



## I. INTRODUCTION

### Opening statements

1. The **Secretary-General of UNCTAD**, in his opening statement, noted that the timing of the Commission meeting was opportune in that it coincided with the intensification of preparations for UNCTAD XI (to be held in Brazil in 2004). While consultations with delegations regarding preparations for the conference had already begun, the meeting provided an opportunity to consolidate thinking on the matter. One important issue that UNCTAD XI should address was improving the coherence between national development strategies and international processes and negotiations. National policies that strengthened a nation's self-reliance were influenced by external constraints. UNCTAD would focus on its expertise and mandate in this regard, the linking of multilateral negotiations with enhancement of the productive sector.

2. Productive capacity was a fundamental building block of development. Over the past decade, many countries had failed to benefit from trade negotiations; they had not been able to seize new opportunities because of supply constraints and poor transport infrastructure. It was necessary to consider supply capacity not only in a narrow sense but also in terms of delivery of goods to the consumer. One needed to look both at the productive sector and at conditions for the delivery of goods and services to the international market. For example, it was necessary to determine how to maximize the use of new technologies such as electronic commerce. This was the particular focus of this Commission.

3. It was obvious that small and medium-sized enterprises (SMEs) deserved priority. UNCTAD had devoted much of its work to the transnationalization of systems of production and to transnational corporations (TNCs), and attention to SMEs was a necessary complement. It was well known that some enterprises such as Microsoft Corporation had started out as SMEs and had benefited from credit extended by the United States Small Business Administration. UNCTAD had devoted much time to studying the benefits of building linkages between large and small enterprises and integrating the latter into the world economy. UNCTAD's focus must be on foreign trade and improving the export competitiveness of SMEs. TNCs were not the only actors in world trade; SMEs were important because of their creativity and dynamism. The panel on competitiveness would provide an opportunity to examine the conditions determining the success of SMEs. One should adopt an empirical approach and study the experiences of different countries to explain the differences in their performance.

4. He drew the Commission's attention to the case of Cambodia, which, despite having endured large population losses and near-destruction of its accumulated knowledge, had had a clear vision of how to move forward and maximize its trade opportunities. The Commission should consider to what extent successful examples of investment, enterprise development and export competitiveness were replicable in other countries. It should then come up with practical solutions in terms of transport and electronic commerce.

5. There was a need to focus on the productive sector and on how to make this sector capable of reaching out and delivering products on the international market, which involved international transport and trade facilitation. International transport faced many new challenges, including ones related to security.

6. UNCTAD would devote attention to e-commerce, an area in which some developing countries were doing very well. Current technologies needed to be made available to the productive sectors so that these could more efficiently deliver goods and services to international markets. With the adoption of ICT and e-commerce, SMEs were becoming increasingly integrated into the global marketplace. Success stories such as those of Costa Rica and India offered concrete examples to help other developing countries improve their performance. UNCTAD had for many years played an active role in the area of ICT and e-commerce, and the Commission should consider the substantial contribution UNCTAD could make to the upcoming World Summit on the Information Society (WSIS) and in the context of preparations for UNCTAD XI. Finally, the Commission's deliberations should concentrate on the preparations for UNCTAD XI, which was not an end in itself, and on clarifying which development strategies could improve the productive sector and take advantage of global trading opportunities.

7. The representative of **Thailand**, speaking on behalf of the **Group of 77** and **China**, said that many countries in the Group of 77 had found that efforts to improve macroeconomic stability, liberalize trade and gain market access did not by themselves guarantee economic growth and development. Without appropriate micro-level policies to strengthen a country's productive capacity, macro-level policies would be inefficient. Greater competitiveness at the national level allowed developing countries to diversify away from dependence on a few primary-commodity exports and move up the skills and technology ladder, which raised income and permitted greater economies of scale and scope in production. To derive the full benefits of the multilateral trading system, specific efforts were needed to strengthen the productive capacity of the enterprise sector. It was crucial that these policies focus on the SME sector, since the overwhelming share of gross domestic product (GDP) and jobs was created by SMEs.

