



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/COM.3/L.32
23 February 2006

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and Development
Tenth session
Geneva, 21–24 February 2006
Agenda item 9

**DRAFT REPORT OF THE COMMISSION ON ENTERPRISE, BUSINESS
FACILITATION AND DEVELOPMENT ON ITS TENTH SESSION**

Held at the Palais des Nations
from 21 to 24 February 2006

Rapporteur: Mr. Amr Aljowaily (Egypt)

Speakers:

Secretary-General of UNCTAD
Pakistan for the Group of 77 and China
Zimbabwe for the African Group
Sri Lanka for the Asian Group
Guatemala for GRULAC
Benin for the LDCs

Austria for the European Union, Bulgaria
and Romania
Russian Federation
India
Colombia
China
Cuba
Nigeria

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 1 March 2006** at the latest, to:

UNCTAD Editorial Section, Room E.8106, Fax No. 917 0056, Tel. No. 917 1749 / 1437

I. Opening statements

1. **The Secretary-General of UNCTAD** noted that globalization and liberalization, combined with rapid advances in ICT, called for new enterprise development strategies which took into account the role and potential interaction of the private and public sectors. A sound and business-friendly macroeconomic policy environment was a prerequisite for creating competitiveness, but developing countries must first develop institutional capabilities and the productive capacity of domestic SMEs. The São Paulo Consensus highlighted that coherent policy at the international level is also necessary to enable the integration of developing countries into the international trading system.

2. UNCTAD would continue to support the efforts of developing countries and economies in transition to build their enterprise sector and supply capacities, particularly those of SMEs. Countries also needed to build competitive advantages, invest in entrepreneurial and technical skills, and share risks among public and private institutions. Efficient local and central government, effective intermediary organizations were essential, as was the availability of support structures providing financial and non-financial services.

3. On the issue of trade facilitation, the Secretary-General noted that UNCTAD worked to help developing countries achieve and sustain a virtuous circle between development and the capacity of countries to implement trade facilitation measures. UNCTAD was monitoring the impact of increases in maritime freight rates on the competitiveness of developing countries' exports and is working to enhance understanding of existing transport-related legal frameworks. The needs of landlocked countries in the area of transit trade and transport were being addressed in the follow-up to the Almaty Programme of Action. The Secretary-General expected growing demand for UNCTAD work in the use of ICT applications for international transport and trade facilitation, which should help countries to participate actively in globalized production processes and international logistics networks.

4. Science and technology needed to be placed high on the UNCTAD agenda. ICT and e-business warranted special consideration as they were crosscutting issues and helped improve productivity and efficiency throughout the economy. The Secretary-General noted UNCTAD's contributions to the World Summit on the Information Society (WSIS), and said that the organization would remain actively engaged in this process. He also acknowledged UNCTAD's work over the years on key ICT-related business and trade issues affecting development, and the progress achieved in partnerships on free and open source software (FOSS) and on the statistical measurement of ICT. The latter was essential in order to give developing countries access to trustworthy data to design and assess their ICT policies.

5. **The Islamic Republic of Pakistan**, speaking on behalf of the **Group of 77 and China**, stated that it was important for substantive discussions during UNCTAD Commission sessions to yield substantive outcomes. On the substantive item of improving the competitiveness of SMEs, the G77 noted that SMEs played a crucial role in catalysing sustainable growth. The ultimate objective of trade liberalization was to raise the living standards of people, and should therefore be linked to industrialization. Governments should help SMEs overcome market failures such as access to finance, information, technology and markets. The G77 encouraged UNCTAD to do more research on best practices for enhancing SME competitiveness through business linkages with foreign affiliates, as well as on the policy options available to developing countries.

6. On the issue of trade facilitation, the G77 noted that capacity-building was often the first step that needed to be taken to initiate the virtuous circle between development and the capacity to implement trade facilitation measures. For most developing countries, the cost of international transport was much higher than average import duties. In the context of WTO negotiations on trade facilitation, developing and least developed countries would require significant additional support for the implementation of commitments in trade facilitation measures. The G77 also indicated that the role played by ICTs in trade and transport facilitation deserved increased attention in UNCTAD's future programme of work.

