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Annex II

**DISCUSSION IN THE TRADE AND DEVELOPMENT BOARD UNDER AGENDA ITEM 6 (b): REPORT ON UNCTAD'S ASSISTANCE TO THE
PALESTINIAN PEOPLE**

1. For its consideration of this item, the Board had before it the following documentation:

"Report on UNCTAD's assistance to the Palestinian people" (TD/B/47/5).

2. The **Coordinator of the Assistance to the Palestinian People Unit** introduced the secretariat report on the item, which reviewed completed, ongoing and pending technical assistance activities and provided a brief account of recent aggregate Palestinian economic performance. He noted that UNCTAD's work-programme of assistance to the Palestinian people was guided by the United Nations medium-term plan for 1998-2001 and by

the Bangkok Plan of Action, which welcomed this assistance and called for it to be intensified. In this respect, UNCTAD had met the expectations of the General Assembly and the Conference by providing sustained and concrete assistance to the Palestinian people.

3. UNCTAD's technical assistance activities currently drew upon the range of substantive competencies of the secretariat, grouped within four major substantive areas. Including recently approved projects, by the end of 2000 the secretariat would have secured around 50 per cent of the total funds required to implement all related UNCTAD technical assistance proposals prepared since 1997. Working in close consultation with Palestine, the secretariat had made a number of proposals for technical assistance which had been positively received by several donors. He highlighted progress in several projects relating to key areas of Palestinian capacity building and strategic economic development: national and multilateral trade policy; debt management; support for small and medium-size enterprise development; macroeconomic analysis and simulation; subregional cooperation in trade facilitation; and, strengthening operational capacities in customs administration.

4. The structural problems facing the Palestinian economy, while not insurmountable, spanned a wide range of sectoral and macroeconomic issues and needs. While the post-interim-period political and economic framework should permit a more systematic effort to reorient economic policies, the continued availability of external resources would remain crucial to sustaining the reconstruction and development programme over the coming decade. Enhanced management of external and domestic resources called for a sustained and vigorous commitment by the Palestinian Authority to its recently announced economic reform programme, which the international community had endorsed. He concluded by noting that many tasks remained and the cooperation of all concerned parties and agencies was required if the Palestinian economy was to succeed in breaking away from its adverse legacy. Even in the best of political and security circumstances, this would continue to engage the special attention of the international community for several years to come. UNCTAD could only hope to contribute selectively to the successful elaboration and implementation of the emerging Palestinian strategic development policy in those areas where the secretariat had established competencies and a successful track record. For this effort to proceed and succeed, and for UNCTAD's assistance to reach its target, the requisite stability on the ground and confidence in the prospects for peace and development must be restored.

5. The representative of **Palestine** said that he deeply appreciated the outstanding efforts of the UNCTAD secretariat in providing assistance to the Palestinian people, and he welcomed the report on UNCTAD's technical assistance projects in this regard. However, it was unfortunate that these efforts could be in vain as a result of the war waged by Israel against the Palestinian people in the occupied territory. During the assault of the last two weeks, in which tanks and heavy weapons had been used, more than 100 Palestinians had been killed and 2,000 injured. The continued military siege of Palestinian cities, villages and camps also besieged the economy and undermined its development and prosperity. Thus, Israel had aborted many UNCTAD projects that aimed to provide the foundation for a strong and independent Palestinian economy. If not halted, this vicious war would have a negative impact on UNCTAD's projects in the future.

6. The Board's session should have been an occasion on which the secretariat was congratulated on its efforts and engaged in a constructive dialogue. But the blow struck by Israel, the occupying power, against the peace process was also a blow against the Palestinian economy and infrastructure, which had suffered from 32 years of destructive Israeli policies. The Palestinian people were awaiting justice from the international community and were expecting solidarity with the martyrs who had been killed at the hands of Israeli soldiers and settlers who did not want prosperity, development, peace or stability. Occupation could not provide the conditions for development, but rather it increased anger, pain and destruction in the occupied homeland. The Palestinian people, in all their sectors and wherever they lived, were determined to resist, in order to regain their legitimate national rights, at the forefront of which was the right to self-determination and establishment of their independent state with Holy Jerusalem as its capital.