8. She commended UNCTAD's attempts to identify the factors that were crucial for the competitiveness of developing countries, and which included financing of SMEs, enhancement of linkages between foreign and local enterprises, and promotion of research and development. The secretariat's issues note "Improving the Competitiveness of SMEs through Enhancing Productive Capacity" (TD/B/COM.3/51 and Add.1) provided an excellent starting point for discussions on this topic in preparation for UNCTAD XI. The Group of 77 and China would welcome further work by UNCTAD on this subject and urged UNCTAD to examine in greater detail policies and programmes that had had an impact on competitiveness and technology development in developing countries. In particular, she emphasized the importance of the EMPRETEC programme in strengthening these countries' ability to assist their SMEs. Donor countries were encouraged to give special attention and support to EMPRETEC.

9. She also acknowledged the importance of efficient transport and trade facilitation as core elements for enhancing participation by developing countries in global trade. Furthermore, effective transport services were a prerequisite for foreign investment. Any trade facilitation programme should consider all of the issues discussed at the Expert Meeting on "Efficient Transport and Trade Facilitation to Improve Participation by Developing Countries in International Trade" (Geneva, 25–27 November 2002). She expressed concern, in relation to the ongoing trade facilitation activities within the World Trade Organization (WTO), that assistance should cover not only determination of the needs and priorities of developing countries but also implementation of trade facilitation measures. The implications for trade of recent security initiatives involving the transport of goods also needed to be monitored. Furthermore, as a response to the growing demand for door-to-door transport, the development of door-to-door logistics services, with the involvement of local suppliers, was a possible improvement on the current complex processes for shipment in developing countries, especially landlocked ones.

10. Information and communication technologies (ICT) were important tools for achieving productivity growth and efficiency gains. While ICT and e-commerce offered new opportunities, in particular for SMEs, developing and developed economies were deriving unequal benefits from ICT. She emphasized the potential of ICT, and particularly the Internet, for helping developing countries and their SMEs to improve competitiveness and productivity through organizational changes induced by these technologies. As a result, ICT were high on the development agenda of many developing countries as key elements for increasing their participation in global markets. However, for developing countries and their enterprises to benefit fully from ICT and e-commerce and to integrate themselves into regional and global supply chains, impediments such as lack of infrastructure, access, awareness, capacity building, and regulatory and administrative frameworks needed to be addressed at the international, regional and national levels, since the external financial position of some developing countries would, in certain cases, prevent them from investing in the ICT sector. She stressed the continuing active role played by the UNCTAD secretariat regarding ICT and e-commerce and praised the secretariat's policy analysis work as embodied in the *E-Commerce and Development Report 2002*. She encouraged the secretariat to continue its work in the area of e-commerce and development to assist developing countries and countries in transition in defining policy and business strategies. The Group of 77 and China stressed the crucial role of the information society in economic development and wished it to be included in the agenda of the WSIS.

11. The representative of **Morocco**, speaking on behalf of the **African Group**, said that SMEs played a significant role in developing countries and especially in Africa, and that they were the dominant players in income and job creation. A healthy macroeconomic environment was crucial in order for African SMEs to grow in a sustainable manner. However, lack of financing and current low levels of technology were keeping SMEs from playing the role that country Governments expected them to play in national development strategies. Human resources also needed to be improved in order for SMEs to grow. His Group welcomed EMPRETEC's spread to Ethiopia, Morocco and Uganda, wished to see it extended to other African countries, and thanked the Government of Italy for its assistance.

12. Many countries in his Group faced transport problems. These problems were reflected in the freight expenditure of African countries for 2000, which had totaled US\$14.4 billion and had been 1.5 times higher in proportion to their import costs than the estimated expenditures of other developing countries. For some landlocked LDCs, transport costs were as high as 60 per cent of the value of exports, creating a real barrier to trade. In many African countries, lengthy transit times resulted from inadequate infrastructure, lack of qualified personnel, cumbersome procedures and limited coordination between transport modes. However, the use of ICT had led to progress in some railways, ports and Customs administrations, and similar improvements were now needed in the road transport sector. Reform and simplification of national procedures, regional cooperation along transport corridors, and use of multimodal transport could significantly improve transport for landlocked countries. It was to be hoped that the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation (to be held in Alma-Ata in August of this year) would act as a catalyst to resolve transit transport problems. With the continuing support of the international community, African countries would continue to give priority to strengthening their transport capacity and improving its legal, institutional and operational framework. The Group also fully supported the conclusions of the Expert Meeting on “Efficient Transport and Trade Facilitation”.

