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G-15 SYMPOSIUM ON GLOBALIZATION AND ITS ECONOMIC AND SOCIAL IMPACTS

Cairo, 22-23 November 1999

The attached report on the above-mentioned Symposium is being circulated at the request of the Government of Egypt.

1. The G-15 Symposium on "Globalization and its Economic and Social Impacts ... a South Perspective" was held in Cairo on 22 and 23 November 1999, and organized by the Ministry of Foreign Affairs of Egypt in cooperation with the Centre of Developing Countries Studies at Cairo University. The Symposium was chaired by H.E. Ambassador Dr. Mounir Zahran, Personal Representative of Egypt.

2. Participants/scholars from Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Kenya, Malaysia, Mexico, Nigeria, Peru, Senegal, Sri Lanka, Venezuela and Zimbabwe attended the Symposium and exchanged views on the various aspects related to the world economic and social situation and reviewed the evolving process of globalization and its implications on developing countries. A contribution was sent by the Secretary-General of UNCTAD. The acting Director of the ILO Regional Office in Cairo was invited and addressed the meeting. (The list of participants is contained in Annex I).

3. It was recalled that the VII Summit of the Group of Fifteen held in Kuala Lumpur, Malaysia, in November 1997, the VIII Summit held in Cairo, Egypt, in May 1998 and the IX Summit held in Montego Bay, Jamaica, in February 1999 considered the processes of globalization and liberalization and their impact on the pattern of development and rapid economic growth. The meeting also recalled the "Comprehensive Employment Strategy" submitted by G-15 to the ILO in order to broaden and intensify its efforts in cooperating with those countries to design economic policies for the return to stable growth conducive to social development.

4. Discussions focused on the following issues related to Globalization for which documents and papers were circulated:

- The World Economic and Social Environment and the Process of Globalization and Liberalization: Opportunities and Challenges;
- Globalization, Transnational Corporations and Development;
- Globalization, Capital Markets and Development;
- Globalization, Trade of Developing Countries and Development;
- Social Impact of Globalization;

- Measures advised for Adoption by the Developing Countries to address Economic and Social Marginalization, to maximize the benefits that they could draw from Globalization and Liberalization and to avert their Negative Repercussions.

I. THE WORLD ECONOMIC AND SOCIAL ENVIRONMENT

Discussions highlighted the following elements:

5. The present economic and social environment has distinctive features as compared to the past. Shrinking space, shrinking time and disappearing borders are linking people's lives more deeply, more intensely, more immediately than ever before. More than US\$1.5 trillion is now exchanged in the world's currency markets each day, and nearly one-fifth of the food and services produced each year are internationally traded. Globalization is much more than the flow of goods, services and capital.

6. The problem of unemployment is more acute in the countries of the South combined with problems of under-employment. More than one billion people remain unemployed in these countries. At a time of dwindling government revenues as a result of austerity measures and requirements of stabilization policies, the demand for social safety nets increased due to creeping unemployment, massive poverty and income fluctuation.

7. It was recognized that globalization and interdependence have opened new opportunities, through trade and capital flows, for the growth of the world economy. However, concern was expressed over the exclusion of a large number of developing countries from the globalization process, including finance, technology and trade sectors, and the increasing vulnerability of those developing countries that are integrating into the world economy and the accentuation of economic asymmetries within and among countries. Measures should be sought to address these challenges to ensure sustained development with less poverty and marginalization and more equity and democracy in the international relations and closer cooperation and solidarity among developing countries to ascertain the realization of higher standards of living for our peoples.

8. Just as the 19th century mechanisms of national government were inadequate for the challenges posed by the post-war era, today's institutions of international governance should be adapted to face the challenges of the post-cold war era and the transition to the 21st century. Many of the basic elements of accountability are needed in a more robust structure of global governance. An essential aspect of global governance is responsibility to peoples – to equity and social justice.

II. GLOBALIZATION, CAPITAL MARKETS AND DEVELOPMENT

9. The recent financial crisis in Asia has exposed weaknesses in the international financial system. Concern was voiced on the lack of surveillance and regulation of international currency trading, as well as the stability of the international financial system, which have a determined impact on global financial and economic environment. Therefore, participants emphasized the need to strengthen the global financial architecture, including the necessity to develop an "Early Warning System" with regard to prevention, management and resolution of financial crisis in a timely and effective manner, with a view to achieving a more stable, manageable, transparent and development-oriented international financial system.