7. He concluded by stating that the memory of the Palestinian people was replete with tragedies and agonies, despite which they had hoped for a peace which restored their rights. However, the recent blow struck by Israel had dashed these hopes. Now, the sacrifices of the Palestinian people and the martyrs of the Holy Aqsa had become signposts that lit the way from occupation to liberation, independence and the true and accurate application of international legitimacy so as to achieve a just, comprehensive and lasting solution of the question of Palestine.

8. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Group of 77 and China**, noted that his Group, as the primary initiator of UNCTAD's work-programme on assistance to the Palestinian people, had followed closely the secretariat's progress in implementing this mandate. He was gratified that, despite many difficulties over the years, this work had matured into a fully operational programme of technical assistance activities, growing out of a solid base of research and analytical expertise. The Bangkok Plan of Action reflected a consensus at UNCTAD for the first time regarding the importance of this programme and calling for it to be intensified.

9. UNCTAD was now a full partner with the Palestinian Authority and international agencies active in providing assistance to the Palestinian people, providing a diverse package of UNCTAD technical assistance activities grouped under four programmes. This approach was not only well in line with UNCTAD's substantive and technical capacities, but also reflected the wide range of development assistance needs of the Palestinian people as they moved to build their economy after many years of occupation.

10. He warmly congratulated the secretariat on its persistence and innovation in making use of limited resources to deliver maximum benefits to the Palestinian people. In a number of critical areas for the development of the Palestinian economy, the secretariat was providing the Palestinian Authority with valuable advice and technical support which complemented and enhanced the other elements of international technical assistance in this area.

11. The report before the Board correctly noted that the Palestinian economy suffered from the adverse consequences of prolonged occupation and continued to feature a number of longstanding imbalances and

structural weaknesses. While recent years had permitted a new policy framework to be adopted to allow for some improvement in economic conditions, the promises of the interim period were unmet, and it had taken several years for the economy to recover from the shocks of the mid-1990s. The Palestinian people still had a long way to go in rebuilding and developing their economy and breaking out of their isolation from regional and global trends. The support of UNCTAD and its continued commitment to assisting the Palestinian people would therefore be vital.

12. Nevertheless, real development could not occur under conditions of military occupation and constant strife. The recent tragic events in the occupied Palestinian territory and the dangers of a wider conflict only served to confirm that belief. Until the Palestinian people were able to establish the independent state of Palestine and exercise their right to self determination, the vicious cycle of violence and instability would only be reinforced and the prospects for peace and development would remain dim. As the world prayed for a peaceful resolution of the conflict, he too hoped that circumstances would soon improve so that UNCTAD was able to pursue its important activities of assistance to the Palestinian people. In conclusion, he expressed sincere appreciation for the significant extrabudgetary support provided for the benefit of the Palestinian people by a number of donor States. He hoped that new donors would soon join them, so as to provide all the resources needed to implement the secretariat's programme of assistance.

13. The representative of the **Islamic Republic of Iran** considered it regrettable to have to consider UNCTAD's report on assistance to the Palestinian people while Palestinians were being killed by Israel. The declaration of the recent Millennium Summit of the United Nations stated that no nation should be deprived of its right to development. Yet today the Palestinian nation was not only being deprived of that right but was also being subjected to much brutality. UNCTAD's assistance to the Palestinian people was highly appreciated, and this was confirmed by the Bangkok Plan of Action, which provided further support for this programme. He expressed grave concern and condemnation of the atrocities being committed against the Palestinian people, which among other things would adversely affect the development-oriented activities of the UNCTAD secretariat in this area.

14. The representative of the **League of Arab States** welcomed the secretariat report on activities to assist the Palestinian people in building the economic, commercial and service structures required to improve living standards and eliminate the adverse impact of decades of occupation, which had deprived them of basic requirements, growth and development. The report also highlighted areas of cooperation between UNCTAD and the Palestinian Authority, in regard to which several observations were pertinent. In particular, he noted the special circumstances faced by the Palestinian economy, which had had to start from a weak position. It was emerging from an occupation that had sapped its vitality and deprived all walks of life of the opportunity for normal growth, creating unemployment, poverty and isolation from the external environment.

