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Commission on Enterprise, Business Facilitation and Development

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Agenda item 9

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

Held at the Palais des Nations
from 19 to 23 February 2007

Rapporteur: Ms. Asako Sato (Japan)

Speakers:

UNCTAD secretariat
Honduras (on behalf of
the Group of 77 and
China)

Angola (on behalf of the
African Group)

Thailand (on behalf of the
Asian Group)

Brazil (on behalf of
GRULAC)
Benin (on behalf of the
LDC Group)

Germany (on behalf of
the EU)

Belarus (on behalf of
Group D)

Russian Federation

Cuba

Indonesia

Nigeria

China

Moldova

United States

Haiti

Peru

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, 28 February 2007 at the latest, to:

UNCTAD Editorial Section, Room E.8102, Fax No. 917 0056, Tel. No. 917 5654 / or 1437.

I. OPENING STATEMENTS

1. The representative of the **UNCTAD secretariat** noted that the eleventh session of the Commission should result in "development-oriented outcomes including policy options" that could be considered by member States, in accordance with the recommendations of the UNCTAD Mid-term Review. In addition, the Commission should consider the work that could be carried out by the secretariat in preparation for UNCTAD XII.

2. In introducing the substantive items to be discussed by the Commission, the representative of the secretariat noted that global value chains were essential for building the productive capacities of developing countries and enhancing the competitiveness of their SMEs. A competitive, sustainable SME sector needed effective government policies and cooperation among all actors in order to create an enabling environment that would attract foreign direct investment. The latter could help in the diffusion of technology and know-how, and could increase innovation rates among local enterprises. Also, SMEs could develop trade and investment links through regional production networks, and thus UNCTAD's EMPRETEC programme developed the entrepreneurial potential of many developing countries, building regional and South-South cooperation. Furthermore, UNCTAD could actively contribute to the Aid for Trade initiative in its support for SME competitiveness.

3. Transport and trade facilitation also had a direct impact on the competitiveness of developing countries. In the context of the negotiations of the Doha Round, developing countries requested UNCTAD's expertise for assessing their capacities to implement binding rules for trade facilitation. UNCTAD was helping countries to participate effectively in the WTO negotiating process, and the ASYCUDA system could facilitate compliance with proposed customs modernization measures, but more resources would be needed in order to respond to the growing demand. Furthermore, UNCTAD had been requested to support the 2008 mid-term review of the Almaty Programme of Action for Landlocked and Transit Developing Countries. It should also monitor emerging issues in international trade and transport, including port reform, transport security regulations and their costs, freight logistics services in the GATS, the environmental impact of international transport and the role of ICTs in trade facilitation.

4. The secretariat noted that ICTs had become very important for development strategies and policies, both as a productive sector and as a tool applied to other economic and social activities. ICTs could enhance the productivity and competitiveness of enterprises, including by facilitating innovation, and ICT and innovation policies were increasingly intertwined. The secretariat suggested that the Commission consider the role of ICT policies in fostering growth through ICT-driven innovation. An enabling environment for ICT-driven innovation included adequate research infrastructure, a skilled labour force, appropriate regulatory and taxation policies, and financial and non-financial support measures.

5. The secretariat welcomed the inclusion of the issue of capacity-building in the Commission's agenda and hoped that the Commission would encourage the continuation of analysis on the building of knowledge and skills for trade, the development of training and teaching programmes, and the exploration of ways to enhance the links between researchers and policymakers. Building those individual and institutional capacities for trade and investment, as well as for research and policymaking, would increase the competitiveness of developing country enterprises.

6. The representative of **Honduras**, speaking on behalf of the **Group of 77 and China**, said that international debates should give due consideration to the development of entrepreneurship and a competitive SME sector in developing countries. The Aid for Trade initiative should include efforts aimed at building productive capacities by embracing investment and technology transfer for enterprise development. The EMPRETEC programme, which had helped developing countries expand the pool of their entrepreneurs and SMEs, should be extended to more developing countries and economies in transition. With regard to enterprise internationalization, the Group of 77 and China noted that outward foreign direct investment from developing countries could help strengthen South–South cooperation. UNCTAD was well placed to carry out further policy and analytical work on enterprise internationalization in the context of building productive capacities for developing countries.