10. Participants reviewed the work and conclusions of the G-15 Expert Meeting on "The Financial Crisis and the Reform of the International Financial Architecture", held in Cairo on 23/24 October 1999, and endorsed the conclusions of the Meeting in this regard.

11. The volume of foreign direct investments (FDIs) is shrinking in favour of portfolio capital. The first is limited to a smaller number of developing countries and the second could provoke havoc triggered by the speculation risks provoking sharp fluctuations as countries of East and South-East

Asia have recently experienced. Moreover, reliance on foreign direct investments as a major source of generating growth would not guarantee that developing countries would resolve their major problems related to deficits in their balances of payments, development financing, debt burden or provide sufficient employment opportunities to those job-seekers among their population. In fact, the outflow of profits, interests and royalties of foreign investments might very much grow out of proportion relative to inflows of such investments. FDIs should not be considered as a substitute to Official Development Assistance (ODA). ODA should be increased to the level of internationally agreed target, i.e. 0.7 per cent of the GDP of the donor countries.

III. GLOBALIZATION, TRADE OF DEVELOPING COUNTRIES AND DEVELOPMENT

12. Efforts of the United Nations Conference on Trade and Development (UNCTAD) were welcomed together with the International Trade Centre (ITC), in addressing the specific concerns of the developing countries within the globalizing economy, in particular through technology-related assistance in the fields of trade policy, improvement of trade efficiency and trade in services, in particular in electronic commerce. Participants stressed the complementarity role of UNCTAD in relation to the WTO, particularly in assisting developing countries in future negotiations in the WTO.

13. An emphasis was put on promoting the integration of developing countries into the world economy in order to enable them to take the fullest possible advantage of the trading opportunities arising from globalization and liberalization. The increased integration of developing countries in the world trading system has posed the problem of adjustment cost. This is reflected in the tendency of growing protectionism in the developed countries as exhibited in tariff peaks, tariff escalation and non-tariff barriers including the misuse and abuse of the various provisions of the WTO such as anti-dumping, countervailing and sanitary and phytosanitary measures, TBT, subsidies, rules of origin among others. Such practices have an unfairly direct impact on developing countries' exports to these markets.

14. The United Nations Conference on Trade and Development, at its Tenth Session (UNCTAD X), to be held in February 2000 in Bangkok, Thailand, should focus on developmental strategies in an increasingly interdependent world, applying the lessons of the past to render globalization an effective instrument for the development of all countries and all peoples, and to redress the imbalances in trade, finance and development as a result of the globalization and liberalization processes. To this end, the role of UNCTAD should be strengthened.

15. The real cause for concern for developing countries is that in the name of a development round, developed countries apart from the built-in agenda are trying to include, in the future negotiations to be launched at the Third WTO Ministerial Conference in Seattle, issues like investment, competition policies, trade facilitation, transparency in government procurement, labour and environmental standards. Issues like full and faithful implementation of the Uruguay Round Agreements and Decisions, including Special and Differential Treatment (S&D) and the Agreement on Textiles and Clothing (ATC) are being totally sidelined. WTO provisions have been misused and abused by developed countries to deny access to their markets of products of export interest to developing countries through protectionist practices.

IV. GLOBALIZATION, TRANSNATIONAL CORPORATIONS AND DEVELOPMENT

16. Transnational corporations (TNCs) contributed to business practices in a disproportionate way since they control almost 80 per cent of international trade and a large portion of flows of foreign investments. With the recent trend of mergers and acquisition of other enterprises, it was noted that they have become economic empires in the new global economy. It was recognized that this trend is not well-fit for national and international measures for strengthening micro, small and medium-sized

enterprises which provide the bulk of the employment in the economies of developing countries and provide a practical vehicle to develop their informal sectors.

17. The contribution of the transnational corporations (TNCs) to development is determined by their global strategies, which is characterized by their search for increased competitiveness and ever higher profits. Such considerations fit well with the rules of the market economy. However, as regards the development objectives, the final outcome is the marginalization of many developing countries which do not necessarily fit in the global strategy of TNCs' practices.