15. International trade required free movement of goods and services, and indeed globalization was considered by some to imply the erasure of borders through increased trade exchanges and the movement of capital. The European Union had recently reaffirmed the importance it attached to the establishment of a Euro-Mediterranean free trade area, and it was unacceptable that the Palestinian people should be excluded from benefiting from such developments. It was unrealistic to speak of Palestinian trade in such circumstances of isolation and restriction. In the face of such a contradiction between theory and practice, it was unthinkable that the Palestinian Authority could fulfil its trade commitments towards the European Union or be able to integrate into the global economy.

16. He appreciated the many technical cooperation projects that the secretariat report had reviewed, including studies, reports and advice on various issues. However, such assistance, while necessary in order to permit economic take-off, was insufficient if not followed up by concrete measures on the ground and realistic perspectives that would enable the Palestinian people to enjoy the freedom and dignity shared by all peoples. There was an organic link between security and peace on the one hand and development on the other. The Palestinian people and the region as a whole needed a real, balanced and lasting peace to be able to move forward towards social prosperity, harmony and mutual respect. The climate of tension resulting from dangerous Israeli actions, including killing of defenceless children, had impaired development activities and threatened the human resource base of present and future Palestinian generations. Peace was the cornerstone for any development or any future assistance in support of the Palestinian people and the region.

17. The representative of **Egypt** said that this year's deliberations on this item were overshadowed by the bloody events witnessed in the occupied Palestinian territory and the brutal attacks against Palestinians. For two weeks, the Israeli occupation army had been killing the children and youth of Palestine who had risen up against irresponsible acts aimed at provoking Arabs and Muslims everywhere and thus demonstrated their willingness to die for their beliefs, their right to a homeland, their holy places and the establishment of their state. The brutal treatment of the Palestinian people cast doubt on the real value of the efforts that had been expended for the past decade to end the Palestinian bloodbath and to offer some future for the generation of Palestinians who had experienced nothing but harsh Israeli occupation. She saluted the Palestinian people, who once again had shown the world that they would not compromise on their legitimate rights.

18. She thanked the Assistance to Palestinian People Unit for the comprehensive and systematic report on its recent activities. The report showed that the features of Palestinian economic growth that had arisen under occupation still prevailed, despite the efforts exerted over the interim period. In this regard she highlighted a number of points mentioned in the report which reflected both longstanding structural problems as well as some recent marginal improvements. She agreed with the secretariat that the post-interim period would allow for a major reorientation of economic policies, while the tasks of reconstruction and development would still call for significant external resources.

19. She also commended the secretariat on its approach to programme implementation in this area through flexible delivery modalities, mobilization of support from substantive divisions, the serious steps taken to appoint a Coordinator for the programme, and the growing inter-agency cooperation. While she noted with

appreciation the increased support of donors for this programme, she was alarmed that a large deficit remained between required expenditures and available resources. In conclusion, she stated that continued efforts were expected from UNCTAD to assist the Palestinian people in designing economic policies and establishing an effective national administration in the areas of trade, finance and related services. The experience gained in recent years had increased the capacity of the secretariat to intensify these efforts, a move that she strongly encouraged.

20. The representative of **France**, speaking on behalf of the **European Union**, said that the secretariat report was very instructive, as it made it possible to identify some progress. This was a source for hope, despite the scale of the difficulties the report mentioned. He hoped that the Palestinian economy, while still very vulnerable, could be restructured and that trade exchanges within the subregion could be developed. That would depend on the belief that there was a real possibility to arrive at a just, lasting and comprehensive peace in the Middle East on the basis of the principles established in Madrid, Oslo and the subsequent accords and in conformity with the pertinent United Nations resolutions.

21. Despite the current dramatic events, this work of UNCTAD, which was part of the broader efforts of United Nations agencies in support of the Palestinian people, had fully maintained its usefulness. It was designed to train people, reinforce institutional capacities, improve the management of the macro economy, develop small and medium-size enterprises and support trade. In the areas of its competence, UNCTAD had initiated assistance that was carefully planned, well targeted and demand-driven. Such assistance could support the development of the local economy and help the Palestinian Authority to better serve its people. It thus prepared the ground for the peace that he believed was still possible.