7. It was essential for countries to integrate ICT into their development process, as they were crosscutting tools which could support their efforts to achieve the Millennium Development Goals. The Tunis phase of the World Summit on the Information Society (WSIS) had drawn attention to the growing impact of ICT on trade in goods and services and on the productivity of enterprises, to the supporting role of free and open-source software, and the role of e-business practices in specific economic sectors such as tourism. ICT development strategies must include policies and measures to increase the adoption of ICT across economic sectors, and statistical data was needed to evaluate them. The G77 wished to be kept informed of UNCTAD activities in the assessment of ICT usage in developing countries, particularly in the context of the Partnership on Measuring ICT for Development and its possible role in the follow-up to WSIS.

8. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, noted that Africa's share in world trade had fallen over the years to a mere 2 per cent, mainly due to its dependence on primary exports. Africa needed to build a competitive export capacity by improving the composition of its exports and productive and supply capacities, especially as foreign direct investment (FDI) in African countries was inadequate. UNCTAD should carry out more research to help African countries shift away from FDI for the extraction of raw natural resources, towards strengthening their productive capacities downstream, thereby bringing added value to export baskets.

9. Many African countries faced serious constraints in enterprise internationalization and only a few of them were able to adopt outward foreign direct investment policies. UNCTAD should work further to find practical ways to overcome existing constraints, particularly with regard to the lack of insurance and exchange rate controls. It should also make market data readily available, recommend policy options, and intensify research on the supply capacities of African SMEs. The African Group commended the EMPRETEC programme for its activities in support of entrepreneurship capacity-building.

10. To overcome its shrinking share of global trade, Africa needed to overcome obstacles to its connectivity to the global economy and the international trading system, such as high transport and transit costs, as well as problems of poor infrastructure and network systems, particularly in landlocked countries. UNCTAD should therefore continue promoting efficient transport networks through tailored technical assistance, capacity-building, advisory services and analytical and research work.

11. UNCTAD was encouraged to pursue its work on multimodal transport law and to analyse the implications of ongoing developments for developing country trade. African countries needed UNCTAD assistance in the WTO negotiations on trade facilitation and looked forward to additional support activities. An UNCTAD study on the implications for developing countries of transport-related security measures was eagerly awaited.

12. ICT could potentially enable the development of trade, spur growth in developing countries and strengthen their supply capacity. Despite some African successes, ICT remained unaffordable, there was insufficient infrastructure and skills were rare. African countries had the lowest levels of access to, and usage of, ICTs and e-business adoption. At the same time, the New Partnership for Africa's Development (NEPAD) prioritized ICT as a tool for development, which could also contribute to reaching the Millennium Development Goals. A broader adoption of ICT and e-business in Africa could have a positive impact on the competitiveness of enterprises and overall economic performance; however, this first required a commitment to ICT strategies from governments and the private sector, as well as the support of the international community, through mechanisms such as Aid-for-Trade.

13. UNCTAD was urged to contribute to the implementation of the WSIS Tunis Agenda, particularly in e-business. The African group noted the positive impact of ICT on the tourism sector in its region and called on UNCTAD to continue expert meetings in the area of e-tourism. It also called for further work in e-strategies, free and open-source software, e-finance, e-commerce and related legislation. Africa's development partners were invited to provide resources to UNCTAD's undertakings in these areas.

14. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group**, stressed that one of Asia's priorities was to promote SMEs as one of the available means of combating poverty. Additional research was needed on the impact of outward foreign direct investment on enterprise competitiveness and supporting policies, as well as on other forms of internationalization, such as business linkages and global value chains, and their impact.

15. Asia was one of the world's leading providers of international transport and logistics services; however, Asian LDCs and landlocked countries still needed UNCTAD to provide capacity-building and technical assistance in order to draw the benefits from these positive trends. This could be done, for example, by developing strategic facilitation clusters along routes connecting landlocked, transit- and sea-leg countries. UNCTAD should also continue to monitor and analyse legal developments affecting transportation and their implications on developing countries to enhance understanding of international legal frameworks for transportation. UNCTAD's assistance in the WTO trade facilitation negotiations was appreciated; however, the use of ICTs in trade facilitation deserved increased attention in UNCTAD's future work.