18. The projected OECD Multilateral Agreement on Investment (MAI) has been the most significant attempt at providing a policy framework for the operations of TNCs. This issue has a larger dimension of questioning the sovereignty of nations as also the problems that can be faced by developing nations on account of volatile capital flows. Developing countries should safeguard their development objectives, priorities and requirements.

V. GLOBALIZATION AND THE TECHNOLOGICAL GAP

19. Concern was expressed over the widening technological gap between the developed and the developing countries, particularly in the area of information and communication technology which is shaping the contours of globalization. They emphasized the technology-led dimension of globalization and the importance of providing access, including on preferential and concessional terms, to information and communication technology in order to enable the developing countries effectively to benefit from globalization by full and effective integration in the emerging global information network.

20. To intensify policies and approaches that serve to narrow the gap between developed and developing countries in information and communication technologies and enhance technology transfer, UNCTAD's Code of Conduct for the Transfer of Technology was recommended.

VI. SOCIAL IMPACT OF GLOBALIZATION

21. Globalization, unemployment in developing countries increases, particularly with the added difficulties encountered with the financial crisis. Unemployment affected the socio-economic fabrics of the concerned societies.

22. In assisting the affected countries to cope with the negative social consequences of marginalization on economic stability, employment and poverty, the initiative of the "Comprehensive Employment Strategy" submitted by G-15 to the ILO was underline in order to broaden and intensify the latter's efforts in cooperating with the developing countries to design economic policies for the return to stable growth conducive to social development. The ILO should also analyze the social and economic impacts of the financial crisis on the informal sector of the economies of the concerned countries as well as undertaking further studies on the impact of the crisis of financial markets on the various programmes for poverty alleviation in the affected countries.

23. The ILO should not only address the social consequences of the financial crisis, but also formulate a Comprehensive Employment Strategy for the longer term with the objective of stimulating employment creation in all developing countries since the G-15 believes that creating more and better jobs must be a priority issue on the international economic agenda in implementation of the Declaration and Programme of Action of the Copenhagen Summit on Social Development.

**VII. MEASURES ADVISED FOR ADOPTION BY THE DEVELOPING COUNTRIES:
RECIPE FOR THE 21ST CENTURY**

The deliberations and discussions led to the following recommended measures and/or actions at the international, regional and national levels:

24. At the international level:

A Globalization should ensure:

- Development with less poverty and deprivation, and with more raising of the standards of living;
- equity with less disparity between nations;
- inclusion with less marginalization of developing countries integrating all of them in the international economy;
- sustainability with less environmental destruction;
- ethics with less violation of human rights;
- democracy at the level of international relations.

B Some of the key institutions of global governance needed for the 21st century include, *inter alia*:

- A stronger and more coherent United Nations to provide a forum for global leadership with equity and human face;
- a global central bank should act properly in crisis situations as a lender of last resort;
- equitable representation and participation of developing countries in the decision, rule-making and standard-setting in the multilateral institutions including in the reform of the international financial system;
- the role of regional institutions is of utmost importance as complementary to that of multilateral agencies;
- a World Trade Organization that ensures not only free but also fair and equitable international trade, with a strengthened role of UNCTAD to ensure the development perspective of free trade;
- reinvigorate parameters for the practices of transnational corporations (TNCs) and transfer of technology;
- international cooperations should be strengthened in order to combat terrorism, drug-trafficking and money laundering.

C Even before these long-term changes are initiated or achieved, many actions and/or measures could be taken in the next few years, *inter alia*:

