Mr. Chairman,

On behalf of Pakistan delegation, let me congratulate you on your election. May I also felicitate the other members of the bureau.

2. The General Debate in the Second Committee provides us an opportunity for a comprehensive review of the global economic situation. My delegation appreciates the thoughtful statement made by the Under Secretary General, Mr. Jose Antonio Ocampo, outlining the challenges and opportunities confronted by the global economy.

3. The global economy has been in recession since 2001. During the current year, although there are some signs of recovery, the overall situation remain precarious. During 2003, while the US economy witnessed some resurgence, Europe lost momentum and Japan continued to confront a slowdown. According to UNCTAD’s Trade and Development Report 2003, “the global economy is now facing a widening deflationary gap created by deficit global demand”. Globally, both labour and product markets are in surplus with too “many goods chasing too few buyers and too many workers chasing too few jobs”.

4. In such gloomy scenario, one bright feature has been the 7% growth of the Chinese economy. However, with the exception of few countries, like China, the majority of the developing countries, and countries in transition, have witnessed declining growth. The outlook for the remainder of this year and for 2004 is predicted to be positive but “unlikely to produce growth strong enough to cut sharply into the unemployment rates”.

5. Currently, world economic prospects are highly dependent on continued demand in the United States’. This is currently fueled by heavy deficit financing balanced by uncertain capital inflows. It is necessary to generate a more sustainable basis for demand growth, especially in the developing countries where the largest potential exists for increasing consumption of goods and services.
6. Unfortunately, despite all the rhetoric, the policy decisions and actions of the major countries and international finance and trade institutions have failed to respond to the need for more conscious and elaborate measures to stimulate economic growth and demand in the developing countries. No serious measures have been taken to provide enlarged trade access and opportunities to the developing countries. After declining in 2001, global trade grew by less than 2 percent in 2002, which is far less than the average of nearly 7 percent of the 1990’s.

7. Similarly, net global capital flows to developing countries peaked in 2000 and have declined drastically since then. For a number of developing countries, capital flows were negative. Since 2001, FDI has declined by around 75%, although global FDI stocks expanded from 6.1 trillion in 2000 to 7.1 trillion in 2002. Such FDI flows remain highly concentrated. Ten developing countries received 77 percent of total FDI flows. At the same time, portfolio investments and commercial Bank loans to developing countries have also declined considerably. Finally, conflicts, instability and terrorism have also contributed to reduction in trade and investment in developing countries reinforcing the factors contributing to the global economic slowdown.

Mr. Chairman,

8. As expected, the negative impact of the recent global economic slowdown is most severely felt by developing countries such as Pakistan. In addition, Pakistan had to face daunting challenges in the post-9/11 period, as a frontline state in fight against global terrorism, as well as due to political tensions and conflicts in our region. However, despite these difficulties, we have gone through a painful adjustment programme and pursued far reaching reforms which have breathed new life into the Pakistan economy. Notwithstanding several exogenous shocks, our resolve to continue with structural, macroeconomic, institutional and governance reforms has not wavered. The results, at the macroeconomic level, are evident in stable currency, low inflation, improved levels of foreign exchange reserves, decline in the fiscal deficit and public debt as a proportion of GDP, a vibrant stock market, and better than targeted growth.

9. In order to attack poverty, we have adopted a five-pronged approach focused on economic growth, investment in human capital, targeted interventions, improved governance, and greater social safety nets. We have put in place our interim PRSP, CCA/UNDAF and other development mechanisms. We are also upgrading our transport infrastructure which will not only benefit Pakistan but can also be utilized by our neighbor – Afghanistan – for transit trade. In order to facilitate transit trade with Afghanistan, and our Central Asian landlocked neighbors, we are constructing a new modern sea port at Gwadar. We are also working on development of oil and gas pipelines from Central Asia to Pakistan. The proposed Trans-Afghanistan pipeline from Turkmenistan though Afghanistan to Pakistan, and finally to Gulf, is a major regional initiative. This project will also contribute to Afghanistan’s reconstruction and stability and give it a reliable source of income for development.
10. We believe that trade liberalization and peace with neighbors are central to promote stability and sustainable development of our region. We seek a just and peaceful solution to our dispute with India over Jammu and Kashmir. We hope that our collective efforts would help realize the cherished objectives of peace and development to our part of the world.

