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Summary record of the 9th meeting

Held at Headquarters, New York, on Tuesday, 3 October at 3 p.m.

Chairman:	Mr. Suazo	(Honduras)
later:	Mr. Benmellouk (Vice-Chairman	(Morocco)
later:	Mr. Van der Pluijm (Vice-Chairman)	(Belgium)
later:	Mr. Benmellouk (Vice-Chairman)	(Morocco)

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The meeting was called to order at 3.10 p.m.

Agenda item 84: Macroeconomic policy questions (*continued*)

(b) Commodities (*continued*) (A/57/381)

(d) External debt crisis and development (*continued*) (A/57/253)

(e) International financial system and development (*continued*) (A/57/151)

(f) Preparations for the International Ministerial Meeting on Transit Transport Cooperation (*continued*) (A/57/340)

1. **The Chairman** drew attention to the informal summary that had been prepared of the general debate; it could serve both as a record of what had transpired during the general debate and as a possible guideline for the preparation of draft proposals.

2. **Mr. Vallenilla** (Venezuela), speaking on behalf of the Group of 77 and China, requested that the Committee should postpone the deadline for submission of draft proposals under sub-items 84 (b), (d), (e) and (f).

3. *It was so decided*.

4. **Ms. Forde** (Barbados), speaking on behalf of the Caribbean Community (CARICOM), expressed regret at the fact that the Monterrey Consensus had not gone far enough in its proposal to reform the existing international financial system. Instead, it had reinforced the legitimacy of a global economic regime that had failed to predict, prevent or manage any major international financial crisis. In that regard, she reiterated her delegation's proposal at Monterrey for the creation of a rules-based world financial authority, which would primarily supervise the complex global capital and financial markets and promote a stable and transparent international financial system. A global cooperative and collaborative approach to cross-border tax matters must also be accorded a similar level of urgency. CARICOM States continued to advocate the establishment of an international tax organization to oversee such matters, rather than relegating authority to limited membership organizations.

5. In the current global economic environment, where there was increased scrutiny of offshore financial centres, there was an even greater need to ensure that issues falling under international taxation were dealt with through an inclusive approach. All States with a framework for mutual participation on deliberating international tax policy would be included. However, that opportunity might continue to be unavailable while a few States within the international community sought to impose their rule on others through exclusive reforms.

6. Most importantly, there was a need for mechanisms to ensure that principles governing international standards and rules for the international financial system should be clearly defined and mutually agreed. Such principles should be advanced through a non-discriminatory and transparent process that allowed each and every country to participate and contribute. In that regard, developing countries must also be involved in the formulation and implementation of standards and codes devised for crisis prevention and management with global implications. Cooperation at the global level was key to strengthening the international monetary, financial and trading systems and to promoting economic growth and true economic cooperation and development.

7. *Mr. Benmellouk (Morocco), Vice-Chairman, took the Chair*.

8. **Ms. Lewis** (International Labour Organization) said that the liberalization of the world economy had not proved to be the panacea that developing countries had been led to believe. Indeed, the depth and severity of the socio-economic damage caused in recent decades in those countries had led to growing disillusionment with the simplicities of a free market ideology. Her organization endorsed the view that the main requirement for the integration of macroeconomic and social policies was the recognition and adoption of integrated goals, which should involve commitment to the achievement of both economic and social targets. In order to achieve equitable human development it was necessary to attain the highest sustainable level of employment-intensive economic growth. Indeed, the primary objective of a country's macroeconomic policy should be to achieve such economic growth rates with the ability to respond flexibly to changing circumstances.

9. Growing financial interdependence had reduced the policy autonomy of countries that had liberalized their financial systems. Monetary policy had to be kept tighter to cope with capital account volatility; that often led to increased interest rates, which constrained economic development and employment growth. Fiscal policies were also kept more restrictive, constraining desperately needed improvements in human services in some high, and in all middle- and low-income countries. Reforming the international financial architecture was therefore essential for the achievement of social goals. Promotion of employment must become the highest priority for national and international economic and social policy, as it could do more than any other economic or social achievement to increase personal and national economic security and improve equity. However, the rate of growth of such employment was a political choice for individual governments to make.