- Donor countries should accelerate their actions on debt relief and attain the objective of Official Development Assistance (ODA) of 0.7 per cent of their GDP in favour of developing countries with a view to the realization of the development priorities;
- full implementation of the Copenhagen World Summit for Social Development Declaration and Programme of Action, with special emphasis on the needs of the developing countries with respect to employment, education, vocational and technical training, and mobilization of resources for social development as a whole;
- full implementation of the consensus agreements on development that emerged from the principal United Nations conferences of the 1990s;
- new sources of financing for the global technology revolution should be investigated, to ensure that it is truly global and that its potential for poverty eradication is mobilized;
- developing countries should take collective – especially regional – initiatives to strengthen their positions in global negotiations in trade, finance, development, intellectual property rights and other areas;
- an independent legal assistance facility and ombudsman should be established to support the developing countries in the WTO in order to enable them to benefit from the Dispute Settlement Mechanism;
- studies on the impact of WTO for individual developing countries providing advice to them to face any adverse effects due to WTO is the need of the hour. G-15 with the assistance of UNCTAD and the South Centre can take the lead in this respect;
- a representative task force should be set up to review global economic governance. It should report jointly to the United Nations General Assembly, ECOSOC, UNCTAD, the IMF and the World Bank.

D Globalization is a process which, if properly harnessed and managed, the foundations for enduring equitable growth at the national and international levels can be laid. Globalization, and the increasing interdependence that it engenders, necessitates effective governance that focus primarily on: (a) the democratization of international economic decision-making; (b) the integrated consideration of trade, finance and developmental issues by the relevant international institutions; (c) the reform of the international financial architecture; and (d) the end of the marginalization of developing countries in the world economy.

E On the eve of the third millennium, people are unusually expectant of a more fundamental diagnosis, more ready to receive it, more eager to act on it. The Millennium Assembly of the United Nations is a global forum that could provide powerful momentum for moving the agenda forward.

F There is a need to ensure that the multilateral trading system develops in such a way that it preserves and advances developing countries' interests. The growing negative protectionist tendencies in the industrial countries manifested in the form of non-tariff barriers, anti-dumping duties and anti-subsidy investigations need to be checked. The continuation of specific duties imposed by many developed countries hide the very high duties for many items of export interest to developing countries. Therefore, there is a need to see that all specific duties are converted to *ad valorem* duties so that any hidden high duties become visible. An agreement on orderly movement of natural persons (labour) which is the largest

single source of efficiency gains for the world economy needs to be established. An evaluation of comparative advantages usually linked with globalization has to be done by seeing whether it is actual, induced or acquired comparative advantage.

- G Having recognized that through trade contagion of financial crisis can affect other trading partners observing sound macroeconomic policies, it was recommended that countries must resist the pressures for protectionism. Markets must remain open. WTO Agreements and Decisions must be fulfilled and implemented. Implementation of such provisions and the fulfilment of the Special and Differential Treatment reserved in favour of the developing countries should be a priority in the Third Ministerial Conference of WTO. UNCTAD's role should be reinforced to assist the developing countries in future trade negotiations. New issues proposed by developing countries such as labour standards and environment should not be on the agenda for future multilateral trade negotiations.
- H A new national, regional and international development strategy must take into account the challenges and opportunities of globalization. The financial aspect of this strategy is a central element of efforts geared towards sustained economic growth and comprehensive social development. This will contribute to reducing the volatility of the international financial markets and to achieving more harmonious equitable economic and social development.

25. **At the regional level:**

- Most of the developing countries are pursuing market-orientated growth strategies and, therefore, more intensive economic cooperations among developing countries is one means of increasing their capacity to produce, achieve economics of scale and become internationally competitive. Interregional cooperation could involve design and implementation of programmes and preferential treatment to benefit exports from developing countries;
- Regional, intra-regional cooperation and coordination should take place among developing countries through their groups, such as the G77, G24 and G15 with the view to strengthening their discussions and dialogue with G7/G8 and other industrialized countries in order to ensure the consistency and universality of economic policy measures and the design and implementation of the new international financial architecture. Regional and subregional financial institutions should play a vital role in these endeavours with the support of international financial institutions;
- Developing countries should strengthen the institutional framework of their cooperation in order to ensure effective coordination of their positions and strategies in international fora; and
- Individual countries should set up a high-level group to coordinate their positions on the process of globalization and manage their integration in the world economy.