Mr. Chairman,

11. Without growth in the international economy, development is impossible. Stimulating growth, particularly in the developed world is, therefore, essential. According to UNCTAD if decisive actions are not taken to start a global recovery and reverse the rapid rise in unemployment, there is a real threat that the existing discontentment with globalization among the majority of the world peoples may further deepen, “triggering a political back-lash and loss of faith in markets and openness”. The communiqué of the International Monetary and Financial Committee of the IMF, issued after its recent meeting at Dubai, has underscored the “importance of close international cooperation and determined action to foster a strong, sustainable, and broad-based economic recovery”.

12. In the present context, growth will require a loosening of the tight monetary policies in Europe and Japan, while assuring the sustainability of growth revival in the U.S. economy. The prospects in the Europe and Japan confront the pre-occupation with revival of inflationary trends and self-imposed disciplines, especially in the Euro-Zone. On the other hand, US recovery is clouded by the rising budgetary deficits arising from tax cuts, heavier subsidies for steel and agriculture and the conflicts in Iraq and the Middle East.

13. The most promising prospects for growth stimulation for the present, appear to be in China and South-East Asia, where trade access is being enlarged through free trade agreements and investment flows. This center of growth needs to be expanded further to encompass other regions of the world where there is considerable intent potential either in the form of unexploited natural or human resources.

14. There is such considerable scope for economic growth in the regions of South Asia, Central Asia and West Asia. This can be stimulated through larger financial and investment flows, infrastructure development, capacity building and larger trade access for and integration among these countries. Construction of communications and trade and transit infrastructure between the
regions – South Asia, Central Asia and West Asia and China – can be the foundation for a new Asia and global economic miracle.

15. For the stimulation of economic growth in these and other regions of the world, a number of global policy actions are essential.

- First, a political commitment is essential to achieve the agreed ODA target of 0.7% of developed country GNP;
- Second, a much more ambitious effort at debt write-off and debt restructuring, which should cover not only the HIPC countries but also include the low-income countries with a high growth and demand potential;
- Third, conscious policy action at capacity-building for production and trade growth in the developing countries;
- Fourth, bold political action to create innovative ways of financing development on concessional terms including (a) the establishment of a SDR-development link, a proposal which should be re-visited; (b) the creation of a new SDRs to increase availability of liquidity; (c) the revised compensatory financing facility under the IMF to adjust for declines in terms of trade; (d) the creation of a nominal tax on financial and trade transactions; (e) consideration of some form of the Tobin Tax. Practical experiment with such innovative ideas of generating development finance must not be excluded from policy options by ideological opposition.

Mr. Chairman,

16. Together with larger financial and investment inflows into the developing countries, a more deliberate effort is also required to restore trade and exports as the engine of growth in the developing countries. Trade expansion was primarily responsible for the GDP growth in several developed and especially developing countries during the last few decades. Trade can also serve to boost growth and development in other developing countries. But, this can only happen if there is a genuine endeavour to enable the developing countries to utilize trade for growth, rather than
enforcing a globalization which further marginalizes those countries and locks them into patterns of dependency and underdevelopment.

17. The rhetoric about free markets, trade liberalization and the Doha Development Round, must be translated into reality. The collapse of the trade talks at Cancun should serve as a wake up call for those who believe that the developing countries can be appeased to accept persisting trade inequity by the resort to slogans and symbolism.

18. A lot has been said about the Cancun collapse. In its report TD/B/50/8, UNCTAD has listed the reasons for the failure: the complexity and diversity of Doha Work Programme; imbalances between the packages tabled and the expectations of the members; attempts at ignoring the core interests of developing countries and pushing for a decision on the agendas of developed countries. The President of the World Bank, Mr. James Wolfensohn, believes that the determination of the developing countries to push for a new equilibrium – a balance between the rich and the powerful, and the poor and numerous was the main cause of the debacle. Most civil society organizations believe that the lack of democracy and transparency in WTO decision making was the main reason for the failure. All of these explanations may be true.