10. The separation between economic and social policy decision-making at both the national and international levels was a further impediment that needed to be overcome. However, as testified by the recent IMF/World Bank Development Committee meetings, the social dimension appeared to be receiving increasing attention in global institutions dealing with finance. A new consensus was beginning to emerge that there was benefit in recognizing the integration of macroeconomic and social policies. Macroeconomic policies that did not improve the welfare of broad segments of society were increasingly viewed not only as morally unacceptable, but also as economically unsustainable.

11. **Mr. Farhâdi** (Afghanistan) said that the historic importance of the upcoming International Ministerial Meeting on Transit Transport Cooperation could not be overemphasized. Afghanistan was a classic example of a landlocked country with constant transit infrastructure problems. He hoped that the Meeting would be action-oriented, and that donor countries would come prepared with the political will to provide assistance to the landlocked countries. In that regard, agencies of the United Nations system, regional commissions, the World Bank and the International Telecommunication Union could provide support for the preparatory process in their respective areas of expertise.

12. Noting that Afghanistan and other States members of the Economic Cooperation Organization had signed a regional transport cooperation agreement, he said that his country was in dire need of international funding for the development of transport infrastructure, since armed conflict in the 1980s had destroyed the country’s road network. In that regard, Japan, Saudi Arabia and the United States of America had offered funding to build a road from Kabul to Khandahar, a vital east-west trade route. However, more funding was needed for north-south road development and the Government was accordingly drawing up a list of repairs required on the current north-south routes. For the Asian continent, the roads traversing Afghanistan were vital. He therefore hoped that donors would present an optimistic common position at the upcoming Intergovernmental Preparatory Committee meeting in June 2003 in New York.

13. **Ms. Jarbussynova** (Kazakhstan) said that her Government had decided to host the International Ministerial Meeting on Transit Transport Cooperation not only because Kazakhstan was the furthest landlocked country from the sea, but also because her Government wanted to share its experience in managing problems related to territorial remoteness in the Central Asian region with other countries. The Special Programme for Economies of Central Asia (SPECA), developed by the Economic Commission for Europe (ECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP), in cooperation with Central Asian Governments, encompassed all priority areas relating to the development of transit transport capacity and multiple-pipeline systems. Its current activities could serve as an example of appropriate regional cooperation among landlocked countries. In that regard, she expressed support for regional transit transport initiatives involving landlocked countries, such as the Baku Declaration on the Transport Corridor Europe-Caucasus-Asia Programme (TRACECA).

14. The success of the International Ministerial Meeting would depend on the ability of the preparatory process to promote active participation in decision-making for all stakeholders; meaningful involvement of the private sector; mobilization of additional resources; and well-coordinated organization of subregional and regional meetings. In that regard, she expressed appreciation for the initial steps undertaken by the High Representative for the Least Developed Countries, Landlocked Developing Countries and

Small Island Developing Countries to initiate consultations among key stakeholders such as the European Commission, the Government of Japan, the secretariats of ECE, ESCAP and the United Nations Conference on Trade and Development (UNCTAD) on substantive and organizational aspects of the Ministerial Meeting. She reiterated the Secretary-General's appeal for all parties concerned to be actively involved in the preparatory process as well as in the Meeting and for Member States to contribute extrabudgetary resources, as called for by General Assembly resolution 56/180.

15. **Ms. Zubčević** (Croatia) said that policy coherence and the mobilization of all types of resources were essential in order to eradicate poverty and achieve sustainable development, but it was also vital that policy-making be domestically owned in order to be effectively implemented. A massive effort was required to build an international economic and trading system that was more conducive to the development of poor countries. Therefore, financial issues and trade and development cooperation must not be considered in isolation. Consistency between financial sector development and capital account openness at the country level was vital. Open trade, especially with developed country trading partners, was crucial to opening up finance, thus improving market access for developing countries. It was equally vital to avoid crises, strengthen surveillance of macroeconomic policies and lay the foundations for sustainable world economic development.

16. The international community's goal should thus be to work continuously at developing international standards and codes for macroeconomic policy-making and financial regulation. That should be accomplished by involving the countries concerned in designing those standards and ensuring adequate technical assistance to implement them. The new International Accounting Standard Board should strengthen accounting standards and give domestic accounting firms incentives to follow agreed professional standards, strengthen corporate governance and enhance corporate public disclosure as well as the quality and independence of monitoring of firms by investment advisers.