13. As was reported in the *E-Commerce and Development Report 2002*, the volume of e-commerce was still negligible in Africa, although real potential for expanding e-commerce existed in African countries. Opportunities were gradually appearing, and Africa offered comparative advantages within the framework of the “new economy”, in areas such as online and offline teleservices and tourism. However, he stressed the challenges in terms of telecommunications, access, skills, and the legal and regulatory framework and encouraged the secretariat to continue its efforts to help developing countries and LDCs in Africa, as well as their SMEs, develop and establish adequate e-strategies. He congratulated the secretariat on its studies on e-commerce and their social, economic and legal implications, as well as the high-level regional conferences on e-strategies for development, and welcomed the conference to be held in Tunisia in May of this year. He strongly supported the secretariat’s proposal to include e-commerce on the agenda of the WSIS. He urged the secretariat to integrate into its work program the development of indicators and reliable data in order to guide developing countries in formulating e-strategies and to measure the impact of e-commerce and ICT on their economies.

14. The representative of **Greece**, speaking on behalf of the **European Union** and the **Central and Eastern European states associated with the EU, as well as Cyprus, Malta and Turkey**, said that the meeting should stress the importance of policies promoting SME competitiveness. Such policies aimed at creating a favourable business environment, and they specifically addressed some of the more common market failures experienced by SMEs in EU economies, developed or developing. Macroeconomic stability was a necessary condition for reducing uncertainties, but it was not sufficient to create an economic environment conducive to entrepreneurship, investment and innovation, the driving forces not only of present but also of future competitiveness. Structural reforms were necessary to give more

space to private enterprise, increase competition, make it easier for enterprises to be created and grow, simplify and reduce the compliance costs of regulations, assure the supply of qualified human resources, and facilitate the dissemination of new technologies.

15. SMEs faced particular barriers regarding access to information, financial resources, high-quality human resources, and new technologies, while regulatory and administrative constraints put a proportionally heavier burden on them. Addressing these issues was of paramount importance, since in most countries SMEs constituted the majority of enterprises and provide most of the products, services and jobs. A thriving, dynamic SME sector was a key factor for growth and prosperity and provided the best insurance against unforeseeable external shocks.

16. She recalled the importance of trade facilitation as a means of improving developing countries' participation in international trade, and the reasons for its inclusion in the Doha Development Agenda. While all the points in the secretariat's issues note "Efficient Transport and Trade Facilitation to Improve Participation by Developing Countries in International Trade" (TD/B/COM.3/53) were relevant, simplification of documentation, simplification of trade and customs procedures, and harmonization of rules and regulations were the key issues requiring discussion and solutions. In the context of technical assistance, the ASYCUDA program was a successful example of integrated management of customs operations.

17. To make trade facilitation a reality, political will and commitment as well as predictability and stability through binding rules were needed. Trade facilitation was an important element of development, and a rules-based system would help attract public and private funds for overhauling and improving public administration and trade capacity. The EU was ready to make trade-related technical assistance and capacity building an integral part of a WTO trade facilitation package.

18. As the use and customizing of software acquired an important role in energizing economic actors such as individuals, companies, third-sector and community groups in developing countries, the use of free/open-source software was being actively promoted in many countries as a development strategy. Brazil and Viet Nam were two examples of countries actively engaged in endorsing development based on the use of free/open-source software.

19. The representative of **India**, speaking on behalf of the **Asian Group**, said that, while some Asian countries had been leaders in the area of competitiveness policies, particularly the area of technology development and FDI, there was a growing fear that their national policy space was shrinking. Those policy makers who engaged in international trade and investment negotiations were different from the policy makers in the capital who were concerned with building a competitive local enterprise base. The panel discussions under item 3 of the meeting agenda should help identify those competitiveness policies that needed to be maintained and kept in mind during future negotiations.