19. The fact remains that the seeds of the Cancun failure were sown at Doha, when the Ministers agreed on an unbalanced Work Programme. The trend matured in Geneva, where the major trading countries refused to offer even the promised concessions on development related issues. Then came the bitter harvest of Cancun, where a Declaration was presented that, while reflecting most of the concerns of the developed countries, ignored the major concerns of the developing countries. Neither the substance nor the process of the Doha Round talks was a departure from the “culture” of the WTO, a culture of brutal one-sided negotiations driven solely by mercantilist self-interest, without a care for the future of the multilateral trading system, nor for the vision of eradicating poverty and promoting development throughout the world.

20. The Doha Round can be retrieved. It can be transformed into a genuine Development Round. But an urgent and bold exercise of political will is required on the part of the major trading partners.

21. To revive the Doha Development Round, there should first be a general agreement on some important new premises for its successful conclusion.

One, there should be an early effort to precisely identify the objectives which will serve to make the negotiations into a Development Round. These must include:

- a commitment not to circumvent development goals;
- complete and irrevocable phase-out of all textile quotas by end of 2004 in accordance with the ATC;
- resolution of the outstanding implementation issues;
- elimination or substantial reduction of tariff peaks and tariff escalation;
- operationalization of S&D provisions in existing WTO agreements and the full reflection of S&D in new agreements;
- progress on market access in the Movement of Natural Persons (Mode 4) in the services sector;
- review and some reflection of the development dimension in the TRIPS and TRIMS agreements;
- development-oriented discipline on anti-dumping actions;
- promotion of specific development goals in the areas of trade and debt/finance and trade and transfer of technology, through the two WTO Working Groups.

Two, a commitment should be made by the developed countries not to seek reciprocity in new trade liberalization from the low-income developing countries, at least for an extended period;

Three, a consensus should be evolved on a more transparent and democratic decision-making process in the WTO. Chairpersons of negotiating bodies should be selected more openly in full consultation with developing countries; draft decisions should emanate from delegations, not Chairpersons, and should be openly negotiated without recourse to “green room” procedures; the WTO Secretariat should effectively promote the development-oriented objectives of the Round and should seek inputs for its analysis and recommendations from other organizations, especially UNCTAD.

22. Finally, faith in a Development Round among the developing countries can be revived by a commitment from the major trading partners to an early harvest of development-friendly decisions, perhaps at the December meeting of Senior Officials. This early harvest decisions should include:

- One, a moratorium on anti-dumping and other safeguard actions against the low-income developing countries, especially on products whose exports constitutes a major proportion of their exports;

- Two, extension of duty-free and quota free access to the least developed countries and, similarly, to disadvantaged low-income countries, ensuring against exclusion of dynamic sectors, such as textiles;

- Three, the operationalization of S&D provisions, especially in such agreements as Anti-dumping, TRIMS and TRIPS;

- Four, a moratorium on dispute settlement actions against low-income developing countries under the TRIPS and TRIMS agreements;

- Five, agreement for a significant reduction, if not elimination, of cotton subsidies, and compensation to affected low-income cotton producing countries for losses incurred in terms of trade and export earnings;

- Six, a visible commitment to capacity building in the developing countries through the establishment of a capacity-building fund of at least $100 million with the joint participation of the WTO, UNDP, the World Bank and UNCTAD.

23. Such a strategy for financial transfers and trade negotiations is the best route to the revival of global economic growth and development and the realization of a Millennium Development Goals of halving poverty, ensuring primary education for all, reducing maternal mortality and under five child mortality by 2/3rd, halting and reversing the spread of HIV/AIDS by 2015 and achieving a significant improvement in the lives of at least 100 million slum dwellers, and above all, forging an international partnership for development and poverty eradication. We hope that the proposed High Level review on the implementation of the MDGs to be held in 2005 will provide us an opportunity to register more tangible progress towards the Millennium Development Goals. We can succeed in achieving these ambitious but imperative goals. What is needed is a genuine political commitment by all our countries.
I thank you.