7. On the subject of international transport services and trade facilitation, the international community should support developing countries in defining their trade and transport facilitation needs and priorities. National trade facilitation bodies were central actors in such prioritization, especially when implementing trade and transport facilitation measures and assessing related proposals in trade negotiations. UNCTAD support was needed for analysing, inter alia, countries' trade flows and structure, geographical considerations, access to transport networks, and common modes of transport for carriage in international trade. UNCTAD could partner with relevant international organizations for those analyses, as it did for example in the Global Facilitation Partnership, and support the creation of the appropriate trade facilitation organizations.

8. UNCTAD should continue its work on ICT and e-business for development, maintaining a productive balance between research and policy analysis, consensus-building and technical assistance. SMEs' use of ICT was of particular relevance, because of the economic importance of SMEs and the fact that they were lagging behind in the use of e-business applications compared with larger enterprises. The Group of 77 and China suggested that the Commission consider mandating the development of a set of voluntary guidelines that developing countries could use to define and implement ICT policy reviews. In that context, ICT indicators were core policy elements for the development of the information economy. Also, the unceasing advance of ICTs necessarily related to innovation practices and policies, which in turn could form part of the ICT policy review mechanisms of developing countries.

9. The Group of 77 and China commended UNCTAD's Virtual Institute and TRAINFORTRADE capacity-building programmes, which had fostered long-term and locally owned training, teaching and research programmes, and increased South–South cooperation. They encouraged UNCTAD to continue its analytical work on capacity-building and the use of evidence-based research in policy formulation. However, sufficient funds were needed so that those programmes could continue and achieve their full long-term potential. Given the growing consensus about the inclusion of trade-related technical assistance and capacity- building in the Aid for Trade initiative, those activities could receive further financial support from the initiative when it had been established.

10. The representative of **Angola**, speaking on behalf of the **African Group**, said that promoting the growth of SMEs and enhancing entrepreneurship talents constituted significant development policy for developing countries, particularly in Africa. The African Group welcomed the expansion of the EMPRETEC programme to include three additional African

countries, and encouraged the secretariat to continue this expansion. The discussion on global value chains and business linkages was much needed by African countries, where the private sector should be the focus in building productive capacities. In that context, UNCTAD should enhance its cooperation with the African Union and the New Partnership for Africa's Development (NEPAD), which had established a mechanism to develop an enabling environment for business by promoting good governance, policy and institutional reforms. The Aid for Trade initiative, with the participation of UNCTAD, should support African countries in strengthening the private sector's ability to compete in world markets.

11. The African Group encouraged UNCTAD to intensify its efforts in supporting landlocked and transit developing countries in preparing the 2008 mid-term review of the Almaty Programme of Action for Landlocked and Transit Developing Countries, including the two high-level preparatory meetings on infrastructure development and trade and transport facilitation scheduled for 2007, which would address concerns regarding the improvement of transit transport operations through practical solutions.

12. The African Group welcomed UNCTAD's analysis of technology policy issues from the African viewpoint and encouraged the secretariat to continue providing expertise in the area of ICT policies and strategies to help developing countries create a favourable environment for e-commerce and e-business. The African Group appreciated UNCTAD's long-term and locally determined programmes to enhance the knowledge and skills of the private sector, academia and policymakers in Africa. It endorsed the recommendation of the Advisory Group on the Strengthening of Training Capacities and Human Resources Development that the activities carried out by the three UNCTAD training and capacity-building programmes (namely TRAINFORTRADE, the Virtual Institute on Trade and Development and the Training Course on Key Issues on the International Economic Agenda) in Africa be extended, and called for increased donor support to UNCTAD projects designed to meet the specific African needs regarding human resources development.

13. The representative of **Thailand**, speaking on behalf of the **Asian Group**, commended the EMPRETEC centres and encouraged UNCTAD to expand the programme to cover more countries, including Asian countries, by working with international development partners. Also, Asia needed more analytical work and advisory services regarding enterprise internationalization, given the increase in South-South and South-North investment in the region. The exchange of experiences and better coordination among stakeholders would help to increase the ability of developing country SMEs to integrate into global value chains.