26. **At the national level:**

- National efforts need to be strengthened by intensified regional, intra-regional and international cooperation in order to overcome the marginalization of many developing countries in the multilateral trading system and manage its risks, address the challenges and seize the opportunities created by globalization;

- It is important that the country of concern does its best in building up the structure of comprehensive development, developing its structure of production, and safeguard its competitive exporting capacity;
- It is important for the country of concern to deconstruct structural imbalances and create a suitable environment for the macroeconomics, i.e. diminishing inflation, fixing public budget deficits, stabilizing its exchange rate and solving the problem of foreign debts;
- Developing countries should not consider understanding commitments under any international agreement that would curtail the right of the host government to direct investments in priority areas;
- Developing countries should not continue to rely on their comparative advantage on low-cost unskilled labour and natural resource since both factors represent a diminishing share in the value added in virtually all products with the advances in the new technology. The developing countries have to acquire new basis for comparative advantage;
- Due account should be taken of the social aspect of privatization and of those policies and measures which are necessary in order to mitigate any adverse social consequences of privatization;
- The adoption of national and international measures for strengthening micro, small and medium-sized enterprises which provide the bulk of the employment on the economies of developing countries and provide a practical vehicle to develop their informal sectors;
- Developing countries should strive to translate the human development concept into operationalized strategy in all sectors in order to increase the capacity of their citizens to cope well with the challenges of globalization; and
- Individual countries should establish effective social safety-nets as integral elements of stabilization and adjustment programmes to protect the most vulnerable elements of populations particularly in the crisis affected countries.

27. The importance of continued and constructive dialogue and interaction with the industrialized countries particularly G7/G8 with the view to establish genuine partnership conducive to further international economic cooperation for development in the 21st century.

28. It was recommended the consideration of this report by the Personal Representatives of the G-15 in their preparations for the forthcoming meetings such as: WTO Third Ministerial Conference, UNCTAD X, the South Summit, the Tenth Summit of the Group of Fifteen and the Millennium Assembly of the UN, as well as in their dialogue with G8.

ANNEX 1

List of Participants

Algeria

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- Prof. Dr. Mounir Hindy
- Prof. Dr. Alya El-Mahdy
- Dr. Gouda Abdei-Khaleq
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- H.E. Mamadou Sow
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- Mr. Alexanne Tall
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FCCI

- Dr. Wagluh Dakroury
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ANNEX II

List of Documents

- Programme of work and provisional agenda.
- Opening remarks by Ambassador Dr. Mounir Zahran, Chairman of the Personal Representatives of the G-15.
- Opening statement by Dr. Mustapha Kamel Al-Sayyid, Director of the Center for the Study of Developing Countries of Cairo University.
- Joint Communiqué of the Ninth Summit of the Group of Fifteen.
- G-15 Comprehensive Employment Strategy.
- Report of the G-15 expert meeting on the financial crisis and reform of the international architecture.
- UN Report of the expert meeting on the growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment.
- Note by the UNTAD to the expert meeting on the growth of domestic capital markets (UN).
- Globalization, competition and economic stability. (Habitat Center)
- Does globalization cause a higher concentration of international trade and investment? (WTO).
- Crisis of development or crisis of globalized markets. (Address by Secretary General of UNCTAD).
- Remarks by Mr. Michel Camdessus, IMF Managing Directors, on strengthening the link between economic and social policies within the framework of a globalized economy.
- ILO contribution to the debate by Loretta De Luca – Director of ILO Cairo Office.

Contributions by Experts and Scholars from Member States

- Overview of the world economic and social environment and the process of globalization and liberalization: opportunities and challenges. (Egypt)
 - Developing countries and economic globalization: the need to a different course of interaction. (Egypt)
 - Foreign portfolio investment and its impact on capital markets. (Egypt)
 - Globalization and its effects on the foreign trade of the developing countries: time to change attitudes. (Egypt)
 - Social implications of globalization on the developing countries. (Egypt)
 - Globalization: a general assessment, and few ideas for a rationalized world economy. (Egypt)
 - Globalization and trade of developing countries. (India)
 - Globalization of economic activities and its social impact, a south perspective. (Kenya)
 - High-level regional meeting: towards a stable and predictable international financial system and its linkage to social development. (Mexico)
 - Remarks by Professor Dr. Mohamed Yassen Ferera – Cread – Algeria "Social Impact of Economic Liberalization: Algerian Experience".
 - Malaysia's experience in globalization.
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