16. On ICT and e-business for development, the experiences of several Asian developing countries showed that national ICT policies and strategies could have a significant impact on the access to, and use of, ICT. Policies could be adopted to encourage the deployment of ICT infrastructure, raise awareness on ICT, promote the adoption of e-business, promote free and open-source software as a means to lower access costs, develop e-government services, enhance ICT skills in the workforce and remove regulatory barriers. Facilitating the access of SMEs to ICT, particularly by disseminating information and upgrading ICT skills, was particularly important for Asian countries. Access policies, such as lowering costs or reducing inequalities among certain population groups, should be accompanied by measures to mainstream ICT in national development strategies in areas such as the delivery of services and creation of skills. Strong international cooperation and significant national efforts were needed in this respect.

17. The Asian group was keenly interested in ensuring the implementation of the outcome of the WSIS process. UNCTAD provided an excellent forum to exchange experiences and consider the progress made in areas within UNCTAD's mandate, such as the

relationship between ICT and trade, enterprise and technology issues. UNCTAD was encouraged to continue producing policy-oriented work, information and analysis on ICT and e-business trends, such as the Information Economy Report. Such policy analysis needed to be complemented by capacity-building and technical cooperation, as reflected in the research on the statistical measurement of ICT.

18. The representative of **Guatemala**, speaking on behalf of the **Latin American and Caribbean Group (GRULAC)** expressed his hope that the Commission would formulate effective guidance for UNCTAD's work in identifying policies and support initiatives for enterprises as they were crucial to development.

19. Small- and medium-sized enterprises (SMEs) were important to employment in developing countries and the high percentage of SMEs in the informal sector was a major challenge for these countries. UNCTAD's work to build capacity and enterprise competitiveness was important, particularly in the context of the move towards a more formal economy and its related benefits. The UNCTAD secretariat should continue researching business linkages and best practices; the EMPRETEC programme could be of great benefit to enterprise development.

20. Obstacles impeding trade needed to be analysed against the background of the accelerated growth of global trade in recent years. GRULAC countries have made great efforts to reduce transit times at borders and points of entry and have actively contributed to the building of equitable rules in the course of the current round of WTO negotiations on trade facilitation. Technical assistance and capacity-building were crucial to the successful conclusion of ongoing negotiations and future implementation of agreements. UNCTAD's assistance should be strengthened during this last year of negotiations, in the form of workshops and technical material, and close collaboration with other organizations. UNCTAD could continue to play an important role in improving the access of developing countries to ICT applications in transport, customs automation, and trade transactions.

21. ICTs could contribute effectively to enterprise competitiveness, but required the adoption of national and international measures and strategies to create an enabling environment for the adoption of these technologies. UNCTAD should therefore pursue its research in support of government efforts to promote ICT use, for example, through the Information Economy Report. Statistical information on ICTs and their use by enterprises was required to inform decision-making and the formulation of coherent policies. This was a good example of practical activities through which UNCTAD could contribute significantly to improving the capacities of developing countries to formulate information society policies and assess their effectiveness. The Group expressed its interest in UNCTAD's activities on the Partnership on Measuring ICT for Development and its capacity-building and technical activities in the areas of statistical measurement of the information economy and ICT use by enterprises.

22. The representative of **Benin**, on behalf of the **least developed countries (LDCs)**, stressed the urgency of finding ways to strengthen and diversify the productive sector in developing countries and emphasized the importance of SMEs in the economic tissue of LDCs. Under certain conditions, the internationalization of enterprises could increase the productive and export capacity of developing countries. However, LDCs needed assistance to improve their institutional and structural capacities to attract productive investments, and their SMEs needed training to better face the challenges of globalization. Development partners should make long-term commitments to actions that would have a significant and

lasting effect; these included technology transfer, financial support for the private sector, strengthening of national SME-support institutions, and the development of added-value products. An improved participation in international trade implied the elimination of technical obstacles, the improvement of supplies, stock capacities and product quality, as well as stronger and enlarged UNCTAD technical cooperation programmes, and special and differentiated treatment for the export products of LDCs.