17. It was regrettable that the international financial system still lacked a coherent and realistic international strategy to deal with financial instability and the debt sustainability of developing countries. Therefore, in order to enhance the poverty reduction efforts undertaken by the countries, there should be greater flexibility in the eligibility criteria for debt relief for low, middle-income developing countries and countries with economies in transition.

18. A close link must be established between individual millennium development goals and their financing in order to improve effectiveness in dealing with real world problems such as hunger, illiteracy, poverty and diseases. To that end, a new dimension of common goals must be added to the relations with the Bretton Woods institutions and WTO in order to replace the globalization of enrichment on the one hand and impoverishment on the other by the globalization of development.

19. **Mr. Al-Haddad** (Yemen) stressed that debt continued to weigh heavily on the developing countries, stunting their growth and leading to social and political instability. The Monterrey Consensus and the Millennium Declaration should provide the political drive needed to solve debt burdens. The enhanced Heavily Indebted Poor Countries (HIPC) initiative, while a step in the right direction, was limited to only a few countries. Eligibility criteria should be applied with flexibility and more aid should be provided by the World Bank, the International Monetary Fund and the Paris Club.

20. The developing countries' debt problems could not be resolved without strong and sustainable economic growth; that, in turn, could not be achieved unless they received official development assistance (ODA). Countries that had pledged to provide such assistance ought to fulfil their commitment. He expressed the hope that the United States would provide the increased ODA that it had pledged over the next three years.

21. His delegation had examined the report of the Secretary-General on the international financial system and development (A/57/151) and considered the issue of net capital outflows from the developing countries to the developed ones as a great challenge. Developing countries' exports remained weak and the prices of their exports had declined because of the reduction in the prices of basic commodities and the distortions that occurred in international trade as a result of agricultural subsidies.

22. The Monterrey Conference had aimed to reform the international financial system and to reinforce

transparency. It was more important than ever that developing countries should participate in those endeavours and in drafting comprehensive economic policies and financial regulations on an equal footing with developed countries. His delegation therefore called upon the international community to implement the Monterrey Consensus so as to create a financial system conducive to sustainable development, stability and prosperity in the world.

23. **Mr. Singhara Na Ayudhaya** (Thailand) said that there was a need for coherence between trade and finance and a faithful implementation of the Monterrey Consensus. The concerted efforts by developing countries to monitor the volatility of short-term international capital flows should be further expanded with greater participation and cooperation by developed countries. The Association of Southeast Asian Nations, together with China, Japan and the Republic of Korea was currently looking into the feasibility of establishing a prototype for an early warning system. Such a regional arrangement, which was in keeping with the Monterrey Consensus, should be further intensified to help ensure financial stability. As far as the debt was concerned, an orderly international debt-workout mechanism was vital to maintaining financial stability and investor confidence. Debtors and creditors should share responsibility for crisis prevention and management. In his delegation's view, developing countries should be included in decision-making at IMF and the World Bank; both institutions needed an equitable voting system, irrespective of the financial contributions of members.

24. Turning to foreign direct investment, he expressed the hope that private financial flows, including FDI to the developing world, would increase substantially. His county would continue to adopt sound macroeconomic policies and to promote good governance to sustain direct investment. As far as commodities were concerned, the urgent need for improved market access, technical and financial assistance for meeting trade-related standards as well as technical assistance for improving the supply capacities of developing countries, could not be overemphasized.

25. Thailand would continue to create regional trade links. Trade routes were being constructed in the Mekong sub-region from Thailand through Laos and Vietnam. His delegation welcomed the preparations for the Ministerial Meeting on Transit Transport Cooperation and hoped that it would address the needs of both landlocked and transit developing countries.

26. **Mr. Adamia** (Georgia), speaking on behalf of the GUUAM participating States (Georgia, Uzbekistan, Ukraine, Azerbaijan and Moldova), said that the past year had been a landmark for the global development agenda. The determination of the international community, demonstrated at the Monterrey and Johannesburg summits, gave hope that with joint efforts the menaces of hunger, disease and poverty could be eradicated. Equally significant was follow-up to the commitments undertaken at such conferences and, in particular, the external debt problem.