22. The European Union had been the main donor for the Palestinian people since 1994, providing grants for basic needs and loans, and it was also the main extra-regional trade partner of the Palestinian Authority. In concluding, he noted that the Council of Europe had just reaffirmed that, for two peoples that had to coexist, there was no way forward except to resume peace negotiations, and in that connection the Israelis and Palestinians had recently overcome obstacles which had been considered insurmountable. In this critical period, every effort must be made to ensure that fear, hatred and violence did not prevail and that the dialogue for peace could resume.

23. The representative of **Sudan** said that dangerous developments had taken place in the occupied Palestinian territory in the form of barbaric attacks against the Palestinian people by the Israeli army. This could only reflect negatively on the Board's deliberations on the item this year. These developments demonstrated that the Israeli mentality had still not absorbed the lessons of history, and the Palestinian people's commitment to their land, holy places and right to an independent homeland could never justify such brutality and violence. He saluted the Palestinian people, who had again demonstrated the strength of their conviction concerning the justice of their cause and their determination to regain their rights.

24. The report before the Board showed that the economic situation in the occupied territory had not improved as promised and that it continued to suffer from the obstacles and imbalances caused by Israeli occupation. This deterioration confirmed the fact that there could be no social or economic development under occupation. He was confident that, once circumstances again permitted, the Palestinian economy would have the potential to develop independently, far from Israeli hegemony. The report clearly showed how well prepared the secretariat was to contribute to this effort, as it had undertaken a range of activities to help pave the way for the coming stage of Palestinian independence. The secretariat's programme of activities reflected a sound technical sense and represented a sensitive response to Palestinian development requirements. He appreciated the positive role of donor States so far, and he called for additional support for this programme.

25. The representative of **China** expressed appreciation for the report prepared by the secretariat in an important area of work of UNCTAD. The work of the secretariat over the year had promoted the trade and development of Palestine. Adverse conditions over a prolonged period had reduced the economic prospects of the Palestinian people, but he appreciated the unrelenting efforts of the Palestinian people to develop their economy, with the support of the international community.

26. UNCTAD's assistance had evolved over the years, thus facilitating the process of regional and global integration of the Palestinian economy. UNCTAD's assistance in developing the economic policy and regulatory framework had helped to keep economic development in line with the development of the Palestinian society as a whole. UNCTAD's projects were most useful and reflected the long-term efforts that were needed to address chronic problems. He regretted that it had not been possible for a number of projects to commence owing to budgetary limitations. He noted that, as recent events had again shown, the external environment was responsible for many of the remaining problems facing the Palestinian economy. In concluding he stressed that an independent Palestinian state was necessary to ensure development of the Palestinian economy, and the international community must provide the necessary support.

27. The representative of **Pakistan** said that the discussion on UNCTAD's assistance to the Palestinian people was taking place at a sombre time. The Palestinian's hopes to secure a modicum of development and growth and to realize modest benefits from the interim phase were again being brutally thwarted. The international community again watched with despair and shock the unraveling of painstaking efforts to assist the Palestinian people to embark upon a path of sustained development. The secretariat's report was extremely instructive, especially in that it clearly brought out the extremely difficult policy environment in which the Palestinian people sought to fulfil their developmental aspirations.

28. The report highlighted the fact that the Palestinian people were still locked into a situation where they could not rely upon their own capacities to develop because of an inhibiting environment. While recent years had seen some growth, the report correctly noted that such growth spurts had already been seen in the past, only to be followed by steep decline owing to the economy's vulnerability to external pressures and shocks. Tragically, once again the Palestinian economy was being subjected to a similar shock and thus the report's optimism regarding the prospects for a systematic effort to reorient macroeconomic policies would

appear to be misplaced. In such a situation, the specific assistance activities by UNCTAD for the Palestinian people were laudable, but their effectiveness and durability were not certain. Recent events had borne out the need for a more unflinching assessment of the policy environment in which the Palestinian people sought to advance economically.