23. The development of transport and communication infrastructure was important in facilitating LDC exports. LDCs relied on their development partners to finance infrastructure development which, in turn, played a role in attracting investments. LDCs faced serious difficulties in adapting their infrastructure to the increased security measures in international transport as they required important investments in equipment and human resources. In addition, landlocked LDCs urgently needed solutions to facilitate the transit of merchandise, including by simplifying administrative procedures. The use of ICT could help to reduce costs and increase transparency. Within the context of ongoing WTO negotiations in trade facilitation, it was important to determine the capacities of LDCs to implement measures and to tailor technical assistance programmes to reinforce existing capacities; LDCs were grateful to donors for their support to capacity-building activities in this area.

24. LDCs needed to increase their participation in international discussions which could have an impact on the development of ICT in their countries. The digital divide between developing and developed countries was still very large and LDCs would be marginalized if nothing was done to address this problem. UNCTAD should continue to help LDCs to remove obstacles to ICT access in economic activities.

25. The representative of **Austria**, on behalf of the **European Union (EU)** and with the support of **Bulgaria** and **Romania**, looked forward to hearing about the impact of secretariat activities from the perspective of the beneficiaries, the private sector and civil society. More attention needed to be given to African SMEs as they could also be integrated in global value chains through business linkages. Human resources were important for economic growth, the elimination of poverty and achieving the Millennium Development Goals. Sustainable business linkages were only possible through the participation of all stakeholders, namely governments, SMEs and transnational corporations. Collaboration with specific institutions and selective industrial policies may also be needed to cope with global integration; UNCTAD could cooperate with UNIDO to further such activities.

26. On the issue of trade facilitation, the EU was seeking WTO rules that would cut costs and bureaucracy. The EU was ready to accept special and differential treatment, possible exemptions, and technical assistance for LDCs and some other countries when commitments related to these rules were too difficult to implement. Additional EU funds for development and trade-related assistance should become available in the future. If requested by the beneficiary countries, they could be directed at implementing WTO-related trade facilitation measures and building up trade infrastructure. The EU also pursued trade facilitation provisions in its bilateral and regional trade initiatives such as regional transit arrangements or the trade facilitation chapters of the Economic Partnership Agreements with ACP regions. The secretariat should also ensure internal cooperation in the organization of the Expert Meeting on Trade Logistics Services, a topic proposed by the Commission on Trade.

27. The EU welcomed and supported UNCTAD's work on ICT and e-business for development. UNCTAD should adhere to the WSIS outcomes and mandate and, whenever

possible, should seek to build on partnerships and cooperate with other organizations, and only take on work within its mandate and competence.

28. The representative of the **Russian Federation** said that his country placed great importance to enhancing the competitiveness and strengthening the productive capacity of SMEs. Trends in internationalization showed that in certain conditions this process could enhance the production and export capacities of enterprises in developing countries by increasing their access to markets, enhancing management knowledge and adopting new technologies. This was particularly significant for countries in the process of joining WTO. UNCTAD should continue its important role in promoting the transport sector and simplifying trade procedures, through the organization of expert meetings and research. UNCTAD should continue to promote ICT policies, free and open source software, and cooperate with other organizations. The Russian Federation looked forward to continued cooperation with UNCTAD in all these matters.

29. The representative of **India** attached great importance to the work of UNCTAD's Commissions, which formed an integral part of its intergovernmental machinery and consensus-building activities, and hoped that substantive discussions would lead to substantive development-focused outcomes.

30. The representative of **Colombia** said that the SME system was still too small to constitute a solid base for economic growth, and that efforts were still needed to increase the numbers of innovative enterprises, research groups and technological centres. It was important to foster an environment that would make entrepreneurship attractive and rewarding, thereby promoting technological knowledge and education. Technological education was needed for developing countries to be successful in a globalized economy.

31. Developing countries should not accept the transfer of tired and obsolete technology, but should work together and with international organizations, including UNCTAD, to develop policies to promote original and added-value technologies. A balance was needed between increased private and public investments in science and technology for development. Limited resources were distributed among many small projects, when they should be increasingly directed to larger projects that attract technological innovation. Governments should try to create more innovation-friendly business environments by, among others, fostering market opportunities, an adequate legal framework and innovation policies.