14. Efficient trade and transport facilitation was crucial for landlocked developing countries and small island developing States in Asia. UNCTAD could contribute to Asian implementation of new security measures in international transport. It should continue its successful technical assistance activities in Asia, including the trade facilitation projects in Afghanistan, Pakistan and South-East Asia, the ongoing implementation of ASYCUDA and support to the negotiations on trade facilitation at the WTO.

15. The Asian Group urged UNCTAD to promote work on the periodic evaluation of ICT policies for development, including by assisting countries in producing comparable data on the digital economy. It also welcomed UNCTAD's analysis of pro-poor information technology and expected similar work to continue. Finally, the Asian Group recommended that funding be sought to sustain the long-term success of UNCTAD's high-quality capacity-building work through the Virtual Institute, the courses on key issues on the international economic agenda and the TRAINFORTRADE programme.

16. The representative of **Brazil**, speaking on behalf of **GRULAC**, stressed the importance of adding value to economic activities through technological innovation, sector diversification and the development of the supply chain. GRULAC congratulated UNCTAD on its successful EMPRETEC programme, including a Brazil pilot, and encouraged the secretariat to expand it to support the development of productive linkages and clusters in specific sectors with substantial potential. It highlighted the need for policy space so that Governments of developing countries could effectively support their SMEs; for example, specific micro-credit policies would be needed in order to strengthen the linkages between migrants' remittances and investment in SMEs.

17. GRULAC welcomed UNCTAD's research on ICT policies to support the development of the information society. Policymakers faced two key challenges: ensuring that higher levels of connectivity were translated into economic growth and increases in productivity, and reducing inequalities in access to ICTs and the use thereof, and in the benefits that different social groups could derive from such technologies. Therefore, GRULAC encouraged the secretariat to continue its efforts to carry out national ICT policy reviews, and to analyse the impact of ICT policies and programmes on poverty reduction, including their gender dimension.

18. Regarding the development of capacities, delegates were informed that the next Training Course on Key Issues on the International Economic Agenda would take place in Peru. Finally, GRULAC praised UNCTAD for its efforts to support the development of a network, namely the Virtual Institute, that enhanced the relationship between the public, private and academic spheres.

19. The representative of **Benin**, speaking on behalf of the **LDC Group**, noted that globalization required that enterprises adapt their processes and products to the international economic environment. SMEs from developing countries needed help in integrating into global value chains that offered new possibilities for growth, increased competitiveness and the improvement of technological capacities. Improvements in institutional and structural capacities would promote investments, and the transfer of technology would strengthen productive and human capacities, but development partners should make long-term commitments to ensure sustainability.

20. LDCs required investments in transport and communications infrastructure to bring about greater participation by developing countries in global trade. In particular, landlocked countries were marginalized by their lack of access to global transport networks. Even if enterprises were competitive in terms of factory productivity, their competitiveness would be wiped out by the costs associated with a deficient transport infrastructure. The promotion of multimodal transport, incorporating the services of local transport service providers, was crucial to enhancing the competitiveness of LDCs (and their SMEs). Landlocked LDCs needed urgent solutions to facilitate the transit of their merchandise. Lastly, LDCs could not afford to implement new security measures.

21. The representative of **Germany**, speaking on behalf of the **European Union**, noted that UNCTAD's work needed to help overcome trade and supply-side constraints in developing countries. The EU welcomed the detailed analysis of the integration of SMEs into global value chains through linkages with transnational corporations. It also supported greater coordination by international development organizations in technical cooperation, and encouraged the UNCTAD secretariat to develop a coordinating mechanism to interlink the various stakeholders in a network. In that regard, the EU sought a regional focus on Africa.