27. The report of the Secretary-General entitled "External debt crisis and development" (A/57/253) paid due attention to the problem of debt servicing for the highly indebted nations but was less detailed on the significance of sustainable debt for the transition economies, particularly for the low-income transition economies, which required special consideration.

28. In 2001, Georgia's foreign debt as a proportion of gross domestic product had grown to 43 per cent, and the Government's debt servicing obligations had amounted to 15 per cent of total revenue; representing critical resources which could otherwise be spent on reducing poverty, providing social safety nets and investing in development. Georgia was working with its partners from the United Nations Development Programme, the International Monetary Fund and the World Bank on its poverty reduction programme and was very thankful for the support provided. However, the need remained for the elaboration of internationally agreed debt relief measures, including cancellation, taking into consideration the special needs of the transition economies. The international community should demonstrate flexibility in addressing that issue. He called for full implementation of the initiatives agreed during the World Summit on Sustainable Development, such as debt for sustainable development swaps.

29. One of the remaining difficulties in the area of debt relief was conditionality. He supported the Secretary-General's call to link performance criteria with poverty reduction targets or other concrete development-oriented spending, rather than simply following general adjustment programmes. There was no doubt that recipient countries should pursue prudent and sound macroeconomic policies, but it had been

recognized that any such strategy must take into account national specificities and conditions. For instance, in developing national poverty strategies, emphasis should be placed more on technical and knowledge-based assistance.

30. The GUUAM participating States welcomed initiatives which called for providing official financing in the form of grants, particularly for education, health, food, drinking water and other social and humanitarian areas. Many countries with economies in transition had undergone serious macroeconomic reforms but still found it very difficult to reach sustainable growth levels. There was a need to establish clear principles for the management and alleviation of the external debt crisis, principles which would provide for fair burden-sharing between creditors and debtors. The international community must recognize the special needs of the transition economies when it came to sustainability of external debt, particularly since the results of positive action in that direction could be almost immediate.

31. **Ms. Zhang** Xuai'an (China) said that there could be no one-size-fits-all approach to development financing. The views of recipient countries must be fully heeded and their needs better understood. There had been positive developments recently, but they were only a starting point. There was still a long way to go in improving the work of the international financial institutions.

32. There should be greater development ownership by developing countries. International institutions and donor countries must realize that the policies of privatization, liberalization and market-based reforms imposed on developing countries by international institutions were mostly unsuccessful. The latter must respect the specific situations of recipient countries, listen to their views and strengthen capacity-building in order for those countries to enjoy true ownership. The success of development policies could be measured only by the results of implementation.

33. The participation of developing countries in international economic decision-making and norm-setting should be broadened and strengthened. Her delegation hoped that the twelfth General Review of Quotas of the International Monetary Fund (IMF) would result in an increase in the Fund's resources and that the review of the formula used for calculating members' quotas would be completed as soon as possible to better reflect the reality of years of rapid development in the developing countries and their weight in the world economy. The recent rash of corporate scandals in some developed countries underscored the importance of enhanced standards and principles of corporate governance, accounting and auditing.

34. International financial stability must be strengthened in order to avert financial crises. International institutions should fully take into account the ability of recipient countries to ward off external shocks before asking them to open their capital accounts. Otherwise, more crises would occur.

35. Effective debt relief measures must be taken to help the developing countries, inter alia, through accelerated implementation of the Highly Indebted Poor Countries initiative and the developed countries must honour the commitments undertaken at Monterrey. A solution to the high debt levels of developing countries depended essentially upon the developed countries increasing financial and technology transfers, enhancing market access for developing countries and phasing out agricultural subsidies which distorted trade. Coherence and consistency were needed in international monetary, financial and trade assistance to create an equitable external economic environment for the developing countries so that they could embark upon a virtuous cycle of self-sustaining development.

36. **Mr. Pandit** (Nepal) said that the external debt crisis had contributed to the deterioration of the already weak social and economic situation in most developing countries. Many countries in sub-Saharan Africa still carried very high external debt burdens relative to their gross national product; debt-servicing absorbed much of their foreign exchange and reduced budgetary flexibility. Existing levels of official development assistance were not sufficient to enable the developing countries to attain the millennium development goals; reliable alternative sources for development financing must be found. The developing countries, particularly the least developed countries such as Nepal, were spending a quarter of their public purse on debt servicing, a level generally impossible to sustain; they had been doing so in order to remain credit-worthy. Immediate debt relief was essential to help poor countries to redirect their debt-tied resources towards poverty reduction and sustainable development.