20. Malaysia's role in promoting business linkages was an excellent example in Asia of providing access to markets and technology, and it was one reason why the region was "getting ahead." The Asian Group looked forward to the video presentation produced by the secretariat in collaboration with the Governments of Malaysia and Brazil that would focus on successful initiatives. It welcomed the opportunity for a policy debate on competitiveness and also saw a need to translate the results of the discussion into effective technical assistance programmes. While business linkages were one example, undoubtedly over the next three days others would be found.

21. She pointed out the current situation of international transport services in the region. Even though the region included some of the top transport operators, many suppliers of transport services were still in the early phases of modernizing their facilities, equipment and management systems to improve operations. Better regional integration could be obtained and sustained through strengthening of the logistics services offered by national service suppliers in order to improve trading opportunities and transport efficiency. To this end, emphasis needed to be placed on efforts to harmonize transit and custom procedures so as to increase both trade and investment. A number of countries from the region had autonomously taken steps to simplify and modernize customs clearance procedures. Harmonization of procedures for the whole region, however, remained a challenge because of various factors, such as differing geographical and infrastructure requirements, differing levels of development, and differing resource constraints. Her Group noted with interest the recent outcome of the Expert Meeting on "Efficient Transport and Trade Facilitation" and stressed the need to monitor the implications of recent security measures for trade and transport in the Asian region. UNCTAD could play an important role in monitoring developments in this area and assessing the implications of trade facilitation work within the WTO for developing countries.

22. She affirmed the importance and worldwide impact of the *E-Commerce and Development Report 2002*. ICT and e-commerce were becoming increasingly vital for the Asian economy. India's software sector, with its rapid growth and great contributions to the nation's economy, set a good example for the region. In order to mitigate regional and global digital divides, especially those between developed and less developed countries, Governments should play a significant role in creating an enabling environment for ICT and e-commerce growth as well as in formulating strategies and policies favourable to e-commerce and e-business development at the national level. At the Expert Meeting on "Electronic Commerce Strategies for Development: The Basic Elements of an Enabling Environment for ECommerce" (Geneva, June 2002) and the UNCTAD-UNESCAP Asia-Pacific regional conference on "E-Commerce Strategies for Development" (Bangkok, November 2002), Governments from the Asian region had committed to promoting ICT and e-commerce development as well as formulating ICT and e-commerce strategies incorporating all relevant factors.

23. In addition to UNCTAD's current work on e-commerce, the Asian Group looked forward to further assistance from UNCTAD in formulation of ICT and e-commerce policy and strategy and assessment of e-commerce development. UNCTAD should broaden the

scope of its work in the area of e-commerce statistics and indicators as well as in providing developing countries with technical assistance in ICT and e-commerce strategy development.

24. The representative of **Venezuela**, speaking on behalf of the **Group of Latin American and Caribbean Countries** (GRULAC), said that the experience of many countries of the region showed that macroeconomic policies had not been enough to increase these countries' participation in global trade. Without improving the productive capacity of enterprises, particularly SMEs, countries were not able to take advantage of available opportunities. The theme of the Expert Meeting on "Improving the Competitiveness of SMEs Through Enhancing Productive Capacity: Financing Technology" (Geneva, October 2002) was very relevant for the region, which was currently facing economic crises.

25. One of the main obstacles facing enterprises in the region was the difficulty of accessing new technology and financing. Owing to uncertainty and high costs, private-sector funding was very meagre. Improvement of these countries' productive capacity and enhancement of their competitiveness must be a primary focus of UNCTAD XI. The Commission's discussions would provide an excellent opportunity to begin preparations for the conference.

26. Important reforms in the provision of transport services and in infrastructure had been carried out in the region during the past decade. These reforms had focused on upgrading of management, deregulation for improving competition, and regional harmonization of legislation and procedures, particularly for privatization and multimodal transport. Although the reform process had been long and complex, it had improved the competitiveness of the foreign trade sector. An increasing number of Governments had turned to the private sector for management of transport infrastructure and for investment to increase competitiveness. In the future, there would be greater competition as global transport and logistics suppliers provided door-to-door services. Countries should be prepared for this evolution in terms of WTO negotiations and also in terms of providing the necessary framework for a beneficial transfer to the private sector. Her Group supported security measures that contributed to efficient international transport but was concerned by recent security initiatives affecting container traffic. Since these measures could alter the normal flow of trade, UNCTAD should continue its analysis of these measures' impact on developing countries.