22. Aid for Trade was considered to be a central instrument for achieving success in addressing structural obstacles encountered by SMEs in developing countries. Increased and more effective Aid for Trade was needed to enable all developing countries, particularly LDCs, to better integrate into the multilateral trading system and to use trade more efficiently for poverty eradication in the context of sustainable development. The speaker referred to a recent decision by the Council of the European Union to increase total Aid for Trade through trade-related technical assistance and capacity-building to €2 billion by 2010. As work progressed on the Enhanced Integrated Framework, the EU welcomed UNCTAD's engagement in the process of implementing the Aid for Trade initiative and would work with its secretariat in defining more clearly the role that UNCTAD would be playing in the future in supporting the LDCs participating in the Integrated Framework.

23. The EU attached great importance to trade facilitation since it promoted transparency, cut red tape and helped to attract investments. In addition, customs automation helped to increase government revenues. UNCTAD was already playing an active role in supporting developing countries in the area of trade facilitation. The Commission was encouraged to continue its work in that area and develop best-practice approaches. In addition, the positive role of the ASYCUDA programme, which was in use in more than 80 countries, should be further developed in order to simplify and accelerate customs procedures in developing countries. The EU also attached great importance to the negotiations on trade facilitation at the WTO, where UNCTAD had an explicit role in supporting those negotiations in close cooperation with other international organizations. Moreover, UNCTAD could play an important role in the implementation of future WTO rules.

24. The model ICT policy review framework proposed in UNCTAD's Information Economy Report 2006 was an important instrument that could contribute to overcoming the "digital divide". The Expert Meeting on ICT for Growth and Development had contributed constructively to the post-WSIS process by laying the theoretical foundation for ICT growth and development. It would now be important to continue along these lines by defining results and identifying follow-up measures. The EU welcomed UNCTAD's support for the Commission on Science and Technology for Development.

25. The representative of **Belarus**, speaking on behalf of **Group D**, encouraged UNCTAD to continue exploring successful policies to promote enterprise development in developing countries and countries with economies in transition, with the aim of identifying best practices for enhancing SME competitiveness, including through business linkages and integration into global value chains. In addition, he asked UNCTAD to continue providing technical assistance and capacity-building on transport and trade facilitation, including through ASYCUDA, putting special emphasis on the facilitation of transit trade for landlocked countries.

26. Group D also encouraged continued analysis of the development implications of ICT issues discussed at the WTO, and of the economic aspects of the information society in the context of the implementation of the WSIS Plan of Action. UNCTAD should also continue to provide a forum for the discussion of ICT for development issues. Finally, UNCTAD should maintain a systemic, development-oriented approach to training on international trade, investment and finance, which would also strengthen local capacities for research and for replicating training.

27. The representative of the **Russian Federation** encouraged participants to take into account during the Commission's discussions the São Paulo Consensus, the outcomes of the

World Summit on the Information Society and the Aid for Trade initiative, and praised UNCTAD's efforts to support the practical implementation of transport and trade facilitation agreements.

28. The representative of **Cuba** noted that SME–TNC business linkages were not enough for countries' development. Often, the dividends of TNC investments did not remain in developing countries, and the more TNCs merged and consolidated, the more they controlled developing economies. Developing countries should thus think about true South–South integration, an example of which was the Agreement for a Bolivarian Alternative for the Americas (ALBA), without prejudice to the development cooperation provided by developed countries. Cuba noted that the embargo which it was under was an obstacle to building its trade infrastructure and doing business like other developing countries, including e-business. Finally, the speaker suggested that ICT and distance learning be further exploited by UNCTAD for capacity-building.

29. The representative of **Indonesia** aligned herself with the statements made by the Group of 77 and China, and by the Asian Group. UNCTAD should establish more EMPRETEC centres in Asia, particularly in countries vulnerable to natural disasters. Improving SME competitiveness required the creation of an enabling and conducive business environment, including improvement of the regulatory framework and infrastructures. Important issues to be addressed included the internationalization of enterprises through global value chains and business linkages. Indonesia encouraged UNCTAD to deepen its work on trade facilitation priorities and its research on trade flows and transport networks, as well as ICT solutions for transport and trade facilitation. Finally, since ICTs supported innovation in the business sector, Indonesia supported UNCTAD's work on the development of guidelines for reviewing ICT policies for development.