32. The representative of **China** agreed that the internationalization of SMEs could be an effective way of enhancing the competitiveness of developing countries. China hoped that UNCTAD would further strengthen its work in this field and carry out focused studies, technical assistance, and policy recommendations, which would take into account the specific situations of different countries. A number of measures had been taken to create an enabling environment to support the development of SMEs, which had become an important force in China's economic growth and system reform; China therefore looked forward to an in-depth exchange of views and cooperation on measures to support SMEs. Also on the issue of trade facilitation as an engine for development, due attention needed to be given to the different development patterns and levels of countries; UNCTAD should analyse the various barriers in trade and increase technical assistance and capacity-building in developing countries accordingly. In the context of WTO negotiations on trade facilitation, priority needed to be given to financial and technical assistance to developing countries and LDCs in order to better enable them to implement commitments. China facilitated trade through measures including improved legislation, customs procedures, enhanced transparency, and promoting

business contacts. It has also actively promoted interregional trade facilitation in the Greater Mekong region through a strategic framework of action, and has reached an agreement on transit transport with Mongolia and Russia.

33. It will not be possible to achieve a true globalization of e-business without the full participation of developing countries. The international community was duty-bound to help developing countries develop their e-business and bridge the gap of weak ICT infrastructure and insufficient ICT skills. The organization of policy dialogues and study of ICT applications and e-business were appreciated; it was to be hoped that they would be further strengthened, and that technical assistance and capacity-building would be carried out. E-business and the use of ICT were important in the promotion of industrialization. A series of facilitating measures have already been implemented and have resulted in an incipient regulatory framework, more infrastructure, more Internet and broadband users, and increased e-business transaction values. China looked forward to assistance from, and strengthened cooperation with, UNCTAD in the area of e-business.

34. The representative of **Cuba** stressed that indiscriminate liberalization had led to more poverty, and that economic and trade policy should instead contribute to eliminating poverty and increase social equity. There was still no clear solution to the main obstacles for SMEs to access international markets; management systems were needed to ensure product and service quality, competitive costs, and the constant acquisition of market and technological knowledge.

35. Developing countries could still not aspire to full-fledged Internet use due to the lack of existing infrastructure, resources and skills. To address this problem, Cuba introduced computer education, including in rural areas, and has promoted community access to technologies, such as Cuba's computer clubs and accounting centres; the latter provided information, accounting, and other management advisory services to SMEs. Indicators on SME ICT training and skills and shared use of technologies should be made available to assess progress. The cost of Internet connectivity was an obstacle to ICT adoption in developing countries because connection costs had to be paid for traffic in both directions. South-South cooperation in technology transfer should also be addressed, based on the success stories of some countries. In collaboration with other agencies, UNCTAD should also prepare e-commerce assistance packages that could include capacity-building, support material and software. Cuba would be willing to collaborate with and provide its expertise in such activities.

36. The representative of **Nigeria** said that Africa's de-industrialization and marginalization in world trade were due to worsening terms of trade, an over-reliance on primary commodities, and a lack of competitiveness in manufacturing. Efforts to enhance Africa's productive capacity through SMEs had been hampered by a lack of technology, low capital formation, and some government policies. He commended UNCTAD for its efforts to unlock the gridlock on Africa's industrial potential. To support the internationalization of SMEs through OFDI, Nigeria had started to consolidate its banking and insurance industries in order to become major players in the mobilization of capital in Africa. UNCTAD's efforts to strengthen transport and trade facilitation in the continent have had a real impact, and UNCTAD assistance was still needed to build the capacity of e-business in Africa.

II. Organizational matters

A. Opening of the session

37. The tenth session of the Commission on Enterprise, Business Facilitation and Development was opened at the Palais des Nations, Geneva, on 21 February 2006, by Mr. Peter Fröhler, Officer-in-Charge, Division for Services Infrastructure for Development and Trade Efficiency (SITE), UNCTAD.

B. Election of officers

(Agenda item 1)

38. At its plenary meeting, on 21 February 2006, the Commission elected the following officers to serve on its Bureau:

Chairperson:	Mr. Iouri Afanassiev (Russian Federation)
Vice Presidents:	Ms. Dinar Sinurat (Indonesia) Mr. Emmanuel Farcot (France) Ms. Melissa Keoho (United States of America) Mr. Julio Vasquez Roque (Cuba) Mr. El Mostafa Ait Amor (Morocco)
Rapporteur:	Mr. Amr Aljowaily (Egypt)

* * * * *