

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Geneva

TRADE AND DEVELOPMENT REPORT, 2003

**CAPITAL ACCUMULATION,
GROWTH AND
STRUCTURAL CHANGE**



UNITED NATIONS
New York and Geneva, 2003

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Report by the secretariat of the
United Nations Conference on Trade and Development



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FOREWORD

With the adoption of the Millennium Development Goals, the international community has made a bold commitment to correcting some of the most egregious social imbalances scarring the global landscape. The timetable is tight, and success will depend on a host of factors, including achieving stable and robust global economic growth.

Currently, the world economy is going through difficult times. The financial excesses and global economic imbalances of the 1990s are proving difficult to overcome. Although there has been no repeat of the damaging contagion from financial crises that have regularly hit emerging markets since the mid-1990s, confidence has remained fragile almost everywhere. Moreover, despite the efforts of policy makers, the rebound that had been anticipated in the richest economies has not happened.

Getting back on track requires greater policy coherence and more effective multilateral coordination. Given the increased integration of developing countries into the global economy and their external vulnerability, it is especially important to find ways to better support the expansion of global economic activity and to attain greater stability of the international financial and monetary system. Indeed, these issues will continue to be at the top of UNCTAD's agenda as it prepares for its eleventh quadrennial conference, to be held next year in Brazil.

For more than two decades, developing countries have been implementing a variety of demanding reforms – in particular increased openness to international trade and capital flows – in an effort to stabilize their economies and to tackle poverty. These measures have been pursued with particular vigour in many Latin American countries. And yet, early successes have not endured. This year's *Trade and Development Report* looks for clues as to why this has happened, focusing in particular on capital formation, structural change and international competitiveness. The *Report* provides explanations that may challenge conventional points of view, and calls for new thinking on development strategies and on how domestic and international policy makers might best direct their energies to revive growth and tackle the deep-seated problems of poverty and social exclusion.

Kofi A. Annan
Secretary-General of the United Nations

This *Trade and Development Report* was prepared by staff of the Division on Globalization and Development Strategies of UNCTAD, under the guidance of its Director, Yilmaz Akyüz. The analysis has benefited from comments and suggestions by staff from other UNCTAD divisions. The *Report* is the main document for intergovernmental deliberations on interdependence in the Trade and Development Board, the permanent organ of UNCTAD to carry out the functions of the Conference when it is not in session.

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Explanatory notes

Classification by country or commodity group

The classification of countries in this *Report* has been adopted solely for the purposes of statistical or analytical convenience and does not necessarily imply any judgement concerning the stage of development of a particular country or area.

The major country groupings distinguished are:

- » Developed or industrial(ized) countries: in general the countries members of OECD (other than the Czech Republic, Hungary, Mexico, the Republic of Korea and Turkey).
- » Transition economies: the countries of Central and Eastern Europe (including the States formerly constituent republics of Yugoslavia), the Commonwealth of Independent States (CIS) and the Baltic States.
- » Developing countries: all countries, territories or areas not specified above.

The term “country” refers, as appropriate, also to territories or areas.

References to “Latin America” in the text or tables include the Caribbean countries unless otherwise indicated.

Unless otherwise stated, the classification by commodity group used in this Report follows generally that employed in the UNCTAD *Handbook of Statistics 2002* (United Nations publication, sales no. E/F.03.II.D.2).

Other notes

References in the text to *TDR* are to the *Trade and Development Report* (of a particular year). For example, *TDR 2002* refers to *Trade and Development Report, 2002* (United Nations publication, sales no. E.02.II.D.2).

The term “dollar” (\$) refers to United States dollars, unless otherwise stated.

The term “billion” signifies 1,000 million.

The term “tons” refers to metric tons.

Annual rates of growth and change refer to compound rates.

Exports are valued FOB and imports CIF, unless otherwise specified.

Use of a dash (–) between dates representing years, e.g. 1988–1990, signifies the full period involved, including the initial and final years.

An oblique stroke (/) between two years, e.g. 2000/01, signifies a fiscal or crop year.

Two dots (..) indicate that the data are not available, or are not separately reported.

A dash (-) or a zero (0) indicates that the amount is nil or negligible.

A dot (.) indicates that the item is not applicable.

A plus sign (+) before a figure indicates an increase; a minus sign (-) before a figure indicates a decrease.

Details and percentages do not necessarily add to totals because of rounding.

Abbreviations

ADB	Asian Development Bank
BIS	Bank for International Settlements
CEPAL	Comisión Económica para América Latina y el Caribe
CIS	Commonwealth of Independent States
CPI	consumer price index
CTE	Committee on Trade and Environment (WTO)
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECE	United Nations Economic Commission for Europe
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EFTA	European Free Trade Association
EIU	Economist Intelligence Unit
EU	European Union
FDI	foreign direct investment
FTZ	free trade zone
G-24	Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GFCF	gross fixed capital formation
GTAP	Global Trade Analysis Project
IADB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
IT	information technology
ITRO	International Tripartite Rubber Organization

LDC	least developed country
M&A	merger and acquisition
MERCOSUR	Southern Common Market
NAFTA	North American Free Trade Agreement (or Area)
NIE	newly industrializing economy
NTM	non-tariff measure
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OPEC	Organization of the Petroleum Exporting Countries
R&D	research and development
RCA	revealed comparative advantage
SARS	Severe Acute Respiratory Syndrome
SDR	Special Drawing Rights of the IMF
SITC	Standard International Trade Classification
TDR	Trade and Development Report
TNC	transnational corporation
TRIMs	Trade-related Investment Measures (WTO Agreement)
TRIPs	Trade-related Aspects of Intellectual Property Rights (WTO Agreement)
ULC	unit labour cost
UN/DESA	United Nations Department of Economic and Social Affairs
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UNU/WIDER	United Nations University/World Institute for Development Economics Research
WEO	World Economic Outlook
WTO	World Trade Organization
WTOR	World Tourism Organization