30. The representative of **Nigeria** stressed the role of SMEs in the economy and the barriers that they faced in internationalizing their activities, including non-tariff barriers, and highlighted the responsibility of Governments as facilitators. He encouraged UNCTAD to continue working to enhance trade facilitation, develop human capacities, and support the expansion of ICT and e-business in developing countries.

31. The representative of **China** noted that SMEs were an important and dynamic force in promoting economic development and employment. The innovative capacity of enterprises should be strengthened, and it was important that UNCTAD put forward policy suggestions in that area. China encouraged UNCTAD to continue to follow the negotiations on trade facilitation at the WTO, analysing them from a development perspective. UNCTAD's technical cooperation regarding ICTs and e-business had great potential and must continue, although it lacked resources. China expressed its readiness to work with UNCTAD on the legal aspects of e-commerce and ICTs, and urged donor countries to increase their inputs regarding this issue. Existing capacity-building networks should be leveraged.

32. The representative of **Moldova** stressed the importance of SMEs for her country and encouraged UNCTAD and donor countries to support the establishment of an EMPRETEC programme in Moldova to support the development of entrepreneurship capacities. Taking into consideration current constraints in terms of human resources capacities and competitiveness, she encouraged the creation of an Aid for Trade initiative that included low-income and transition countries, and thanked UNCTAD for the implementation of the ASYCUDA customs modernization programme in Moldova.

33. The representative of the **United States** encouraged the Commission to turn UNCTAD research into practical actions and recommendations that raised the level of entrepreneurship in developing countries and helped them integrate into the world economy, to work on improved indicators to measure the impact of its work and to explore synergies with other Commissions. The United States applauded UNCTAD's work on customs modernization and supported the EMPRETEC network. The latter should be used by other Divisions in UNCTAD to share their expertise in investment, trade and other relevant areas.

34. The representative of **Haiti** aligned himself with the statements made by the Group of 77 and China, and by the LDC Group and GRULAC. He noted that although the improvement of SME competitiveness was to be achieved through internationalization, foreign direct investment was increasingly concentrated and directed towards services. This investment had been unevenly distributed in the developing world and many LDCs had been marginalized. Aid for Trade, paired with capacity-building programmes such as those in UNCTAD, should help LDCs overcome supply-side constraints, enhance their trade capacities and increase their attractiveness to foreign direct investors.

35. The representative of **Peru** highlighted the importance of developing SMEs' capacities, and looked forward to the implementation of an EMPRETEC programme in Peru. In addition, she acknowledged the three capacity development programmes of UNCTAD, namely the Virtual Institute, the TRAINFORTRADE programme and the Training Course on Key Issues on the International Economic Agenda (paragraph 166), and drew attention to the need for the paragraph 166 course to build greater interdivisional cooperation, to receive increased resources to ensure its long-term sustainability, and to enhance the links with academia.

II. ORGANIZATIONAL MATTERS

A. Opening of the session

36. The eleventh session of the Commission on Enterprise, Business Facilitation and Development was opened at the Palais des Nations, Geneva, on 19 February 2007, by Mr. Yury Afanassiev (Russian Federation).

B. Election of officers

37. At its plenary meeting, on 19 February 2007, the Commission elected the following officers to serve on its Bureau:

Chairperson:	Mr. Julio Vasquez Roque (Cuba)
Vice-Presidents:	Mr. Frank Isoh (Nigeria)
	Mr. Dayaratna Silva (Sri Lanka)
	Ms. Carmen Elena Castillo (El Salvador)
	Ms. Andriani Falconaki-Sotiropoulos (Greece)
	Mr. Ludmil Kotetzov (Bulgaria)
Rapporteur:	Ms. Asako Sato (Japan)

C. Adoption of the agenda and organization of work

38. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/77. Accordingly, the agenda for the eleventh 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. ICT and e-business for development
6. Implementation of agreed conclusions and recommendations of the Commission
7. Provisional agenda for the twelfth session of the Commission
8. Other business
9. Adoption of the report of the Commission to the Trade and Development Board

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