29. Finally, the international community needed to acknowledge the indivisibility of a just peace and meaningful development. It was unacceptable that the Palestinian people should have to pursue their efforts to develop in a situation where these efforts could be swept away by the arbitrary and callous actions of the occupying power. The international community needed to recognize that its efforts to assist the Palestinian people would lead nowhere if these efforts took place in an occupier-occupied framework. Discussions on technical assistance would appear farcical to the people of Palestine if they continued to take place in a context where children got shot and young people confronted death and incarceration.

30. The representative of **Israel** said that, in discussions on this agenda item in previous years, his delegation had always tried to focus on the matter at hand, despite attempts by others to use the opportunity to further political goals not directly related to UNCTAD. In light of the renewed introduction of political issues into the Board's deliberations and because of the gravity of the situation in the Middle East, he was obliged to outline briefly the position of the Government of Israel regarding the Middle East peace process and the events of recent days.

31. Israel was committed to reaching a comprehensive peace in the Middle East and had done its utmost to further peace negotiations. In negotiations with the Palestinians, and especially during the Camp David Summit, Israel had made far-reaching proposals, making a supreme effort to move towards conclusion of the conflict. This position was fully appreciated by world leaders. The moment of truth had now arrived, and it was time for leaders of both parties to make bold and courageous decisions. However, the Palestinian side seemed to have chosen another route, that of violence.

32. Israel would not make further concessions as a result of violent pressure, and the only way to reach agreement with its Palestinian neighbours would be at the negotiating table. Despite repeated calls by Israel, a clear, unequivocal and authoritative Palestinian statement calling upon the Palestinians to cease hostilities had yet to be heard. Israeli security forces and civilians had been exposed to hundreds of attacks across the West Bank and Gaza, while instructions to Israeli forces had been unequivocal in insisting upon the minimum use of violence.

33. He was hopeful that wisdom and caution would prevail and that Israel's neighbours would issue clear instructions to calm the situation down and then return to the negotiating table. However, rather than calls for restoring calm, just the opposite had been witnessed so far. Nevertheless, he hoped that the violence would soon be left behind and that it would be possible to return to the negotiating table and renew the efforts, which had begun with the 1993 Oslo Accords and which had culminated at the Camp David Summit.

34. He went on to state that Israel welcomed the report prepared by the secretariat on this item. With a few exceptions, it was evident that the report was professional, and he congratulated the secretariat for this attitude, which he hoped would continue in the future. Israel strongly supported the strengthening of the Palestinian economy and infrastructure, and had been working together with the Palestinians to further this goal. He noted the different areas of economic cooperation between the parties, including through employment of Palestinians in Israel, significant trade flows between the partners, the creation of industrial parks, and training of Palestinian professionals in various fields.

35. In conclusion, he stated that even during the tragic events of the last few days, Israel had tried to allow the economic environment to function as normally as possible. The Secretary-General of the United Nations and other world leaders were working around the clock in order to get the peace process back on track. Only through negotiations and dialogue could a lasting, comprehensive peace be achieved, which would have a tremendous impact on the issue under discussion today, namely the economic development of the Palestinians.

36. The representative of the **United States of America** said that his delegation associated itself with the supportive comments made on UNCTAD's efforts to assist the Palestinian people. This was an endeavour that had the complete support of the United States of America, which had a complementary programme of assistance to the Palestinian people. He also agreed with the statements by the League of Arab States and Egypt to the effect that real lasting peace was necessary for development. His country called upon all parties in the region to join in resuming the peace process with a view to achieving a real and lasting peace in the Middle East, and it would continue to do its best to contribute to the success of that process for the benefit of all peoples in the region. He hoped that the current efforts of the United Nations Secretary-General and other world leaders would soon lead to a solution that would offer continued economic growth for the Palestinian people and their neighbours.

37. The representative of **Cuba** voiced serious concern about the disparity between events in the occupied Palestinian territory and the picture drawn by the secretariat report. While the report did not give reason for much optimism, it showed that UNCTAD and the international community were making efforts for the development of the Palestinian people. There was a contradiction between the contents of the secretariat report and actual events on the ground. As long as the rights of the Palestinian people were not respected, and as long as the Palestinians continued to be denied justice and to be attacked, they would not be able to benefit from such efforts.