37. So far, only 26 out of 42 eligible nations under the Highly Indebted Poor Countries initiative had qualified for interim relief. The poorest countries should not be asked to remain silent until their economies went into bankruptcy. Nepal therefore called for the expansion of the initiative to cover all the least developed countries. To avoid future debt the latter should also be given increased grant funding for their social sector projects and for poverty eradication. The external debt problem had been a major policy issue in Nepal over the years, and a poverty reduction strategy paper was being prepared. The Government was guided by a policy of accepting external support only for essential development sectors and for poverty eradication programmes. The Government had improved the accountability system for public expenditure, and strong anti-corruption measures had been enacted and actions initiated to check misappropriations and other corrupt practices.

38. Turning to the subject of preparations for the International Ministerial Meeting on Transit Transport Cooperation, he said that his delegation aligned itself with the statement by the representative of the Lao People's Democratic Republic on behalf of the Group of Landlocked Developing Countries. Some progress had been achieved in the area of transit transport, but the difficulties of the landlocked developing countries were far from over. Transit transport problems put them at a comparative disadvantage in global markets, making their integration with the global economy extremely difficult. Transport costs had always remained formidably high for landlocked countries. The landlocked developing countries were on average paying 17.7 per cent of their export earnings for transit transport, as opposed to 8.7 per cent for the other developing countries. That eroded the competitive capacity of the landlocked developing countries and inhibited growth and development. It was time to honour the commitments entered into at Monterrey by providing more official development assistance to landlocked developing countries, helping them attract more foreign direct investment and extending to them trade-related support to build national capacity and to improve their backward and forward linkages for expanding trade and development. It was alarming to note that in 2001 the landlocked developing countries received only $4.6 million in foreign direct investment, or 0.34 per cent of the global total. The international community should look into that issue and help those countries attract more foreign direct investment.

39. His delegation called on Member States to work together to ensure the success of the International Ministerial Conference on Transit Transport Cooperation and to help implement its outcome with resolve and commitment. His Government would do everything in its power in that regard.

40. **Mr. Davison** (United States of America) said that breaking the grip of poverty was the central challenge for the twenty-first century. The international community had begun the new millennium with ambitious development goals and commitment to achieve them. At Doha, Monterrey and Johannesburg, the world community had resolved to fight poverty by implementing proven development strategies which aimed to liberalize trade, increase agricultural productivity and improve debt management. The world community had come together again and again on a vision based on a new way of doing business. That vision involved a performance-based, results-oriented attack on poverty. All potential resources for development were to be unlocked and used. It had been recognized that governance, rule of law, investment in people and market access were central to development strategies. The international community had pledged its support and determination. The Committee must carry that determination forward by focusing on the agreements reached at Doha, Monterrey and Johannesburg. There was an agreed plan and time-bound, measurable targets. The Committee should closely track development objectives.

41. One of the most important aspects of the agreement reached at Doha concerned agricultural liberalization; his Government was firmly committed to the elimination of trade-distorting agricultural subsidies. The first and most effective step to address poverty and hunger was to raise agricultural productivity steadily and sustainably. His Government estimated that in Africa, meeting the goal of reducing absolute poverty by half by 2015 required an average growth rate in agricultural productivity on the order of 5 per cent per year. Good governance, sound policy, technology, investment and trade could yield such a result, but the effort must be sustained.

42. His Government strongly supported the full funding of the Highly Indebted Poor Countries initiative. New investment in development must not simply lead to a new accumulation of unsustainable debt burdens in the poorest countries; resources from debt relief must become available for development

purposes. The international community should not delude itself. Times were tough. The international economy showed signs of recovery but the hard work of development was a challenge to all.

43. The United Nations, and the Second Committee in particular, had made tremendously important contributions to developing a new and solid consensus on development. If real results were to be obtained, work on macroeconomic issues must develop, support and strengthen the implementation of that consensus. The agenda item on macroeconomic policy for development should be approached in an integrated manner, after delegations had had the opportunity to engage in full discussion of the issues. He expressed the hope that other delegations would agree.