27. She emphasized the opportunities offered by ICT for improving trade and the productive capacity of enterprises, in particular SMEs, not only to access new markets but also to more effectively enhance productivity. GRULAC welcomed the *E-Commerce and Development Report 2002*, which underscored the important role of ICT and their trade and financial applications in international debates on various aspects of e-commerce and their implications for developing countries. GRULAC encouraged the secretariat to pursue and strengthen its work examining the relationship between ICT and sustainable development. UNCTAD should continue providing developing countries with policy-making assistance in the area of e-commerce. GRULAC welcomed the results of the Expert Meeting on Electronic Commerce Strategies for Development in helping developing countries work out their policies regarding priority areas such as capacity building, legal and regulatory frameworks, and sectoral reforms, among others. The Commission was requested to provide inputs for a

substantial contribution to the WSIS, and in doing so to give adequate weight to the effects of ICT on the economies of developing countries.

28. The representative from **Benin**, speaking on behalf of the **Least Developed Countries** (LDCs), said that enterprises were playing an increasingly important role, not only in developed countries but also in developing ones, and specifically in the LDCs. Globalization required enterprises to adapt to the international economic environment, in terms both of the means employed and of the quality of the products and services provided. Under these new circumstances, improving the competitiveness of enterprises involved the following essential steps: creating a legal and regulatory framework that was flexible and encouraging; building human and institutional capacity; and providing products that were really competitive in terms of price and quality. Access to financing and risk management were other important factors that need to be considered, since they allowed enterprises greater freedom to manoeuvre, enhancing productive capacity and the range of products offered, as well as increasing confidence where entrepreneurial actions and initiatives were concerned.

29. Transport facilities and services were a major concern for development. Many countries faced considerable constraints in reaching international markets owing to the precarious state of roads and railways, limited availability of transport equipment, and cumbersome administrative procedures. The development of multimodal transport, with the participation of local suppliers, could be a means of overcoming these limitations, thus facilitating trade and promoting development, with due consideration given to the special conditions of coastal, insular and landlocked countries.

30. While recognizing the opportunities created by ICT and e-commerce, he emphasized the digital divide between the LDCs and the rest of the world. His Group urged that a plan of action be formulated to develop infrastructure and capacity building so as to increase the number of countries benefiting from the IT economy. The secretariat should continue and strengthen its work in the area of e-commerce and its legal, social and economic implications in order to increase the participation of LDCs in international trade, and optimal resources should be allocated to support these efforts.

## **II. ORGANIZATIONAL MATTERS**

### **A. Opening of the session**

31. The seventh session of the Commission on Enterprise, Business Facilitation and Development was held at the Palais des Nations, Geneva, from 24 to 27 February 2003. In the course of the session, the Commission held \_\_\_\_ plenary meetings and \_\_\_\_ informal meetings. The session was opened on 24 February 2003 by Mr. Rubens Ricupero, Secretary-General of UNCTAD.

### **B. Election of officers**

(Agenda item 1)

32. At its plenary meeting, on 24 February 2003, the Commission elected its Bureau as follows:

President:	H. E. Mr. Nathan Irumba (Uganda)
Vice-Presidents:	Mr. Habib Ould Hemeth (Mauritania)
	Mr. Pavel Hrmo (Slovakia)
	Mr. François Léger (France)
	Mr. Julio Vázquez Roque (Cuba)
	Mr. Eberhard von Schubert (Germany)
Rapporteur:	Mr. Truong Trieu Duong (Viet Nam)

### **C. Adoption of the agenda and organization of work**

(Agenda item 2)

33. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/48. Accordingly, the agenda for the seventh session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Improving the competitiveness of SMEs through enhancing productive capacity
4. Efficient transport and trade facilitation to improve participation by developing countries in international trade
5. Electronic commerce strategies for development
6. Implementation of agreed conclusions and recommendations of the Commission, including post-Doha follow-up
7. Provisional agenda for the eighth session of the Commission
8. Other business
9. Adoption of the report of the Commission

**D. Provisional agenda for the eighth session of the Commission**

(Agenda item 7)

**E. Adoption of the report**

(Agenda item 9)