure the durability of this recovery, we should also ensure that the benefits are shared equitably in a manner that contributes to achieving the millennium development goals to which international community has made a strong commitment in the year 2000.

Let me now turn to the draft negotiated text, which is before us.

My delegation is pleased with the satisfactory results achieved in the negotiation in Geneva by agreeing, *on ad referendum basis*, to 102 paragraphs out of 119 of the UNCTAD XI Negotiated Text. This will provide guidance for the work of the organization in the next four years along with Bangkok Plan of Action. However, the latter should remain as the key blue print for the work of UNCTAD and our efforts here in Sao Paulo, should be to achieve Bangkok Plan of Action plus text. The draft negotiated text represents a consensus although it falls short of developing countries expectations and aspirations in certain areas. Of the remaining 17 outstanding paragraphs those issues relating to policy space, governance, corporate social responsibility, UNCTAD's contribution to the UN reforms and follow up of major UN conferences, remain a great concern to developing countries. It is our profound hope and sincere expectation that these outstanding issues will be resolved through the spirit of understanding and accommodating each other's concerns to make UNCTAD XI a roaring success.

Our thoughts with respect to some of these key issues addressed in this text are as follows;

Let me begin with the highly debated and the most controversial issue surrounding UNCTAD's future role and contribution within the ongoing UN reforms. As the key UN organ for the integrated treatment for trade and development related issues through its three pillars, UNCTAD has made a number of seminal contributions for developing countries. One such undeniable contribution is the establishment of the Generalized System of Preferences aiming at accelerating the industrialization process of developing nations. The Generalized System of Tariff Preferences and the Integrated Commodity Programme are few other

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creditable achievements. UNCTAD is a knowledge-based organization and its areas of competence should be duly recognized. It has served and should continue to serve as an inter-governmental forum, supported by discussions with experts and exchanges of experience, for consensus building. Its work relating to other areas of three pillars, namely, research and policy analysis, and technical assistance and capacity building are as relevant today as they were in the past because developing countries lack the capacity not only understanding a plethora of multilateral trade rules but also in assessing systematically the implications of complicated trade negotiation issues. Thus UNCTAD's role should remain valid and should continue to play a more proactive role in safeguarding the interests of the developing countries in global trade and developmental issues.

Mr. Chairman,

As regards the overarching theme of this conference, we believe that it is rightly focused on the policy coherence issue, which called for a greater multilateral co-ordination between national and international processes. The notion of coherence is multi-dimensional, involving not only coherence between national developmental strategies and international process but also coherence in the policies pursued by multilateral institutions. As regards the latter, the need for greater coherence in global multilateral agreements and agenda setting is vital to ensure that trade and finance integration is carefully balanced with the developmental needs. Striking appropriate balance between country specific developmental needs and the international obligations will remain a key challenging for policy makers.

Let me now turn to the topic of assessment of globalization - one of the hotly debated negotiation issues in Geneva. This also has been the subject of discussion in a number of recent major UN global conferences. Four years ago, during the UNCTAD X with the adoption of Bangkok Plan of Action, we recognized the fact that "globalization remains a potentially powerful and a dynamic force for growth and development providing new opportunities". We still can agree with this positive aspect that the globalization presents opportunities for better life and should be approached in a forward looking and proactive

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manner. However, the key concern being raised today from different quarters, is that, Has the globalization lived up to its promise? Has it really benefited poor and vulnerable economies? Has there been a fair globalization, creating opportunities for all? Will it deliver expected results to contribute to Millennium Development Goals? In response, there are mixed reactions. Our developed country partners very often cite the success stories in a handful of countries in East Asia, which are special cases. But the most commonly held perception across the globe, based on individual country's past experience is that benefits of globalization, from a broader socio-economic point of view, have been unevenly/disproportionately distributed among countries, leaving poor and vulnerable countries increasingly marginalized. Globalization has neither provided promised results nor succeeded in reducing poverty in the developing world. For example, in his seminal work and famous book "Globalization and its Discontent" Professor Joseph Stiglitz states "that globalization has the power to do enormous good and it has been of enormous benefits. But in much of the world it has not brought comparable benefits. For many it seems closer to an unmitigated disaster." The World Commission on the Social Dimension of Globalization, in its report published recently states that "benefits of globalization can be extended to more people and better shared between and within countries" and calls for concrete action to make globalization work for people and also to make globalization more humane, effective and equitable.

Mr. Chairman,

During the preparatory process in Geneva, there have been long drawn negotiations, brainstorming sessions and exchange of ideas on the concept of policy space but the positions are yet poles apart. We believe that, in the wake of proliferations of international trade and investment agreements, developing countries require a great deal of flexibility to address their development needs. However, that such flexibility should not be "open ended" because too much policy space reduces the value of international obligations. We have to strike a delicate balance between the two.

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Last but not least, Mr. Chairman, Government of Sri Lanka attaches great importance for finding long term solution to the external-debt problem. The gravity of the debt sustainability issue of middle low income countries is not very different from that of countries qualified under the HIPC initiatives. As for Sri Lanka, debt service payment, as a percentage of receipts from our merchandise exports and services has remained at 13.2 per cent in 2002 as it was in 1998. According to the World Bank sources, the corresponding ratio for 27 HIPC countries has now fallen from 15.7 in 1998 to an estimated 9.9 per cent in 2002. Therefore, as endorsed in Monterrey Conference on Finance and Development and also in the draft UNCTAD XI text, innovative financing mechanisms should be explored and implemented on priority basis to redeem the middle low income countries out of debt trap.

To conclude, Mr. Chairman, the whole multilateral system including the Doha Development Agenda is at cross roads. The whole set of Millennium Development Goals, adopted at the 2000 UN Millennium Summit are at a stake if we do not make real assessment of globalization and take corrective action in concrete terms. The world today is spending nearly US \$ 900 billion for defence. What was said by John Maynard Keynes in 1920 seems very valid today. I quote, "new wisdom for new age with new policies and new instruments to adapt and control the workings of economic forces, so that they do not intolerably interfere with contemporary ideas as to what is fit and proper in the interest of social stability and social justice".

I thank you.