44. **Mr. Rotich** (Kenya) expressed grave concern at the effect of fluctuations in commodity prices on most developing countries. The prices of agricultural commodities must be stabilized and he therefore looked forward to implementation of the outcome of WTO Ministerial Meeting at Doha regarding the phasing out of export subsidies and the elimination of tariff peaks, in particular on the exports of developing countries, and on market access for agricultural commodities from the developing countries.

45. He expressed concern at the effect on the developing countries, in particular in sub-Saharan Africa, of their heavy debt burden and recalled the commitments made at the Monterrey Conference regarding the Heavily Indebted Poor Countries (HIPC) debt initiative. He also called for greater flexibility in the eligibility criteria for debt relief measures for middle and low-income countries like Kenya. Slow progress in debt relief and the systematic decline in official development assistance to Africa had hindered sustainable development. The current rigid conditionalities attached to official development assistance must be made more flexible in order to better benefit the recipient countries. He therefore welcomed the new commitments announced by donor countries at Monterrey and called for those resources to be made available without conditionality and on a timely basis. The time had come to implement the decisions of major United Nations conferences which had addressed the above problems.

46. His delegation, too, was concerned that the international financial system did not have a coherent strategy to deal with financial instability, as shown by the recent experience in Argentina, which had demonstrated the vulnerability of developing economies to volatility in international financial markets. The Monterrey Consensus had emphasized the need for a set of principles for managing such crises and he was confident that inclusion of those principles in the Bretton Woods institutions' decision-making process would address some of the systemic issues with a view to reforming the international financial architecture.

47. The need to mobilize domestic resources to promote sustainable development had been recognized in the New Partnership for Africa's Development (NEPAD). Those efforts should be supported through genuine cooperation with development partners in order to eradicate poverty and promote economic growth. His delegation also attached great importance to the International Ministerial Meeting on Transit Transport Cooperation as a forum to enhance cooperation and resolve the problems affecting landlocked and transit developing countries. Such efforts would contribute to ensuring coherence and consistency in the international monetary, financial and trading system in support of sustainable development and help the marginalized developing countries reap the benefits of globalization.

48. *Mr. van der Pluijm (Belgium), Vice-Chairman, took the chair.*

49. **Mr. Djumala** (Indonesia) pointed out the need for improved cooperation for development and, most importantly, mobilization of domestic and international financial resources in accordance with the Monterrey Consensus. It was therefore a source of concern that the developing countries, for the fifth year in a row, had had a net outflow of financial resources. In order to remedy that situation the international community must substantially increase official development assistance and provide debt reduction for low income countries, as agreed in the Monterrey Consensus.

50. The Monterrey Consensus had also called for greater transparency and increased participation by developing countries in the international financial architecture, including standards and codes for policy-making, financial regulation and corporate governance, especially in developed countries, as well as cooperation on fighting corruption. The Consensus had sought to put in place clear principles for the management and resolution of financial crises which

provided for fair burden sharing and he stressed the need for the public and private sectors to play a role in preventing and resolving such crises.

51. His delegation attached great importance to the reform of surveillance and therefore welcomed the willingness of IMF to reform its surveillance policies and conditions for the use of Fund resources and was encouraged by its willingness to place stronger emphasis on assessing the global impact of the policies of individual countries, in particular the largest. Global surveillance should be combined with greater country surveillance with particular attention being paid to good corporate governance.

52. Turning to the debt crisis, while the external debt problem had improved slightly, the total debt burden of the developing countries and the transition economies was almost 40 per cent of national income and had reached crippling levels in Africa, seriously affecting development. Although the enhanced Heavily Indebted Poor Countries (HIPC) initiative had been effective for some countries, only 6 of the 26 eligible countries had reached the Completion Point by July 2002 and progress continued to be slow. The Bretton Woods institutions should show more flexibility in order to speed up the process and make it more meaningful.

53. It was necessary to explore new initiatives such as debt for sustainable development swaps and the cancellation of unsustainable debt. There was also great merit in utilization of Special Drawing Rights (SDRs) for development purposes, an approach which could be further explored as an innovative means for mobilizing sources of financing for development for the developing countries.

54. **Mr. Nteturuye** (Burundi) said that his delegation attached great importance to the forthcoming International Ministerial Meeting on Transit Transport Cooperation. The isolation of the landlocked countries hindered their development, with transport problems causing delays and increasing costs, making their exports less competitive and increasing the cost of imports. International cooperation was necessary to assist the landlocked countries in overcoming their handicap. Donor countries, transit countries, international financial institutions, the United Nations and the private sector must support the Ministerial Meeting and make firm commitments in that regard.

55. Cooperation between landlocked countries and neighbouring transit countries must be improved and customs procedures should be harmonized in the context of greater flexibility at the regional level. Economic embargoes used as a means of exerting political pressure should be banned because it was the most vulnerable sections of the population which suffered, not Governments. Furthermore, international assistance must be increased to help landlocked and transit countries to build and maintain effective infrastructures. Donors should therefore give priority to regional and subregional requests for financing for common infrastructure projects.

56. **Mr. Penjor** (Bhutan) said that it was looking forward to the forthcoming International Ministerial Meeting on Transit Transport Cooperation and welcomed the report of the Secretary-General (A/57/340), which had highlighted the specific problems of the landlocked countries, 16 of which were least developed countries, and the negative role that geography played in their economic development. Isolation affected their access to the international trading system and their situation was further aggravated by the high cost of transport insurance services, which were much higher than for the developed countries and were double that of other developing countries.

57. The landlocked developing countries could not compete in the international market without international support. The landlocked countries remained unattractive to foreign businesses and had received only 0.34 per cent of foreign direct investment in 2001. Increased official development assistance, in particular for the creation of transit infrastructures which were reliable, accessible and competitive, was vital to sustainable development.

58. *Mr. Benmellouk (Morocco), Vice-Chairman, resumed the Chair*.

59. **Mr. Al-Ayed** (Jordan) welcomed the report of the Secretary-General on the external debt crisis and development (A/57/253) and stressed the need for a radical solution to the external debt crisis, which seriously hindered the sustainable development of the developing countries. Although they had allocated their meagre resources to debt repayment instead of development needs, their debt burden had not fallen. They must be provided with debt relief, for they risked bankruptcy and grave social problems; in an increasingly interdependent globalized world, these would affect other countries as well. Efforts to realize

the objectives of the Millennium Summit must therefore include not only increased spending but also debt relief measures.

60. He expressed support for the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and also looked forward to the forthcoming International Ministerial Meeting on Transit Transport Cooperation as a forum for defining practical measures to improve the lot of the landlocked and transit countries.

61. **Mr. Mumbey-Wafula** (Uganda) expressed support for the forthcoming International Ministerial Conference on Transit Transport Cooperation, an important issue for Africa, since 16 out of the 38 landlocked developing countries were located in Africa and were commodity dependent, spending a large portion, at times 40 per cent, of export earnings on transport services. The high cost of transport for such countries was therefore one of the priorities of the New Partnership for Africa's Development (NEPAD).

62. Commodity trends and the external debt crisis were closely related. The decline in commodity prices had seriously affected Uganda's export earnings, greatly increasing its debt load. He therefore appreciated the detailed analysis of the decline in commodity prices given in document A/57/381 and stressed the need to boost export earnings and economic growth by reducing excessive dependency on primary commodities. That could be done through horizontal and vertical diversification and by adding more value to exports. Agricultural subsidies and other policies in the developed countries which blocked efforts to add value to developing country products and hindered access to developed country markets were a matter of grave concern, as was the lack of resources for structural economic changes to facilitate meaningful integration of the developing countries into the global economy. He therefore expressed support for the recommendations contained in the report and in the report of the Secretary-General on external debt crisis and development (A/57/253).

63. **Mr. Aparicio** (Bolivia) welcomed the report of the Secretary-General on the external debt crisis and development (A/57/253). With regard to the heavily indebted poor countries (HIPC) framework, he said that the 150 per cent threshold ratio of debt to exports was based on an unrealistic evaluation of the economies of those countries. He recalled that the Monterrey Conference had stated the need to keep under review the methods for calculating and the criteria for evaluating debt sustainability.

64. His delegation was of the opinion that the link between debt sustainability and trade, in other words, HIPC countries' access to developed country markets, should be taken into account, given that trade offered a real opportunity for generating foreign exchange revenues. That was even more important given that the countries in question had developed poverty reduction strategies which required resources for their implementation.

The meeting rose at 5.20 p.m.